



COVERAGE INSIGHTS



Provided by Wallace Welch & Willingham

Hurricane Insurance Coverage Considerations

Hurricanes are some of the costliest natural weather disasters, with some causing well over \$30 billion in damage. According to the National Oceanic and Atmospheric Administration, tropical hurricanes caused the most damage among the \$310 billion weather disasters between 1980 and 2021. During this time, hurricanes caused more than \$1.1 trillion in total damage and had an average cost of \$20.5 billion per event.

For businesses in coastal regions, hurricanes are a potentially devastating risk. However, as hurricanes become frequent and severe, some private insurers may not provide coverage to companies located in high-risk areas.

Further complicating matters, hurricanes are a complex exposure that can affect multiple aspects of a commercial property. Organizations may wrongfully assume their insurance protects them from a severe storm. For that reason, business owners should assess their coverage and ensure their commercial property is protected in the event of a hurricane.

Potential Losses

Commercial properties suffer significant losses as a result of hurricanes every year. According to government researchers at the Congressional Budget Office, annual commercial business losses caused by hurricane winds and storm-related flooding cost around \$9 billion. In particular, hurricane-related property damage and loss can stem from:

- **Wind damage**—Hurricane winds can exceed 100 mph and result in extensive property damage.
- **Water damage**—Rain and storm surges—tidal waves that are pushed toward the shore during a storm—can cause damage to property and equipment and jeopardize the health and safety of occupants.
- **Business disruptions**—A hurricane's short- and long-term physical and economic impacts can make it difficult for businesses to resume operations.

Research from risk modeling firms suggests hurricanes are increasing in frequency and severity, making it more important than ever for business owners to be prepared for the far-reaching effects of these tropical storms.

Hurricane Related Coverage

Hurricanes can cause devastating damage to commercial properties, and it's essential to have adequate insurance coverage before a storm hits. Since hurricanes aren't generally a named peril in standard commercial property insurance policies, commercial property owners will typically need to purchase supplemental insurance policies to cover hurricane damage, including:

- **Flood insurance**—Flood insurance covers losses directly caused by flooding and can include building and contents coverage.
- **Windstorm insurance**—Windstorm insurance protects policyholders from



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property damage caused by gales, winds and hail.

- **Sewer backup insurance**—Hurricanes can wreak havoc on sewer systems. Sewer backup coverage can protect properties from losses caused by a discharge of water or waterborne material from a sewer, drain or sump.

While most commercial property policies cover debris removal costs, there may be limitations. Commercial property owners should work with a qualified insurance professional to ensure they have coverage for debris removal and pollution cleanup.

More Information

Commercial property owners shouldn't assume their policy includes hurricane coverage. Instead, they should work with their insurance partners to ensure that proper coverage is in place to protect their property in the event of a hurricane. For more information, contact us today.