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CHICAGOLAND
RISK FORUM
CHICAGO & MID-ILLINOIS RIMS CHAPTERS



Flood Coverage Application & Best Practices for Contract Certainty

Flood Coverage – Overview of Today's Content

- Floods Facts – Why they matter to you?
- National Flood Insurance Program (NFIP)
- Cavalier Approach of Conventional Measures
- New Tools to Prevent and Mitigate Flood Losses
- Commercial Flood Coverage
 - Program Structure
 - Exposure Identification
 - Best Practices

Floods Facts – Why they matter to you?

- Frequency & Severity
- Economic Magnitude
- Cost of Recovery
- Some policies exclude Flood
- Fortuity
 - Can happen anywhere
- Payment w/o Disaster Declaration
- Federal Disaster Assistance
 - May require repayment
- Disaster Grant Adequacy
- NFIP Limit Adequacy
- Repayment Not Required (NFIP)
- Coverage Required?
 - Government Mandate
 - Lender Requirement

Source: Federal Emergency Management Agency: <https://www.fema.gov/national-flood-insurance-program>

National Flood Insurance Program (NFIP)

- Created in 1968 by U.S. Congress
- Expires November 30, 2018; awaiting “Reauthorization”
- Reduce impact on private/public structures
- “Affordable” coverage
- Encourage adoption/enforcement floodplain management regulations
- Mitigate effect on new/improved structures
- Reduce disaster impact via purchase/retention of (flood) insurance
- Purchase via agent/insurer participating in the NFIP
- Available in participating communities; most participate
- **NFIP Waiting Period, Coverage Limits, Valuation and Exclusions**

