DON'T BE A SCAPEGOAT: WHAT AN INSURANCE AGENT SHOULD KNOW WHEN PREPARING CLIENTS FOR HURRICANE SEASON

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People are often quick to place blame on others when things do not go as planned. This is especially true when faced with a difficult financial situation such as dealing with the aftermath of a hurricane and subsequent insurance claim. Unfortunately, insurance agents are an easy target when an insurance company refuses to pay for damages to a property. After all, the agent sold the policy. Insurance agents need to be aware of the issues that could put them in a situation where an insured takes their business elsewhere or worst case scenario, brings a claim against the agent.

One of the coverages that is often left unexplained to an insured is the option for the increased cost to repair a property associated with the compliance of an ordinance or law. Without proper coverage, policyholders can be left with costs of reconstruction that exceed the limits of the insurance policy. This is especially true with older homes as insureds are forced to comply with the current building code rather than the building code in effect when the home was originally built.

In the years following the 2005 hurricane season, there has also been an influx of insurance policies with “wind created opening” provisions. Typically, these provisions exclude loss or damage to the interior of any building or structure, or the property inside the building or structure, caused by rain whether driven by windstorm or not, unless the direct force of Hurricane, other wind, or hail damages the building or structure causing an opening in the roof or wall and the rain enters through this opening. It is important for the agent to review the policy prior to binding coverage and explain the consequences of this provision which can act to eliminate coverage for interior ensuing water damage.

Insureds are also caught off guard by the amount of the applicable Hurricane deductible which is significantly greater than the deductible assessed from another covered peril. This is especially true for commercial properties where deductibles can range from 2% to 10% of the policy limits and often exceed six figures. Although Hurricane deductibles are clearly identified on the policy, it is prudent to remind your clients of these increased amounts so they are prepared to cover the deductible in the event of a loss.

To the extent an insurance agent has done their diligence and properly advised their client but the insured nonetheless does not desire to obtain (or is unable to afford) certain coverages, it is best practice for the agent to protect itself. The best practice, above all, is to obtain a written acknowledgment from the insured that the insured is waiving certain coverages. If that is not possible, the agent should send the insured the proverbial “CYA” email. Otherwise, agents should keep real time records of all conversations. While providing insurance products is a service oriented business, agents should be mindful of how to protect themselves in a manner that does not negatively impact the customer / service provider relationship.

If you have any questions on how you can properly protect yourself in your client transactions or concerns regarding the terms of an insurance policy, please contact Barry Lapides on the firm's Business, Finance and Tax Team or Michael J. Higer of Berger Singerman's Insurance Team.

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