



Expect the Unexpected

Prep your clients for surprise weather events

By John Nesbitt

I did not expect to feel an earthquake as I made coffee early one morning in my home in Kansas City, Missouri—a region associated more with tornadoes than earthquakes. But on Sept. 3, 2016,

as Oklahoma experienced the largest recorded earthquake in that state's history, I felt my house shake, 300 miles away from the epicenter near Pawnee, Oklahoma.

I wasn't alone: People across at least six states reported feeling the effects of the 5.8 magnitude quake. Another, smaller quake struck a month later.

On Aug. 23, 2011, a similar 5.8- magnitude earthquake occurred near Mineral, Virginia. People reported feeling it as far north as Canada and as far south as Florida. Most of the damage was closer to the epicenter in Mineral, where approximately 70% of the structures sustained damage, including the high school, post office and many homes. But nearly 100 miles away in Washington, D.C., the Mineral quake damaged the Washington Monument, National Cathedral and Ecuadorean Embassy.

Much of the damage caused by these earthquakes was likely uninsured—standard homeowners and commercial property insurance policies do not include coverage for earthquakes, which means policyholders must purchase it separately. And most don't know that.

It's a good reminder that surprising weather events can occur in any part of the country. Swiss Re Corporate Solutions handled an errors & omissions claim against an insurance agent involving allegations of insufficient replacement cost limits after a significant hailstorm in the desert climate of Phoenix, Arizona. Another unexpected claim arose from wind and flood damage caused by remnants of Hurricane Irene at a ski resort in New Hampshire.

Such significant and unexpected events can create uninsured losses in more ways than the obvious absence of flood or earthquake coverage. Business interruption claims often arise from catastrophes, as do claims involving power outages. Even if the damage does not affect a policyholder's property, the ripple effects of the damage can cause uninsured losses in other ways. One example is a claim that would be covered

by dependent property coverage, which protects against loss of income or expenses resulting from a loss at another organization's premises on which the policyholder depends, such as a supplier or customer.

Agents should present their customers with information about these perils and related coverages in order to give them the option of purchasing additional coverage if they decide they want to. Although insurance agents in some states do not have a duty to recommend coverage, when an unexpected and uninsured loss occurs, nothing prevents agency customers from claiming they were unaware of coverage gaps and asserting their agent negligently failed to alert them or offer a solution.

Always get documentation not only that a discussion took place, but also that the customer rejected additional coverage. Having this information on file can help keep your head above water when defending an E&O claim.

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