Hurricane Matthew – An Agent’s Perspective

Danny Cook, CIC CRM MSRMI
16 U.S. DEATHS FROM MATTHEW
7 in NC, 5 in Florida, 3 in Georgia, 1 in SC
Leaves at least 16 dead in the Southeast
President Obama signs
What is a flood?

Per NFIP, “a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area OR two or more properties (at least one of which is your property) from:

• Overflow of inland or tidal waters
• Unusual and rapid accumulation or runoff of surface waters from any source
• Mudflow (defined as a river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water)
• Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.
Flood Statistics (NFIP)

- Floods are the #1 natural disaster in the US

- From 2011 – 2015, average flood claim was more than $46,000

- From 2006 – 2015, flood insurance claims averaged almost $2B per year

- In 2015, average policy premium was $700 +/-

- In 2015, Texas had the most flood claims and SC had the second most.
Flood Insurance Claims

• Flood insurance claims handling is not like the typical property claim

• Adjusters are almost always “independent” adjusters
  • Typically will make initial contact within 48 hours of reporting but may be a week before they meet with the insured, depending on travel capabilities
    • Initial inspection is known as “scoping” where he/she will take measurements and photos
    • They should discuss the “advance payment” option which typically is 15% of the expected loss
      • Most advance payments are in the insured’s hand within two to three weeks

Example of advance payment: Expected damages of $70,000 would yield an advance payment of $10,500.
Flood Claims

• Once the advance payment is received, the final settlement will be at least 60 days, with 90 days being more common.
  • Clients will not understand the delay, especially given the devastation they are experiencing so make them aware of the timeframe
    • They will have received any “homeowner” related payments weeks prior
    • FEMA must approve all claim payments
    • Recoverable depreciation will be held back until repairs are completed

Example of final settlement detail:
$70,000 total loss - $2,000 deductible - $10,500 advance payment - $4,000 recoverable depreciation* = $53,500.
*Repairs must be completed within 180 days
Common Flood Claim Problems

• Inevitably, people forget to provide us with needed information which will slow the claims processing
  • Death of named insured
  • Incorrect mortgagee
  • Mortgagee shown on dec but that loan was satisfied

If a check is issued with the incorrect information on it, and it has to go back to the company for reissuance, the delay could be as long as three weeks plus.
Flood Claims

• File all claims and let the company make the determination
  • Backup of water/sewer or flood?

• FEMA requires “denial” letters if trying to get their assistance

• Clients will bring you paperwork that is from FEMA or SBA, help where you can
Flood Form vs. Homeowner Form

• NFIP does not provide any additional living expenses, unlike the traditional HO form

• NFIP does applies two deductibles, one for the structure and one for personal property

• NFIP does not provide automatic coverage for “other structures” on premises (unless a garage then limited to 10%); each structure must be insured on individual policy or there is not any coverage
  • So, if an insured has a storage shed and insures it on a separate policy, and damage is done to the home and the shed, two deductibles will apply (maybe three if personal property is damaged)
Flood, other than NFIP

- Some companies now writing “private” flood insurance
  - May be cheaper
  - Claims process probably faster
  - May even provide ALE
  - No NFIP surcharges or fees
  - Shorter waiting periods (14 days instead of 30 days)
  - Higher limits ($800,000 on structure and $250,000 on pp)
  - BUT….will the lender accept it???
  - Grandfathering is lost, may be an issue?
Excess Flood

• An example of additional coverages:
  A) Loss of Use / Temporary Living Expense Coverage—provides up to $20,000 coverage
  B) Personal Property & Real Property in Basements of Post Firm Risks—extends coverage up to $5,000 for each
  C) Loss Avoidance Measures—provides up to $1,500 in coverage after primary flood policy limits are exhausted.
  D) Underground Septic Tank Cleaning—provides up to $500 for pumping of the septic tank
  E) Limited Mobile Equipment—
     i. Golf Carts—provides up to $2,500 coverage
     ii. Trailers—provides $1,000 in coverage
     iii. Increase Cost of Compliance—provides up to $10,000 after primary flood policy limits are exhausted
  F) Additional Property—$2,500 for Decks or Handicapped Ramps
  G) Optional Excess Flood Coverage—for building coverage up to $500,000
Are you ready for the next flood?
Identify Critical Suppliers

• Large generators (i.e. Neff rentals)

• Shower units (i.e. Royal Restrooms)

• Potable water (hauling same is very expensive, during Matthew going rate was $2.50+/- per gallon)

• Water extraction/mold remediation contractors

(Have suppliers, if possible, north and south of your location as travel may be restricted)
“Danny, Do we need a PO or Mission # on invoices? Rates are below and include all costs (1-week min on all):

(5) 16-Head Trailers - $485 per Shower head per Day; Mobilization, Rental, Operator, daily svc and DeMob included.

