



Insurance Lessons from Super Storm Sandy for Marine Businesses

By Steve Prime, Gowrie Group

Super Storm Sandy in October of 2012 was a real wake up call for the Northeast and for those in hurricane prone states in general. Sandy led to nearly 1.5 million insurance claims, including 1.1 million homeowners' claims, about 250,000 vehicle claims, and more than 200,000 commercial insurance claims. Sandy was the single-largest recreational boating industry loss ever recorded, with more than 65,000 boats damaged or destroyed, resulting in \$650 million in losses, across all types of property. Furthermore, Sandy was the first really powerful storm to hit the metropolitan New York area, in years. Those of us working along the coast felt Sandy's impact in many ways. Applying lessons learned from Hurricane Sandy will enable you to better protect your business in the future.

Understand your property insurance coverage. You need to know exactly what is covered on each property policy you have, particularly how they respond to flood and windstorm damage. Rising water of any kind is specifically **excluded** from your business property policy. Most business property policies now include a separate deductible for wind damage to buildings and personal property. This can be as high as 2% of the **total insured value** (aka TIV) of the property in some areas. Check the declarations pages of your policy.

Flood insurance is different and you likely need it. The National Flood Insurance Program (NFIP) is the first line of defense against rising water and flooding of commercial buildings and personal business property, up to \$500,000 for each. Excess flood insurance is also available, but most marine businesses purchase less than the limit. Unlike a standard business property policy, the National Flood Insurance Program does not cover business income or loss of gross profit protection. The NFIP policy only covers flood losses inside a building.

Electronic equipment coverage. Some commercial insurance policies include flood insurance protection for electronic data processing equipment (aka EDP), and in some cases mobile equipment as well. The mobile equipment policy covers forklifts, travelifts and hydraulic trailers. So this could be a very desirable protection if your business is in a low lying area where there is safe refuge from a tidal or river storm surge. EDP equipment could be covered under the contents section of a National Flood Insurance Program. **Read** these policies carefully to see if your policy includes flood damage for either of these specialized forms of property.

Dealer inventory coverage offers valuable protection for boats outside of buildings. Boat dealer inventory coverage also varies from insurance company to insurance company. Some policies provide flood coverage for inventory, be it boats, equipment including motors on display, and accessories. The added benefit of this type of coverage is it covers boats that are outside of buildings, while the NFIP only covers property inside of buildings.

Coverage for boats in your care, custody, and control. Another area to consider is flood protection for boats owned by others in your care, custody and control. If you charge for storage at your marina, either dockage or on dry land storage, then you need to make sure the boats are properly secured in the event

of a flood or storm surge. One lesson from Hurricane Katrina is the boats left in the water that had spring lines leading from the bow to cleats/ pilings near the stern, and from the stern to cleats/ pilings near the bow of the boat, sustained less damage than boats sprung amidships. For landside storage, flooding moved many boats off their stands and in one case into the adjacent neighborhood. The marina confronted with this problem had to hire a crane to lift boats onto a hydraulic trailer to bring the boats back to his marina. Expenses like these can mount up and should in fact be rebilled to the boat owner or as part of the yacht claim.

How do you minimize the potential for damage? You need to create a detailed storm plan that is document, and reviewed with your entire staff annually. The storm plan should be activated at the posting of a hurricane watch, or before. The plan should detail what needs to be move out of harm's way in your office, showroom, and outdoor areas. Document the supplies you will need ahead of time. Will you need to rent a truck for temporary storage; will you need boxes for storing files and inventory of accessories? The plan should address the answers to questions like these. Do you have or need pre-fitted storm panels for your windows? *Storm Solutions (www.stormsolutionsusa.com) provides innovative storm and wind mitigation solutions to the commercial and residential markets of the east coast, which are built to Broward Dade county approved standards.* How will you secure your inventory boats? How do you secure boats owned by customers in your care, custody and control? How long do you need to get the job done in time before a storm hits? Do you need to buy a generator, and can you get it wired to drive the most critical components of your business. Having a plan leads to orderly preparation in the most efficient manner. It also protects the safety and well-being of your employees. Ideally, you want to be able to send your staff home to take care of their personal preparation before it is too late.

After a storm has passed. A plan for what to do after a storm has passed is also critical. The plan should detail your action steps for recovery. Be prepared to assess the damage and photograph all of the damage. Initiate the cleanup as quickly as possible so you can get your business up and running quickly. Have numbers on hand for how to file the claim with your insurance agent by phone, email or fax, and a process for how to include the photos. Document the time you spend cleaning up the debris and replacing the boats moved by a storm surge. Forewarn boat owners that their yacht policies are the primary remedy for fixing the damage, and also that many boat policies do not pay to refinish both sides of the boat if only one side is damaged.

Looking forward. Powerful storms are going to continue to impact the marine community. Those who are the most prepared, time and time again, suffer the least damage and are able to resume business operations the most quickly. Long before any storm is forecast is the best time to document your storm plan and review the plan with your team. Careful planning and early action is always worth it.



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