

# Third Year Anniversary of Hurricane Katrina - A Reminder to Insure Against Hurricanes

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*Simple Steps and Proper Insurance Can Protect Your Home from Windstorms and Flooding*

## INSURANCE INFORMATION INSTITUTE

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**NEW YORK, August 25, 2008** - As the third anniversary of Hurricane Katrina approaches, it is a good reminder to consider whether you have the right type and amount of insurance coverage, according to the Insurance Information Institute (I.I.I.).

Hurricane Katrina, which struck the Gulf Coast on August 29, 2005, was the single largest natural disaster loss in the history of the insurance industry. Insurance companies paid \$41 billion arising from 1.7 million claims for damage to homes, businesses and vehicles to policyholders in six states. By contrast, Hurricane Andrew, the previous record holder, produced \$15.5 billion in losses in 1992 (\$22.9 billion in 2007 dollars) and 790,000 claims.

"While 2005 was by far the worst year ever for insured catastrophe losses in the U.S., future storms could prove even costlier, reaching upwards of \$100 billion," said Dr. Robert Hartwig, an economist and president of the I.I.I. "Disaster losses along the coast are likely to escalate in the coming years because of huge increases in development and rising building and repair costs."

The value of coastal property exposed to hurricanes increased by 24 percent, or \$1.7 trillion, from \$7.2 trillion in 2004 to \$8.9 trillion by year-end 2007, according to AIR Worldwide. From December 31, 2004, through December 31, 2007, the insured value of properties in coastal areas of the United States continued to grow at a compound annual growth rate of just over 7 percent. Despite the recent weakening of the real estate market in many areas, the insured value-or the cost to *rebuild* properties-has maintained an annual growth rate that will lead to a doubling of the total value every decade.

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*(Total insured value of properties is an estimate of the cost to replace structures and their contents, including additional living expenses and business interruption coverage, for all residential and commercial property in the state that is insured or can be insured. Source: AIR Worldwide; I.I.I.)*

To prepare for a hurricane or other disaster, the I.I.I. recommends the following:

## 1. Buy enough insurance

- **Get enough insurance to rebuild your home and to replace all of your personal belongings.** If you have made a major alteration or improvement to your home, or you have made significant purchases, notify your insurance agent so that the increased value is reflected in your policy.
- **Find out how much coverage you have for Additional Living Expenses (ALE).** Additional living expenses coverage pays for the additional costs of living away from home, such as hotel bills and restaurant meals, while your house is being repaired or rebuilt. If you rent out part of your home, it would also replace lost income for the time you are not able to collect rent. Many policies provide coverage for 20 percent of the amount of insurance you have on your house and may be for a specified time period. Additional coverage is generally available for an extra premium.

## 2. Get the right type of policy

- **Ask about flood insurance.** Flood damage is not covered under standard home insurance policies. It is, however, available in the form of a separate policy both from the National Flood Insurance Program (NFIP) and from a few private insurers. Federal flood insurance can be purchased from the same agent or broker who provided your home or renters insurance. Excess flood insurance is also available from some private insurance companies should you need coverage above and beyond the \$250,000 for property and \$100,000 on contents that the NFIP provides, or if your community does not participate in the NFIP.
- **Look into getting a guaranteed or extended replacement policy for the structure of your home.** Extended replacement cost coverage pays a certain amount above the policy limit to replace a damaged home—generally 20 to 25 percent. A guaranteed replacement cost policy pays to rebuild your home regardless of cost. Both policies are designed to protect you in the event that after a major disaster the high demand for building contractors and materials pushes up the normal cost of reconstruction.
- **Ask about replacement cost coverage for your belongings.** When insuring your possessions, you have two coverage choices. One is actual cash value, which replaces your possessions less depreciation. The other is replacement cost coverage, which replaces your property in today's dollars—without a deduction for depreciation. It costs about 10 percent more, but provides more extensive coverage.

## 3. Create a Home Inventory

- Have an up-to-date inventory of all of your personal property. A home inventory will help you purchase enough insurance to replace your possessions, speed the claims process and substantiate losses for income tax purposes. To make this task simple, the I.I.I. offers free, downloadable software and information on how to create and store your inventory at [KnowYourStuff.org](http://KnowYourStuff.org).

## 4. Prepare an Evacuation Plan

- Plan ahead and practice so that your evacuation is safe, smooth and fast. In an emergency you may have only a few minutes to gather your important papers and leave your home, possibly for good. Have the following ready to go:

-Medicines, prescriptions, comfort items and a change of clothes

-Emergency supplies such as flashlights, radio, batteries and water

-Computer hard drive or laptop

-Photographs

-Insurance policies; birth and marriage certificates; wills; deeds; financial information such as account numbers, recent tax returns, stocks, bonds and other negotiable certificates; drivers licenses and other personal identification

## 5. Hurricane-Proof Your Home

- Install storm shutters to protect your windows or use plywood panels, which can be nailed to window frames when a storm approaches.

- Make sure exterior doors have at least three hinges and a dead bolt lock that is at least one-inch long. Sliding glass doors should be made of tempered glass and covered with shutters or plywood.
- Replace old garage doors and tracks with a door that is approved for both wind pressure and impact protection. Wind coming into your home through an opening this large poses grave problems for the rest of your home-especially your roof.

Call your agent, broker or company representative if you have questions about your insurance coverage. Coastal residents should also find out if a hurricane deductible will apply when there is a loss. These can range from 1 to 5 percent of the insured value of the home.

For more information on steps to take to protect your home, go to the Institute for Business & Home Safety.

For more information about insurance, go to the I.I.I. Web site.

For a related video about fortifying your home, go to Five Steps to Make Your Home More Hurricane Resistant.

For related audio, go to Protect Yourself, Your Family and Your Property this Hurricane Season.

*The I.I.I. is a nonprofit, communications organization supported by the insurance industry.*

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