

Smart Insurance

by ROBERT E. MCCLELLAN, JR.

What impact have hurricanes had on greenhouse insurance, and what can you do about it?

Experts agree the record hurricane frequency and severity that shaped 2005 will impact both the insurance and the horticulture and floriculture industries for years to come.

Most importantly, two back-to-back destructive years have unnerved traditional risk takers, such as Hortica and most of its competitors in the financial industry, as well as greenhouse growers and other horticultural businesses. The financial impact is huge, but the future uncertainty and the emotional pain of repeated damage to those located in hurricane-prone regions is possibly the most serious aftereffect.

To gain perspective on the scope of the financial damage, note the numbers below. These are U.S. losses only (personal and commercial, but excluding offshore energy and ocean marine losses):

2005 Storms

Hurricane Dennis	\$1,115,000,000
Hurricane Katrina	\$34,358,300,000
Hurricane Rita	\$4,695,500,000
Hurricane Wilma	\$6,098,000,000

2004 Storms

Hurricane Charley	\$7,475,000,000
Hurricane Frances	\$4,595,000,000
Hurricane Jeanne	\$3,655,000,000
Hurricane Ivan	\$7,110,000,000

Unfortunately, the prediction for 2006 is for yet another active hurricane season. According to reliable sources, including the NOAA and the Tropical Meteorology Project, the forecast for the

2006 hurricane season is for 15 named storms, seven hurricanes and four intense (CAT 3 and above) hurricanes. Probabilities are high that some of these intense hurricanes will again strike coastal areas in the U.S.

What's affecting insurance?

One of the key insurance issues for horticultural businesses in these regions is flood versus wind coverage or exclusion. Policyholders should understand their coverage regardless of their insurance company. The fact is that there can be both flood and wind damage to a single location and the determination can only be made by a careful, on-site evaluation.

Some states have decided to abrogate contract law by exerting pressure to pay for flood damage that has been excluded from most policies for decades. These suits are forcing insurance companies to reevaluate their ability to provide protection against wind in coastal areas subject to flooding.

Flood insurance is available for virtually any individual homeowner or business through the federally subsidized National Flood Insurance Program (www.fema.gov/business/nfip/). This insurance is sold by your insurance agent and is easily quoted. Your insurance company can help you purchase the policy; however, the limits may not provide you full protection.

What's been learned by the past years' hurricane catastrophes? For one, the non-coastal areas of the country are refusing to pay higher prices to subsi-



A nightmare for growers: hurricane damage. Are you doing everything you can to insure yourself properly?

Carol Cardello

dize other horticultural firms who appear to be in an all-too-frequent cycle of destruction. The insurance industry is hearing the same sentiment from non-coastal homeowners who are saying, "Why should I pay for a wealthy family to live on the ocean?"

What can you do?

Collaboration between the insurance company, the government and the insured's business makes sense. One example of this is the highly subsidized Federal Nursery Crop Program. This program may be available to you.

"Location, location, location" isn't just something you hear your Realtor say. Of course, considerations such as water availability, soil type and sun days are important factors in locating a growing facility, but the industry may need to rethink location in terms of ▶

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catastrophic weather events and their frequency. After the 2004 and 2005 hurricane seasons, several large growers are rethinking their building location, building standards, crops and even location of on-site trees.

Greenhouses are considered “expendable structures” by most building codes,

because life safety isn't a primary consideration as it is in public buildings, such as restaurants, department stores and hospitals. Consequently, greenhouses are designed to be economical and to provide a controlled environment for plants. Because of this, the average greenhouse won't be as viable

in a severe windstorm as would a commercial building that's housing humans.

Greenhouses can be designed to withstand Category 1, 2 and low-3 hurricanes with minimal to moderate damage. It's recommended that growers located in hurricane-prone coastal areas consult with a structural engineer before investing in structures. Local building codes may satisfy the authorities, but they won't protect your business from catastrophic damage.

The world capital markets that partner with insurance companies have become sensitive to risks within 100 miles of the coast; and prospects for access to crop insurance in coming years is a concern for many growers.

The evolving scenario in the Gulf and Florida is precisely the reason that Hortica has supported in every way possible the expansion and improvement in the Federal Nursery Crop Program. The policy has recently been improved to allow for the inclusion of larger container sizes and plant varieties such as orchids. In addition, the program is now much more flexible as growing practices (in-ground versus container) can be insured separately.

Lessons learned from Hurricane Andrew as well as 9/11 have helped the insurance industry prepare and withstand the unprecedented events of 2004 and 2005. There were very few insurer insolvencies, and rates have only risen minimally for the interior of the country. Logically, the cost of insurance has increased for many individuals and businesses located in catastrophe-prone areas.

With the 2006 hurricane season in full-swing, the industry must again come together to solve fundamental problems contributing to this cycle of destruction. Look to allied insurance companies to help. ■

Robert E. McClellan Jr. is president of Hortica, a mutual insurance company specializing in insuring horticultural businesses (www.hortica-insurance.com).

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