



NEWS

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Commissioner Donelon urges consumers to protect their property with flood insurance

With experts predicting another above-average hurricane season beginning June 1, Commissioner of Insurance Jim Donelon is urging people to protect their home and property against the most frequent natural disaster in Louisiana – floods. The National Oceanic and Atmospheric Administration predicts there will be between 13 and 16 named storms, with four to six of them being major hurricanes.

“Historically, flooding during hurricane season is one of the most costly natural disasters affecting Louisiana,” said Commissioner Donelon. “Residents should learn their flood risk and take steps before the next storm to protect their home or business from potential flood damage. Remember, standard homeowners insurance does not typically cover flood damage,” he said.

Flood insurance backed by FEMA’s National Flood Insurance Program (NFIP) provides home owners, business owners and renters with the best protection available against flooding. Currently, more than 31 percent of households statewide have flood insurance coverage for losses they would otherwise have to pay for themselves.

"Louisiana has one of the most vulnerable coastlines to flooding in America," Donelon said. "It is imperative that our residents take action to guard against this risk."

“Total flood claims paid nationwide during the 2004 and 2005 hurricane seasons totaled nearly \$18 billion – approximately \$3 billion more than the NFIP had paid out since the program began in 1978. Yet many properties located in high-risk flood areas remain uninsured or underinsured against floods. We urge all Americans to learn their flood risk and take steps to protect themselves,” said David Maurstad, Director of Mitigation and Federal Insurance Administrator for FEMA’s National Flood Insurance Program.

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The risk of hurricanes and related flooding includes the Gulf Coast and entire Eastern seaboard. Many scientists predict warmer waters in the Atlantic will be fuel for stronger hurricanes over the next 15 to 20 years – and storm surge can be a major factor for coastal areas. Flood insurance covers flooding from tidal and storm surge where other policies may not.

Although storm surge caused by hurricanes and tropical storms can wreak havoc on coastal areas, some of the most damaging floods occur hundreds of miles from the shoreline, days after the storm's initial landfall. As hurricanes and tropical storms move inland, torrential rains and high winds intensify the risks of flooding by rivers and streams.

Contact your insurance agent to purchase flood insurance. National Flood Insurance policies are available to home owners, renters and business owners. The average flood insurance policy premium is around \$500 a year.

Individuals can learn more about their flood risk by visiting www.ldi.state.la.us, or calling our nationwide toll-free number, 1-800-259-5300. Residents can also visit www.floodsmart.gov or call 1-800-427-2419 for more information about flood risk and the benefit of purchasing a flood insurance policy.

Be Floodsmart – Reduce your Risk

- **Learn your flood risk.** Properties that are not located in high-risk areas can also flood. Find out your flood risk right now by entering your address at www.FloodSmart.gov “Assess Your Risk.” Your insurance agent can also help you check your risk.
- **Plan for evacuation.** Plan and practice a flood evacuation route, ask someone out of state to be your “family contact” in an emergency, and ensure everyone knows the contact’s address and phone number.
- **Move important objects and papers to a safe place.** Store your valuables where they cannot get damaged.
- **Conduct a thorough home inventory.** Thorough documentation of your belongings will help you file your flood insurance claim. For more information, visit www.knowyourstuff.org.
- **Build an emergency supply kit.** Food, bottled water, first aid supplies, medicines, and a battery-operated radio should be ready to go when you are. Visit www.ready.gov for a disaster supply checklist.
- **Reduce your flood risk through home improvements.** Visit www.FloodSmart.gov to learn about ways to lower your risk of sewer backup, electrical problems, basement flooding and other flood-related issues.
- **Purchase a flood insurance policy.** Most homeowners insurance does not cover floods and there may be a 30-day wait before a flood policy becomes effective. If you already have a flood policy, remember that your policy needs to be renewed each year.

After the Storm Hits

Answers to common questions about storm-related property damage

Q: Do homeowners' insurance policies cover flooding?

