

HURRICANE SEASON IS HERE ... DO YOU KNOW EXACTLY HOW YOUR POLICY WILL RESPOND?

Another hurricane season is upon us and hopefully you have reviewed your policy to familiarize yourself with how it will respond.

So what should you be looking for? This bulletin concentrates on the key areas to review to ensure there are no surprises after a hurricane hits. As respects this bulletin, we will be concentrating on the U.S.



DEFINITION OF NAMED STORM

First, while we are talking about hurricane, we must emphasize *hurricane* falls under the Named Storm definition, and definitions of Named Storm differ from insurer to insurer. For the sake of comparison, we will look at Zurich's **Edge** Policy, FM Global's **Advantage** Policy and Willis' **WAR** Policy to demonstrate some of the differences in each policy.

ZURICH "EDGE"	FM GLOBAL "ADVANTAGE"*	WILLIS "WAR"
<p>Named Storm Any storm or weather disturbance that is named by the U.S. National Oceanic and Atmospheric Administration (NOAA) or the U.S. National Weather Service or the National Hurricane Center or any comparable worldwide equivalent.</p> <p>Named Storm also includes Storm Surge if shown on the declarations as part of Named Storm.</p>	<p>Wind Direct action of wind including substance driven by wind. Wind does not mean or include anything defined as flood in this Policy.</p> <p><i>*FM Global does not refer to this as Named Storm ... they use "Wind" instead and "wind" is broader than Named Storm.</i></p> <p><i>(Important: FM does not include storm surge as part of their definition ... for FM, storm surge will fall under Flood.)</i></p>	<p>Named Storm The term "Named Storm" shall mean a weather condition that has been declared by the U.S. National Weather Service to be a hurricane, typhoon, tropical storm or cyclone that results in loss or damage to insured property directly or indirectly by:</p> <ol style="list-style-type: none"> 1. the force of wind caused by or resulting from a "Named Storm"; or 2. any material, object or debris that is carried, propelled or in any manner moved by a "Named Storm"; or 3. hail, lightning or tornado(es) that are a result of actions or effects of a "Named Storm"; or 4. rain or water, whether the rain or water is driven by wind or not, that enters the insured property through an opening(s) created by the force of wind from a "Named Storm"; or 5. water inundation, storm surge or "Flood" as defined herein, including loss or damage from the destruction or breaching of any levee, dam or dike as a result of actions or effects of a "Named Storm".

As you can see, no two are alike, which immediately adds a complication, especially when dealing with trying to marry two or more insurers to the same wording on the same program.

ZONES WHERE NAMED STORM DEDUCTIBLE AND LIMIT APPLY

ZURICH "EDGE" POLICY

STATE	ZONE	COUNTIES/PARISHES/INDEPENDENT CITIES
Alabama	1	Baldwin, Mobile
	2	Clarke, Covington, Escambia, Geneva, Houston, Washington
Florida	1	Bay, Brevard, Broward, Calhoun, Charlotte, Citrus, Collier, Dixie, Duval, Escambia, Flagler, Franklin, Glades, Gulf, Hendry, Hernando, Hillsborough, Indian River, Jefferson, Lee, Levy, Liberty, Manatee, Martin, Miami-Dade, Monroe, Nassau, Okaloosa, Okeechobee, Palm Beach, Pasco, Pinellas, Saint Johns, Saint Lucie, Santa Rosa, Sarasota, Taylor, Volusia, Wakulla, Walton, Washington
	2	Balance of State
Georgia	1	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh
	2	Appling, Brantley, Bulloch, Charlton, Effingham, Evans, Long, Pierce, Tattnall, Wayne
Hawaii	1	Entire State
Louisiana	1	Ascension, Assumption, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington
	2	Acadia, Allen, Beauregard, Calcasieu, East Baton Rouge, East Feliciana, Evangeline, Iberville, Jefferson Davis, Lafayette, Pointe Coupee, St. Landry, St. Helena, West Baton Rouge, West Feliciana
Maryland	1	Somerset, Wicomico, Worcester
Mississippi	1	George, Hancock, Harrison, Jackson, Pearl River, Stone
	2	Amite, Forrest, Greene, Lamar, Marion, Perry, Pike, Walthall, Wilkinson
North Carolina	1	Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Columbus, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington
	2	Bladen, Duplin, Gates, Greene, Hertford, Lenoir, Pitt, Robeson, Sampson
South Carolina	1	Beaufort, Berkeley, Charleston, Colleton, Dorchester, Georgetown, Horry, Jasper
	2	Allendale, Bamberg, Clarendon, Dillon, Florence, Hampton, Marion, Williamsburg
Texas	1	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy
	2	Austin, Bee, Brooks, Colorado, DeWitt, Duval, Fort Bend, Goliad, Grimes, Hardin, Harris, Hidalgo, Jasper, Jim Hogg, Jim Wells, Lavaca, Liberty, Live Oak, McMullen, Montgomery, Newton, Polk, San Jacinto, Starr, Tyler, Victoria, Walker, Waller, Wharton
Virginia	1	Accomack, Gloucester, Isle of Wight, James City, Lancaster, Mathews, Middlesex, Northampton, Northumberland, Southampton, Surry, York
	1	Independent Cities: Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg
	2	Caroline, Charles City, Essex, Henrico, King and Queen, King George, King William, New Kent, Prince George, Richmond, Sussex, Westmoreland

