

# RISK MANAGEMENT

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## Severe Weather — Flood Risks

Extreme weather events seem to be happening more frequently. The root cause is still the subject of heated debate. Is the severity just a cyclical change, or is global warming precipitating an overall climate change?

According to a recent article published in the *Washington Post*, severe weather across the country was down in 2013, compared to historically normal weather patterns (Samenow, 2013). The article cited the number of hurricanes experienced this year as below estimates as an example. Similarly, the number of severe thunderstorm and tornado warnings issued by the National Weather Service, compared to the averages, was also down. In spite of these facts, some parts of the U.S. are experiencing unusually severe weather.

A case in point is the catastrophic flooding in Colorado that devastated communities around Boulder and Denver. Estimates of the damage from flooding, according to EQECAT, a firm that conducts loss estimates for the insurance industry, are projected at nearly \$2 billion. Insurance industry sources also indicate a high percentage of the losses and damages will not be covered by insurance.

### Educate Yourself — Get the Facts

Just because you are not aware of any flooding history in your area, don't assume it can't happen to you in the future. Likewise, don't conclude that you have no flood risk if your property is not in a flood zone.

According to the Federal Emergency Management Agency (FEMA, 2013), if your property is in a 100-year flood plain, you are twenty-seven times more likely to experience a flood than have a fire! Most property owners and business owners buy fire insurance, but very few buy flood insurance.

### Consider the Risk

The first step is to identify the risk. Even if your property is not in a flood zone you have some flood risk. Have you taken the time to assess your camp property's risk for flood? What about identifying the flood risk in the communities around your camp?

Chances are flood risk has not been a great concern; perhaps it has not even been on your "radar screen" as a threat to your camp operation. It is easy to overlook this risk and the potential for severe damage to your camp property, as well as the possibility of loss of income to your camp business.

### Understand the Definition of Flood

According to FEMA and the National Flood Insurance Plan (2013), a flood is a general and temporary condition of partial or complete inundation of two or more acres of normally dry land or of two or more properties resulting from:

- a) Overflow of inland or tidal waters; or
- b) Unusual and rapid accumulation or runoff of surface waters from any source; or
- c) Mudflow; or
- d) Collapse of land along the shore of a lake or similar body of water as the result of erosion or undermining caused by waves or currents of water caused by a, b, or c above.

Mudflow means a river of liquid and flowing mud on the surfaces of normally dry land, as when earth is carried by a current of water. But it does not mean landslide or mudslide.

According to FloodSmart.gov, everyone lives in a flood zone, and it is just a question of whether you live in a low-, moderate-, or high-risk area.

### What Causes Flooding?

An obvious answer is locally heavy rains, thunderstorms, tropical storms, and hurricanes. Hurricane Sandy's devastation in the Northeast won't be forgotten any time soon. Poorly designed storm water run-off systems and clogged or outdated drainage systems may cause water and sewage to back up through pipes. Flood risk may also be present if you are downstream from dams either on your camp premises or on adjacent properties. Properties next to forest land damaged by wildfire may also be at greater risk for flood and mudflow. The risk is dynamic and changes.

### Is Your Property at Risk?

According to FloodSmart.gov (2013), everyone lives in a flood zone, and it is just a question of whether you live in a low-, moderate-, or high-risk area. In some cases, your risk may be remote, but as FEMA points out, floods are caused by weather conditions and are therefore unpredictable.

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FEMA conducts studies to help communities identify their risk. Data from the studies are used to create flood hazard maps. The studies identify high-, moderate-, and low-risk areas. If your property is not in one of these areas, you are in an area where no studies have been conducted and flood risk is undetermined.

Flood plains and areas subject to coastal storm surge are obviously considered high-risk areas. To get a perspective on your property's flood risk, visit [www.FloodSmart.gov](http://www.FloodSmart.gov). Use the One-Step Flood Risk Profile Tool to assess the risk of flood at your residence or camp. The risk assessment tool is located on the right side of the FloodSmart.gov landing page in a red box titled "How Can I Get Covered?" Fill in your address and get instant feedback on your flood risk. Explore the Web site to learn more about floods.

### How Are You Managing Your Flood Risk?

The first line of defense in managing flood risk is to find out what federal and state agencies have done and are doing in your community to control flood risks.

Risk analysis and risk evaluation represent steps two and three in the risk management process. Consider a flood risk assessment of your specific camp property as part of your site management plan and stewardship of your camp property. There may be affordable projects that will reduce the flood risk to your property as well as your neighbor's property. These projects may include dam maintenance or improvement, storm water run-off improvement, and dredging projects for lakes and ponds, among other actions.

Even if your flood risk is low, be sure to include risk management actions in your business and personal risk management plan to reduce or transfer the flood risk. If your risk is high, you'll want to explore a strategy for buying flood insurance. Doing nothing puts your assets at risk. Losses from flood tend to be significant because of the power of flowing water and the catastrophic nature of floods.

### Does Regular Camp Property Insurance Cover Flood Damage?

Damage to buildings and contents from flood (water flowing over the land) whether driven by wind (or not), mudflow, or mudslide, is not covered in a standard camp property or homeowners insurance policy.

Most insurance companies providing camp insurance will offer some limited protection for water damages that result from the backup of water through sewers and drains. Likewise, homeowner insurers will offer this backup of sewers and drains coverage by an endorsement for an additional premium. But the limits are usually low and often inadequate in a serious loss.

### How Can You Buy Flood Insurance?

FEMA is responsible for the National Flood Insurance Plan (NFIP), a program designed to provide protection for homeowners and business owners when their community has applied and been approved.

If you aren't sure your community is part of the flood insurance program, contact your insurance agent or broker for help with determining your eligibility for coverage through the NFIP.

If flood insurance is available through the NFIP, be aware the scope of the insurance protection is limited. For example, the maximum limit of insurance is \$250,000 on homes and \$500,000 on commercial buildings. This limit may not be sufficient for your needs.

The NFIP program insures one building per policy. There is no blanket protection. Likewise, contents insurance is not written on a blanket basis. Other limitations in the NFIP program include no option to purchase business income (business interruption) insurance.

Excess flood insurance coverage to supplement the NFIP policy and increase the limit of insurance to the building's replacement value may be available from the commercial insurance marketplace.

When buying supplementary flood insurance coverage, confirm the definition of flood in the excess policy is the same as in the NFIP policy. If policy term definitions are not the same when coordinating two policies covering the same risk, there can be problems with coverage.

As an alternative to an excess flood insurance policy, consider buying difference in conditions (DIC) insurance. DIC policies can combine valuable protection like excess flood and business income insurance to supplement and augment other less comprehensive primary policies.

### Don't Delay — Develop Your Flood Plan Today

Weather patterns are changing and weather events are becoming more severe. Your business and camp property could be at risk for damage from flood in the future. Increase your awareness of flood risk. Get the facts! Analyze and evaluate the risk. Don't ignore flood risk by allowing the past to cause complacency about the future. Take appropriate action. Do all you can to be prepared both at camp and at your home. Enlist your trusted advisors to help with your process. Once your flood plan is in place, keep your entire risk management plan current by periodically challenging your assumptions and making changes where they are needed.

### Reference

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