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Commissioner Donelon Advises Homeowners on Hurricane Season Preparedness

Insurance Commissioner Jim Donelon and the Louisiana Department of Insurance (LDI) are advising property owners to review their homeowners' policies and assess their flood insurance needs this hurricane season. Colorado State University forecasters predict an above average hurricane season this year with 18 named storms, nine of which are expected to become hurricanes. Four are expected to become intense hurricanes with Category 3 or higher wind speeds of 111 or greater miles per hour.

"While Hurricane Isaac was a Category 1 storm, the losses in southeast Louisiana amounted to insurers paying out about \$750 million in homeowners claims and many homes and businesses experiencing significant flood damage," said Commissioner Donelon.

Generally windstorm damage is covered under your homeowners policy with a separate wind and hail, named-storm or hurricane deductible which usually ranges from two percent to five percent of the insured property value and could be higher. "Keep in mind that a higher deductible means higher out-of-pocket expense in the event of a loss. For example, if your home has an insured value of \$150,000 with a two percent deductible, you would pay \$3,000 out of pocket before the company would pay towards the damage," said Commissioner Donelon. That means if the damage to your home is \$3,000 or less, the insurance company will not be responsible for paying on your claim.

In 2009, the single season hurricane deductible law was enacted after Hurricanes Gustav and Ike struck Louisiana back to back in 2008. Having a single season hurricane deductible lessens the impact the policyholder must bear when multiple storms cause damage to an insured property during a single storm season or calendar year. This will allow homeowners to better plan and manage the cost of recovery if they are hit more than once in a hurricane season or calendar year.

Commissioner Donelon also wants to make homeowners aware of storm mitigation efforts that can go a long way in protecting their homes from storm damage and provide insurance premium discounts as well. Insurance premium discounts are available for building or retrofitting a home to comply with the Louisiana State Uniform Construction Code. Qualifying

elements include such things as particular roof designs, shingles, windows, shutters, and hurricane straps incorporated in the framing process. These discounts apply to one or two-family owner occupied homes and modular homes and are generally up to 20 percent. Discounts vary by company and by geography – with a more significant discount in coastal than non-coastal areas. A certified wind mitigation surveyor must inspect your property and file a report that qualifies you for the insurance premium discounts. The surveyor must be certified through one of two programs, the LA Hurricane Loss Mitigation program or the Institute for Business and Home Safety (IBHS) Fortified Home program.

Commissioner Donelon also points out that everyone is vulnerable to floods, not only properties in coastal and low lying areas. “Whether floods result from hurricanes with Category 1 winds with prolonged rain such as Isaac or the culmination of severe winter storms and heavy rainfall such as those that affected much of the state earlier this year, flooding remains the most common and costly natural disaster in the United States and poses a constant threat to all property owners,” said Commissioner Donelon.

Since flood damage is not covered under homeowners policies, purchasing a separate flood insurance policy through FEMA’s National Flood Insurance Program (NFIP) can help homeowners, business owners and renters protect their property. Flood insurance policies offer a maximum coverage of \$250,000 for homes or buildings and \$100,000 for contents. Additional coverage may be purchased through a private insurance company.

Although rising floodwaters can prove to be hazardous no matter where you live, only one out of every four single family homes in Louisiana have flood insurance. Property owners outside of high-risk flood areas are responsible for 25 percent of NFIP claims in Louisiana. Property owners who live in moderate-to-low risk areas can qualify for a Preferred Risk policy if they meet the claim rate criteria. At the end of 2012, there were 486,233 flood insurance policies in Louisiana.

There is typically a 30-day waiting period before a flood insurance policy becomes effective. In 2011, Louisiana ranked among the top 10 states in NFIP claims payments with \$42.2 billion paid to policyholders. Prior to Superstorm Sandy, the NFIP was \$18 billion in the red and \$15 billion of that was due to Hurricane Katrina and Hurricane Rita payments.

Commissioner Donelon also advises consumers to review recent legislative changes to the NFIP. The 2012 Biggert-Waters Flood Insurance Reform Act reauthorized the NFIP and eliminated subsidized rates over the next five years. Although LDI can answer basic questions about flood insurance through its Consumer Assistance Hotline, the Department does not regulate the NFIP, approve its rates or changes or have any authority over the program. However the LDI monitors how these changes impact policyholders in Louisiana. For more information on flood insurance, please visit the NFIP’s website at www.floodsmart.gov or call 1-800-427-2419.

For more information on insurance, you can go to the [Hurricane Resource Center](http://HurricaneResourceCenter) on the LDI’s website www.ldi.la.gov or call 1-800-259-5300.