ZURICH "EDGE" POLICY (cont'd)

U.S. COMMONWEALTHS AND TERRITORIES	ZONE	AREA
American Samoa	1	Entire Territory
Guam	1	Entire Territory
Northern Mariana Islands	1	Entire Commonwealth
Puerto Rico	1	Entire Commonwealth
U.S. Virgin Islands	1	Entire Territory
All other U.S. Territories and Possessions	1	Entire Territory

FM GLOBAL "ADVANTAGE" POLICY

WIND COUNTIES/AREAS, APPENDIX D

WIND TIER 1 AND TIER 2 COUNTIES – SOUTH OF VIRGINIA INCLUDING HAWAII AND THE COMMONWEALTH OF PUERTO RICO

Alabama Tier 1	Baldwin, Mobile
Commonwealth of Puerto Rico Tier 1	Entire Island
Florida Tier 1	Bay, Brevard, Broward, Calhoun, Charlotte, Citrus, Collier, Miami-Dade, Dixie, Duval, Escambia, Flagler, Franklin, Gulf, Hernando, Hillsborough, Indian River, Jefferson, Lee, Levy, Liberty, Manatee, Martin, Monroe, Nassau, Okaloosa, Palm Beach, Pasco, Pinellas, Sarasota, St. Lucie, St. Johns, Santa Rosa, Taylor, Volusia, Wakulla, Walton, Washington
Florida Tier 2	Alachua, Baker, Bradford, Clay, Columbia, DeSoto, Gadsden, Gilchrist, Glades, Hamilton, Hardee, Hendry, Highlands, Holmes, Jackson, Lafayette, Lake, Leon, Madison, Marion, Okeechobee, Orange, Osceola, Polk, Putnam, Seminole, Sumter, Suwannee, Union
Georgia Tier 1	Bryan, Camden, Chatham, Glynn, McIntosh, Liberty
Georgia Tier 2	Brantley, Charlton, Effingham, Long, Wayne
Hawaii Tier 1	All Islands
Louisiana Tier 1	Assumption, Cameron, Iberia, Jefferson, Lafourche, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John Baptist, St. Mary, St. Tammany, St. Martin (that part being south of Iberia), Terrebonne, Vermilion
Louisiana Tier 2	Acadia, Ascension, Calcasieu, East Baton Rouge, Iberville, Jefferson Davis, Lafayette, Livingston, St. Martin (that part being north of Iberia), Tangipahoa, Washington, West Baton Rouge
Mississippi Tier 1	Hancock, Harrison, Jackson
Mississippi Tier 2	George, Pearl River, Stone
North Carolina Tier 1	Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Gates, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrell, Washington
North Carolina Tier 2	Bladen, Columbus, Duplin, Hertford, Lenoir, Martin, Pitt
South Carolina Tier 1	Beaufort, Berkeley, Charleston, Georgetown, Horry, Jasper
South Carolina Tier 2	Colleton, Dorchester, Williamsburg
Texas Tier 1	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy
Texas Tier 2	Bee, Brooks, Fort Bend, Goliad, Hardin, Harris, Hidalgo, Jackson, Jasper, Jim Wells, Liberty, Newton, Victoria, Wharton

FM GLOBAL "ADVANTAGE" POLICY (cont'd)

WIND COUNTIES – VIRGINIA AND NORTH

Connecticut	Fairfield, New Haven, Middlesex, New London
Delaware	Sussex
Maine	Androscoggin, Cumberland, Hancock, Knox, Lincoln, Sagadahoc, Waldo, Washington, York
Maryland	Calvert, Charles, Dorchester, St. Mary's, Sommerset, Wicomico, Worcester
Massachusetts	Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth, Suffolk
New Hampshire	Strafford, Rockingham
New Jersey	Atlantic, Bergen, Cape May, Cumberland, Essex, Hudson, Middlesex, Monmouth, Ocean, Union
New York	Bronx, Kings, Nassau, New York, Queens, Richmond, Suffolk, Westchester
Rhode Island	Bristol, Newport, Washington, Kent, Block Island, Providence
Virginia	Accomack, Chesapeake, Gloucester, Hampton, Isle of Wight, James City, Lancaster, Matthews, Middlesex, Newport News, Norfolk, North Hampton, Northumberland, Poquoson, Portsmouth, Suffolk, Surry, Virginia Beach, York, Williamsburg

WILLIS "WAR" POLICY

HIGH HAZARD NAMED STORM ZONES USA – TIER 1

STATE	COUNTIES AND PARISHES
Alabama Tier 1	Baldwin, Mobile
Florida Tier 1	Entire State
Georgia Tier 1	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh
Hawaii Tier 1	Entire State
Louisiana Tier 1	Assumption, Cameron, Iberia, Jefferson, Lafourche, Orleans, Plaquemines, St. Bernard, St. Charles, St. Martin, St. Mary, St. Tammany, Terrebonne, Vermillion
Mississippi Tier 1	Hancock, Harrison, Jackson
North Carolina Tier 1	Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Hyde, Jones, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington
Puerto Rico Tier 1	Entire Commonwealth
South Carolina Tier 1	Beaufort, Berkeley, Charleston, Georgetown, Horry, Jasper
Texas Tier 1	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy
Virginia Tier 1	Accomack, Gloucester, Isle of Wight, James City, Lancaster, Mathews, Middlesex, Northampton, Northumberland, Surry, York and including the independent cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Williamsburg
U.S. Virgin Islands Tier 1	All Islands

As used herein, 'coastline' means the land bordering an ocean or sea and the inland area within twenty-five (25) miles of same.