A: Homeowners policies DO NOT cover most flooding. You need separate flood insurance policy to protect your home and belongings against flood damage.

Q: Do automobile insurance policies cover flooding?

A: Yes, if you have purchased comprehensive coverage. If you only have liability coverage, your vehicle is not covered for flooding.

Q: Can I buy flood insurance if my property has flooded in the past?

A: Yes, even if your home has been flooded before. **However, there may be a 30-day delay before flooding is covered. See your insurance agent for details.**

Q: Will federal disaster assistance pay for my flood damage?

A: You may be eligible for federal disaster assistance if your home is in a federally declared disaster area.

Q: My neighbor's tree fell on my property and caused damage. Is the neighbor's homeowners' insurance company responsible for payment of my repairs?

A: Generally speaking, if your neighbor's healthy tree falls on your home, fence, or other property, it is your insurance company's responsibility to pay for repairing the damage. Your neighbor's insurer would probably only accept liability and pay for the damage if the tree was dead or weakened in such a way that the owner should have known it was dangerous before it fell.

Q: How soon does the insurance company have to pay me the money it owes me for the repairs to my property?

A: Sometimes you will receive a check quickly. However, an insurance company has up to 30 days to pay your claim after you give them satisfactory proof of loss.

Q: If I am not satisfied with the service that my insurance company has given me, how do I file a complaint with the Department of Insurance?

A: All complaints should be submitted in writing to the Department of Insurance. You can call us for a form at 1-800-259-5300 or 225-342-1258, or print it off the Web site and mail the completed form and copies of any supporting material to:

**Louisiana Department of Insurance
Property and Casualty Consumer Complaints
P.O. Box 94214, Baton Rouge, Louisiana 70804**

Q: I'm not sure I have a complaint, and I don't know how to get in touch with my insurance company.

A: Contact us toll free at 1-800-259-5300 or 225-342-1258. We have staff standing by during business hours, and on weekends after a disaster, to answer your insurance-related questions and provide guidance. You can also visit our Web site at www.ldi.state.la.us.



Louisiana Department of Insurance
Jim Donelon, Commissioner

Phone toll-free: 1-800-259-5300
Web site: www.ldi.state.la.us

What should I do if my property is flooded?

1. Contact your insurance agent or insurance company right away. Have your policy or policy number handy at all times.
2. Give your phone numbers and addresses where you can be reached day or night.
3. When your insurance company adjuster contacts you, ask for identification. Do not permit an adjuster to inspect your property without proper I.D. Remember that unscrupulous repairmen often try to take advantage of people who have suffered storm losses.
4. Protect your property from further damage. Take photos of your damaged property and make whatever reasonable temporary repairs are needed. *Especially*: cover broken windows and holes in the roof or walls. Keep a record of these repairs for possible reimbursement by your insurance company.
5. Remember: Flooding generally is **not** covered under homeowners policies. Flood insurance is a separate policy. The National Flood Insurance Program (NFIP) has an arrangement with private insurance companies to sell and service flood insurance policies. But the NFIP has its limits. You can get up to \$250,000 for your house and \$100,000 for what's inside it. If you need more coverage, you can purchase excess flood insurance through private insurers. Check with your agent or insurance company for more information.
6. If you do not have flood insurance, there are other possibilities for reimbursement. Check other policies for all opportunities for recovery.

Examples:

- Loss of food by spoilage due to electrical outages, or damage from power surges related to storms may be covered by your homeowners policy.
- Damage to your motor vehicle may be covered under comprehensive coverage on your auto policy.
- Some falling tree damage may be covered under homeowners policies as well.

7. Do not pay money, make any deposits for repairs or sign any contracts for repairs until you have been instructed to do so by your adjuster, and you have called the Better Business Bureau in your area to check out the people who are to do the work.



