

Risk Managers: Take Control of the Flood Risk

Can the flood risk really be managed by a risk manager? Usually, the risk is "managed" by the insurer. It determines the flood zones, obtains finished floor elevations, and offers limits and deductibles to their liking. Since so much of the evaluation is based on the physical location of the risk, what can a risk manager do?

In our post-Sandy market, the risk manager needs to be as aggressive as the insurer by taking the following actions:

- Do your own flood zone determinations, including topographical maps. Third-party vendors have excellent resources at a small cost.
- Assess geographical concentrations. Could a single flood impact multiple sites? This will impact the needed flood limit.
- Insist that the insurer schedule the locations subject to a high hazard flood sublimit. Avoid policy wording that says, for example, "All locations in Zone A/V...."
- Carefully check the definition of "flood" to see whether it includes storm surge and surface water backup. There is a great deal of variation, and insurers will be making changes post Sandy.
- Carefully check the quote for the flood limits on extensions of coverage, such as civil authority and off-premises power. Insurers are lowering these limits post Sandy.
- Ask the insurer if it has calculated a flood probable maximum loss. This will be helpful in deciding on a flood limit.

The above steps, combined with good pre-emergency planning, will help a risk manager better manage the flood risk.

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