NAMED STORM DEDUCTIBLE

At this point, we have established **what** Named Storm is and **where** the Named Storm limit/deductible will apply ... now we need to be concerned with how the deductible will be worded.

■ ZURICH "EDGE"

Named Storm

As respects Locations in Zones 1 and 2:

- a) Property Damage – xxx% of the value per the most current Statement of Values on file with the company as of the date of loss, for the Location where the direct physical loss or damage occurred, per Location.
- b) Time Element – xxx% of the full 12 months Gross Earnings or Gross Profit values that would have been earned following the occurrence by use of the facilities at the Location where the direct physical loss or damage occurred and all other Locations where Time Element loss ensues, per Location.

→ The value of a) and b) above combined.

- c) The above Named Storm deductibles are subject to a minimum deductible of \$xxxxx for Property Damage and Time Element combined per Occurrence.

■ FM GLOBAL "ADVANTAGE"

Wind

As respects wind loss associated with or occurring in conjunction with a storm or weather disturbance identified or named by any meteorological authority whether or not named prior to the loss:

- Property Damage: xxx%, per location
- Time Element: xxx%, per location

The above are subject to a minimum deductible of USDxxxxx for Property Damage and Time Element combined, per location.

■ WILLIS "WAR"

Named Storm

With respect to any High Hazard "Named Storm" at "locations" within "U.S.A. - Tier 1 Zones," applied separately at each "location" for which a claim is made, the Deductible shall be:

Separately:

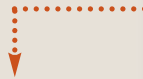
X percent of the value of the "unit of insurance" for which the insured is making a claim against this policy subject to a minimum of \$XXX,000 per occurrence combined all coverages. The deductible shall apply separately to each "unit of insurance."

(Contingent Time Element losses shall be subject to the minimum deductible only.)

Per unit provides opportunity to minimize the % deductible!

Flat CTE deductible... very important?

Combining PD & TE is the worst scenario for the Insured!



The following shall be considered a separate “unit of insurance”:

- (a) the value of each separate building or structure
- (b) the value of all personal property at each separate building or structure
- (c) the value of all Inventory at each separate building or structure
- (d) the value in each yard at each separate building or structure
- (e) actual value of BUSINESS INTERRUPTION GROSS EARNINGS and BUSINESS INTERRUPTION LOSS OF PROFITS for the twelve (12) months immediately following the date of the direct physical loss, damage or destruction.

BE AWARE!!!

We have pointed out the main items to focus on, but there are more that you should be aware of. Other issues that need to be considered and reviewed are:

- Did the insurer try to put an aggregate on the Named Storm Limit? Named Storm is intended to be a per occurrence limit ... so **do not accept** an aggregate on this limit.
- Does Named Storm coverage apply to all locations? Some insurers try to limit or exclude coverage for the following:
 - Miscellaneous Unnamed Locations (MUL) in coastal areas prone to Named Storms;
 - Automatic Coverage;
 - Service Interruption resulting from Named Storm in some coastal areas prone to Named Storms;
 - Contingent Business Interruption/Contingent Extra Expense for locations in coastal areas prone to Named Storms;
 - Some insurers will add a waiting period (i.e., 48-72 hours) as respects Named Storm coverage.
- Percentage Named Storm deductibles are subject to a minimum \$ amount per occurrence ... and if you are dealing with an account which has a significant concentration of values in a Named Storm exposed area, **then you should request a maximum \$ amount per occurrence (deductible cap).**
- For most insurers, the territory or zone for Named Storm in the United States in the following states: VA, NC, SC, FL, GA, AL, LA, MS, TX and HI. **(Important: Some insurers have been trying to expand this list to include the Northeast and Mid-Atlantic states, especially after the loss and damage experienced with Hurricane Irene in 2011.)**
- Following Hurricane Irene, some insurers (i.e., Lexington) are amending their Named Storm definition by applying the policy Flood limit and deductible against any loss or damage caused by storm surge resulting from a Named Storm because of the intense flooding which occurred in the Northeast. **(Important: Do not assume the wording is the same as expiring ... you may be in for a bad surprise.)**

CONCLUSION

Areas highlighted in this bulletin represent the main issues/items, however, there may be others as well, so you should review each policy **carefully!**

CONTACTS

The time to review coverage provided by your policy is prior to a loss. If you have any questions regarding application of coverage, please do not hesitate to contact any of the Willis National Property Practice Associates listed below.

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