Louisiana Department of Insurance
Jim Donelon, Commissioner

Phone toll-free: 1-800-259-5300
Web site: www.lidi.state.la.us



When hiring a contractor... **Be on the look out for fraud**



If damage to your home has left you in need of a contractor, be extra careful. Get bids from at least three different sources. Do not do business with a contractor who cannot show proof of insurance. Also, only do business with a contractor that is bonded, which will offer you some protection if the job is not satisfactorily completed or supplies purchased to make your repairs were not paid for.

With all contractors, request the names and phone numbers of at least two references who have had similar work done by them in the last year. Follow through by calling each reference and discussing the contractor's work in some detail.

In addition, call your Better Business Bureau to learn if there have been any complaints filed against the contractor. Be on the look out for out-of-state con artists who may have just breezed into town to take advantage of the local situation.

Before any work is started, request a clearly worded, itemized contract. Review it with the contractor and make sure you understand and agree with its contents before the contract is signed. The contract should include the following:

- ◆ A separate breakout of labor and cost of materials.
- ◆ The contractor's responsibility to get all required permits.
- ◆ The date the project is to begin and the date it is to be completed.
- ◆ Proof of insurance coverage from the start date to the finish date.
- ◆ A statement guaranteeing that the work area will be left in its original condition when the job is done.

If possible, go one step further and ask that the contractor's insurance carrier mail a certificate of insurance coverage directly to you. Finally, don't do business with a company that demands money from you before repairs are made.



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ASK JIM DONELON

YOUR COMMISSIONER OF INSURANCE

About business interruption insurance

Q: I have a small business operation with one location and a larger one with three locations. Do I need business interruption insurance?

A: When there is a national disaster, a lot of attention becomes focused on business insurance. In regard to your particular businesses, ask yourself this question: “If my business was shut down for three months during my busy season, what would it cost me?” And then ask, “Could I afford to absorb the loss myself?” If you could afford 50 percent of the loss, you can buy insurance to cover the other 50 percent. In fact, you can get insurance for whatever percentage of the loss you want to consider insuring.

The above questions apply to you, no matter whether you have a large business operation, a Mom and Pop store, or some other kind of income-producing business, such as rental on an apartment building you own. If you have more than one location for the same business, you can insure them all under a single policy. The policy would cover any one or more of the locations that were shut down.

Business interruption insurance coverage may vary from insurance company to insurance company. However you can expect certain perils to be specifically covered in a good basic contract.

Common perils include fire, theft, most acts of nature, road construction that shuts down your business, and collision, such as the Riverwalk shopping area in New Orleans being hit by a ship, or an out-of-control car crashing through the front door of your place of business.

The destruction of the Twin Towers in New York City illustrates how business interruption insurance provides coverage directly or indirectly. Businesses that were directly involved and had business interruption insurance were covered, as were those not damaged directly but were closed because they were in the immediate area.

To make an informed decision about business interruption insurance, sit down with your local agent or other insurance company representative to discuss the matter. Your accountant should be able to help you prepare for the meeting.

Anyone with insurance-related questions or concerns is invited to contact the Louisiana Department of Insurance at 1-800-259-5300 or 225-342-5900 in Baton Rouge or write Department of Insurance, P.O. Box 94214, Baton Rouge, LA 70804-9214.



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Cleaning Up After The Storm

After calling your agent or insurance company there are certain things you can do to clean up your property without causing problems with your claim.

