



[Dick Tutwiler](#)

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Most issues in the property insurance adjusting process are negotiable. The problem is that you need to know the rules of the trade and how and what to ask for."

Single Indemnity, Double Indemnity or No Indemnity....Learning from Super Storm Sandy Claims

In the 1944 movie "Double Indemnity" the infamous claims manager (starring Edward G. Robinson) says, *"It's the company. The way they do things. The way they don't do things. The way they'll write anything just to get it down on the sales sheet. And I'm the guy that has to sit here up to my neck in phony claims so they won't throw more money out the window than they take in at the door ... I get darn sick of picking up after a gang of fast talking salesman."*

If there is a present day equivalent to claims manager Robinson, his problems would not be with phony Sandy claims. Folks, these claims are real and from my firm's perspective, devastating to the thousands of homeowners and businesses all along the northeastern seaboard. Thankfully, the likely inflow of new Sandy losses has probably been reduced to a trickle. But the clean up, construction repairs, building permit problems, adjustment of claims and attempts to arrive at fair settlements continues unabated. To add insult to injury, this year's extreme northeast winter weather has only added to the woes of struggling property owners who can't seem to get a break from "Old Man Winter." With the 2013 hurricane season fast approaching, most folks in the property insurance adjusting profession I know (including our firm's adjusters) are still working with Hurricane Sandy matters. I sure hope they speed things up so the troops can be freed up for the fast approaching June 1st start date of the 2013 hurricane season.

So the question with Super Storm Sandy victims (and future storms) is likely to be--will they be indemnified for their losses or will the property owners in affected communities continue with their struggles through a myriad of zoning rules, law and ordinance regulations, and insurance policy disputes involving coverage, scope of the loss, and the price of the loss? To illustrate the complexity of this situation, I recently took a call from an organization in New York City that is just now attempting to come up with protocols for RFP's (Request for Proposals) to send out to various professionals to help energize a rebuilding program for 18,000 homes in the New York City metro area. It seems we in the south have been recognized as experts given all the hurricanes we've been through over the last 21 years. So I was flattered to share the wealth of institutional knowledge built up at my firm over the years and join with other professionals to contribute to this endeavor.

The bottom line is that most property owners will likely remain ignorant of the risks and perils they face even with all the news reporting starting to come out regarding the impact of the rebuild, repair process. Little is understood about this process by the man on the street. For the most part, up-charges for building code and flood map elevation requirements are not covered by standard property insurance policies. If you live in a high hazard zone anywhere along the coast, the impact of government laws and ordinances for repairs and replacement can be financially devastating.

So one must ask if the insurance company sales staff did their job before Sandy, given the risk exposure in the northeast coupled with limited insurance products to sell or did they simply sell any product without giving notice of the uninsured risks just to get something down on the sales sheet as portrayed in "Double Indemnity?" I suspect when the final tally is taken, (especially given that it was widely publicized that at least 70% of Sandy victims had no flood insurance) there will be an outcry

that policyholders did not know they were required to have flood insurance, as well as wind and other peril exposure for which coverage could have been purchased. Of course, even if they did, our experience shows there was little recognition of how it worked. Some policyholders have now finally discovered the value of insurance products called excess flood insurance as well as law and ordinance coverage.

But the insurance coverage that was or was not in place cannot be changed post-loss and we must deal with the issues as they stand. As our group continues to try and help Sandy victims, we are struck daily with the heart breaking calls and emails we get from policyholders in flood zones whose homes and businesses have been determined to be damaged beyond 50% of their value, triggering law and ordinance issues that require them to elevate the property to current flood map requirements. Folks, this is a major expense! If you live in a flood zone and your property is grandfathered in based on past or current flood maps, you may have to comply with current code requirements if you experience a loss. These losses are typically not covered unless you purchase very specific insurance coverage for law and ordinance a.k.a. code coverage. Yes, there is some very limited amount of ICC coverage (Increase Cost of Compliance) in the basic flood policy for law and ordinance, BUT it will not exceed your basic flood limits!

A recent news article [*Into the maelstrom: US coastal population grows as storms intensify*](#) authored by John Roach, sums up the U.S. coastal risk and exposure. Mr. Roach says, "the percentage of the U.S. population living in counties adjacent to the coastline has reached nearly 40% in recent years meaning more of us are exposed to extreme costly coastal storms such as Sandy and Isaac." Those of us in other parts of the country not impacted by the Sandy learning curve should take note. Now is the time to schedule a personal visit with your insurance agent or broker to ask the hard questions in order to educate yourself and make the proper adjustments.

Clearly, Sandy was a wake-up call for thousands of our

northeastern neighbors, but now is the time to learn your own risk exposure. Find out the details of current flood coverage, assess your financial ability to fund insurance payment delays as well as shortfalls in coverage, and prepare now. Have a conversation with an informed and experienced loss consultant, insurance agent, or broker. The clock is ticking. Before you know it, hurricane season will be here.

Stay Safe.