(2) 8-Stall Trailers $2245 ea Restroom Trailer ea Day, Mob, rental, daily svc and DeMobilization Included.

(15) $450ea sink, ea week, daily svc and all fees included.

Total Weekly Cost for all - $309,780 plus tax (assuming exempt) 1 - Week Minimum”
Communication

• Does your community have “reverse 911” or a “code red” system? If so, subscribe to it (should be free) and encourage everyone you know to do same.

• Who provides your internet/mobile data? What contingencies do they have in place to respond, can they provide you the service you will need to function?
Client Communication

• Make clients aware of the various means they may reach you, other than office phone: cell, email, FB, website, or mobile app if you have one

• Remind them should they have a claim, how your agency plans on responding and expected timelines (priority given to worst claims)

• Planned temporary office locations, if yours cannot be accessed
Office Workflows

• If your management system is not accessible online, make certain your data is available on a laptop(s).

• Confirm your battery backups are working properly, and your “server” has a battery backup and is elevated several feet off the floor, as possible.

• If you have a generator, what is the fuel source? Do you have an adequate supply of that fuel? Natural gas is best, but not available everywhere.

• Prepare easy, one page “claim forms” for insureds to complete; if and when they can get to your office, you may be overwhelmed by the numbers
Communication Between Office Staff

• Who will contact whom?

• If contact cannot be made, what are the plans on office operations?
  
  • If roads are open, when do we report?
  
  • If some aren’t there, how will we reach them if cell towers are initially overwhelmed or simply not available? Portable radios...

• If we have decided on the temporary location, and the office location, who goes where?

• Everyone must have this clear understanding before the storm hits
Checklist for Each Team Member

• Food and ability to cook some

• LED flashlights, with appropriate battery supply

• Cash

• Full tank of gas, and preferably extra 5 gallon container.

• Purchase 5 days supply of water
  • Cases of individual water
  • Cases of 2 or 5 gallon water

• Portable battery chargers for devices
  • Preferably 20,000 mAh or higher for multiple uses ($100)
What Does Your Insurance Policy Provide?

• If E&O through IIANC (Westport), policy provides up to $25,000 in Cat related expenses to handle claims operations

• IIABA has a disaster relief grant

(Does not provide for agency’s loss of income due to clients displacement or disaster declaration)
Understand Statutory Mandates

IF declared a disaster area, the NCDOI, per the General Statute can effectively suspend (defer) insurance payments that would otherwise be due if you live in the designated area(s)

- Known as GS 58-2-46
- Not all companies will be immediately aware of same
What to Expect, Initially?

• Be prepared for significant call volume
  • Return calls as quickly as possible, our clients expect to hear from us as they realize the devastation around them
  • Maintain the timeframe target you had discussed previously

• Their initial contact with you does a lot towards making them feel as if the process has started

• Power will probably be out so the use of remote access and technology dictates how you input/report claims; call companies if necessary
Now What?

• Keep written logs of claims received, brief description works best with assigned claim number

• Remember to inform clients of realistic expectation of first contact from company, again with the worst getting the most immediate attention
  • Try to truly understand the extent of their damage (i.e. Roof damage, is there a hole in the roof where they can see the sky, or shingles blown off lying in the yard with no signs of penetration)
  • If companies have a specific method in dealing with flooded cars, share with the client upon initial contact
Now What?

• Be visible as much as possible

• Issue checks within your authority, that really impresses clients and thus has great reflection on the agency

• Be prepared for long days
  • May want to rotate hours for “after hours” staffing
  • An half day off may be appreciated
The Aftermath

• Devastation, despair, and discouragement will be all around you, provide words of encouragement

• Your clients probably have not experienced anything like this, be mindful of that as you walk with them through the process

• Some companies will be better and quicker than others, hope your on the right side of that conversation