- Before you enter your home, check to make sure the structure is not in danger of collapsing.
- Make sure the electricity is turned off at the main switch, and do not attempt to turn on any electrical lights or appliances until an electrician has checked your system.
- Open windows and doors to help dry out the house, let the air circulate to remove foul odors and help protect you from any leaking gas. Do not light any type of open flame because you could cause an explosion.
- Take pictures or video of the damage that occurred both inside and outside your home before you begin to clean up.
- Once inside your home, be on the lookout for animals - especially snakes. Such animals may have found shelter in your home. Be careful walking around. After flooding, steps and floors may be slippery with mud and covered with debris such as nails and broken glass.
- It is a good idea to hose down hard goods such as major appliances, even if they are destroyed. But do not throw the damaged hard goods away because the adjuster will need to see them. The adjuster can help you decide what should be thrown away and what should be kept.
- It is best to throw out perishable foods as they may be contaminated. If your home owner's policy covers perishable foods, keep an itemized list of the things you throw out. Until local authorities proclaim your water supply safe, boil water for drinking and food preparation for five minutes before using.
- If possible, make temporary repairs to your property to prevent further losses from the elements and to secure your property. This would include boarding up windows, placing plastic over holes in the roof and drying out wet carpets and furniture. Keep receipts for materials used and keep a record of the repairs you make for the adjuster. *Do not make permanent repairs until you are authorized to do so by the adjuster.*
- When making repairs, beware of "fly-by-night" contractors. Get more than one bid, and hire a local reputable contractor to do the repairs. Do not pay for repairs until the job is done.



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YOUR COMMISSIONER OF INSURANCE

About reporting false damage claims

Q. I recently heard some people bragging about filing a claim when they didn't have any damage. I know fraud is bad, but is there anything I can do about it?

A. Unfortunately, some people will exploit relief efforts meant for victims of a disaster. You may be surprised to know that Louisiana law requires you to report any knowledge of insurance fraud to the Fraud Section of the Department of Insurance. Reporting insurance fraud is also in your best interest because it costs you and me money. Statistics indicate that more than 10 percent of every insurance dollar we pay goes to make up for insurance claims fraud.

We follow up on every insurance fraud tip we get, and you can report your suspicions of fraud confidentially. Make your fraud report by calling our toll free number, 1-800-259-5300, and asking for the Fraud Unit, or by calling the Fraud Unit directly at 225-342-4956. Or, fill out your report on the Internet by going to our website, www.lidi.state.la.us, and clicking on *Report Fraud*.

One of two major sources of information about fraudulent

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insurance activities is individuals like you. The other major source is insurance companies, who can lose their right to do business in the state if they don't report suspicions of insurance fraud committed by their employees, agents or the general public.

Individuals usually contact us quickly when they feel their insurance agent is pocketing their money instead of sending it to the insurance company. However, we also need to hear from you and your neighbors if you have reason to believe that someone is committing claims fraud. The bit of information you give us may not seem like much to you, but it could be that one piece of the puzzle that will lead to the conviction of a perpetrator of fraud. For example, in one case, our Fraud Unit received an anonymous tip that a homeowner had submitted a bogus theft claim for valuable personal items that the homeowner still had. That anonymous call started an investigation that led to the arrest and conviction of the guilty parties.

If you have reason to believe that an individual or a group has committed insurance fraud, do your part by passing that information along to us. We'll do the rest.



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ASK JIM DONELON

YOUR COMMISSIONER OF INSURANCE

About who your adjuster is working for

Q. Who do insurance adjusters work for? When I had a claim the adjuster said he didn't actually work for my insurance company. Can you explain?

A. There are three kinds of adjusters who operate in Louisiana. They are: insurance company adjusters, independent adjusters who contract with insurance companies and public adjusters who offer their services, for a fee, to policyholders and others who want help with getting their claims paid by the insurance company.

The adjuster you worked with was no doubt a contractor who was working for an insurance company, which made that person a legitimate company representative. For future reference, remember that anyone who is representing a company should be able to show you an ID. If you have any concerns about an adjuster or any other insurance company representative, always contact the insurance company for verification.

A law requiring all adjusters operating in Louisiana to be licensed was passed during the 2006 Regular Session of the Louisiana Legislature.

The necessary rules and regulations are now being put in place here at the Department of insurance, and the process of licensing adjusters is scheduled to begin June 30.

To return to your question, insurance adjusters, whether contractors or employees of companies, play a vital role in the claims process. That is never more evident than it is after a disaster. Many companies do not have enough people on staff to handle an unexpectedly large workload and rely on contract adjusters to help them expedite the overwhelming number of claims they receive.

Adjuster licensing forms and information is currently posted on our Web site, www.lidi.state.la.us.



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