

With extensive flooding devastating the region this spring and summer, Mother Nature has many Illinois growers and green industry business owners questioning their preparedness and insurance protection. A natural disaster can wipe out everything in the blink of an eye, and being prepared and properly insured can make all the difference in the time of recovery.

When the Levees BREAK:

Protection, Preparation and Recovery from Flooding

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Some business owners might be surprised to find out that flood insurance is not available through their regular insurer or covered on most business insurance policies. Rather, flood coverage must be purchased through the Federal Emergency Management Association's (FEMA) National Flood Insurance Program (NFIP). The Illinois Department of Natural Resources/Office of Water Resources (IDNR/OWR) is the state coordinating agency for the NFIP.

According to FEMA, Floods are by far the most common natural disaster in Illinois, accounting for well over 90 percent of the declared disasters, and annual damages in the state average nearly 700 million dollars. Illinois has one of the largest inland systems of rivers, lakes and streams in the United States, and nearly 15 percent of the state's total land area is subject to flooding. It is estimated that more than 250,000 buildings are located in floodplains in Illinois. Unwise floodplain development further increases property damage and potential loss of life from flooding.

Fortunately, Illinois growers and business owners who live in NFIP participating communities can purchase affordable protection to insure against flood losses. The specific requirements that a community must adopt depends on the type of flood hazard faced by the community.

Who Needs it?

All areas are susceptible to flooding, although to varying degrees. It is advisable to have flood insurance in high-risk areas and even in low-to-moderate flood risk areas. Last year, one-third of all claims paid by the NFIP were for policies in low-risk communities. Just an inch or two of water in your business or home can cost thousands in damage. Residential and commercial property owners located in low-to-moderate risk areas should ask their agents if they are eligible for the Preferred Risk Policy, which provides inexpensive flood insurance protection, starting as low as \$112 a year.

Most people in NFIP participating communities, including business owners are eligible to purchase Federally-backed flood insurance. Non-residential property owners can insure their buildings up to \$500,000 and contents up to \$500,000. The flood insurance policy for individual homeowners is not much different from the policy for businesses. The rates vary slightly, with business rates usually (but not always) a little higher. The biggest difference is that businesses can purchase a higher amount of insurance, because large commercial buildings are more expensive than homes.

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Preparedness and Recovery

Once your insurance policies are in place, it is important to be prepared in the event of a disaster by knowing exactly what is covered and how to file a claim if needed. A copy of your policy and important contact information should be kept in a safe and easily accessible place away from the insured property, along with a full inventory of your business (including equipment serial numbers and receipts) and photos or video documentation.

After flooding has occurred, contact your agent to file a claim and take new photos or video of any water in the building and of damaged property to help the adjuster process your claim. Make a detailed list of the damaged items including their value and supply receipts if possible. Most importantly, keep your safety and the safety of your employees as the highest priority and don't allow anyone inside a highly damaged or unsafe structure.

For a wealth of information about flooding and flood insurance, visit the NFIP's resource site at www.floodsmart.gov, and consult with your business insurer for additional coverage options. ■

Additional Protection

There is another type of policy available that can provide additional protection. It is called a “Difference in Condition” (or DIC) policy. It can be written to cover most perils, but is most commonly sold to cover the perils of flood and earthquake. Because a DIC policy is not affiliated with the National Flood Insurance Program (it is simply a private insurance policy) insurance companies can write DIC policies for any amount, up to many millions of dollars of coverage. However, they usually require that businesses in high-risk flood areas first purchase an NFIP flood insurance policy. Conversely, insurance companies will most often write a DIC policy on locations not considered to be at high risk for flood *without* there being an NFIP policy on the building.

A NFIP policy covers only buildings and contents against the peril of flood. A DIC policy can also provide business interruption insurance resulting from a flood. (Business interruption covers lost profits and continuing expenses.) A business could well have business interruption insurance included on their standard/basic business policy, but the peril of flood would almost certainly be excluded. The way to get that coverage would be to buy a DIC policy. Businesses owners should discuss these options with their insurance agents.

Nursery businesses that predominately sell plants in the wholesale market are also eligible for Federal Nursery Crop Insurance. Included among the many perils covered by Nursery Crop policies are losses resulting from adverse weather conditions, including flooding due to excessive rain. Such losses can cause widespread damage to nursery crops. Coverage is available to qualified growers on a year-round basis after a thirty-day waiting period so it is necessary for growers to apply for this insurance well before the water begins to rise.