I'D KEEP PLAYING

**I DON'T THINK THE HEAVY STUFF'S
GONNA COME DOWN FOR QUITE AWHILE.**

Conventional Measures to Control Flood Waters



The Back Pew — Jeff Larson



Don't tell me you lost our boarding pass. **THAT STINKS!**

NEW TOOLS TO PREVENT AND MITIGATE FLOOD LOSSES

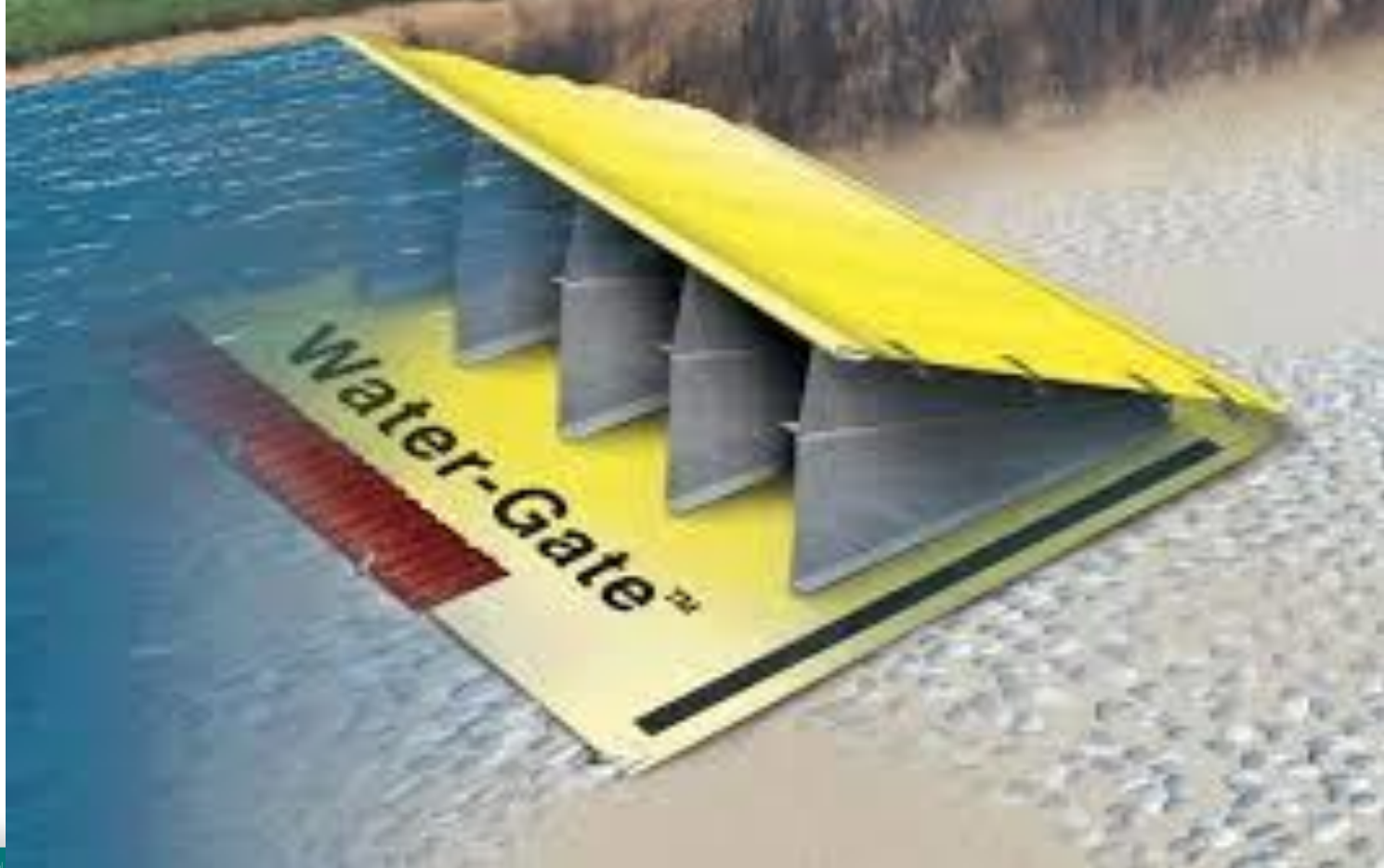












Commercial Flood Coverage – Program Structure

- Flood definition varies by Policy
 - Does your Policy definition include Storm Surge and/or Tsunami?
- Flood Zones definition varies by Policy
 - High Hazard Zone; Moderate Hazard Zone; All Other Areas
 - Zones A, AE, ... V or worldwide equivalent?
 - Areas that are expected or intended to be protected by a Levee
 - Decertification of a Levee
- Impact on coverage Limits, Deductibles or both
- Deductibles | per occurrence, per location, NFIP limits, % of values, when?

Commercial Flood Coverage – Program Structure (cont.)

- Overall Program Limit, Flood Coverage Limit and Sublimits
- Annual Aggregate Limitation?
 - Underwriting Moratoriums & Cost/Ability to Reinstate, Post Loss?
- Does Your Program have two or more Layers?
 - Is your Flood coverage provided by two or more Program layers?
 - Concurrency of Policy Terms, Conditions and Definitions
- Sequence of Flood loss(es) matters, if Annual Aggregates apply
 - Priority of Payments, Drop Down & Step Down Language required
 - Coverage available for Subsequent Flood Loss?

Commercial Flood Coverage – Exposure Identification

- CURRENT Flood Zones? As of what date?
- What changes a Flood Zone?
- Coverage impact of Flood Zone Changes?
- Timing of Flood Zone Changes...?
 - After Submission and before Coverage Inception?
 - After Coverage Inception and before Date of Loss?
- Your knowledge of a Flood Zone change?
- Your ability to amend your coverage, before a loss occurs?

Commercial Flood Coverage – Best Practices

- Greater Contract Certainty
 - Schedule Flood Zone of all reported addresses (“for better or worse”)
 - Applicable for entire Annual Policy Term, regardless of “interim changes”
 - Apply “interim changes” of Flood Zones at next Annual Policy Term
 - Consider unknown Flood exposures – i.e. supply chain/service providers
 - Select Flood Coverage Limits, based on your exposures
 - Amend Flood Limit(s) at subsequent Policy Inception, or as necessary
 - Review Coverage Extensions, for further limitations of coverage for Floods
 - Request/Secure Pre-Agreed Pricing to Reinstate Aggregate coverage limits



Thank You!



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