



Straight to the Point..

A Quarterly Personal Insurance Publication for Families and Their Financial Advisors



Don't Let Your Dreams Get Washed Away

Let's say the river, lake, reservoir or pond near your home overflows its banks following an excessive rainfall, causing severe damage to your home and its contents. Your homeowners insurance takes care of all related costs, yes or no? Answer: No! Why? Damages caused by floods are specifically excluded from all homeowner's policies. You need to have a separate flood insurance policy in order to have this additional level of protection.



response to flood disasters was generally limited to constructing flood control systems such as dams, levees, sea walls, etc. If you were a flood victim, the only recourse available was the remote possibility of disaster relief.

In 1968, Congress established the National Flood Insurance Program (NFIP) with two objectives in mind. The first goal was to give property owners the opportunity to purchase insurance protection in the event of flood losses. The second goal was to encourage communities to implement and enforce measures to reduce future flood risks in Special Flood Hazard Areas (SFHAs).

Today, individuals who reside in

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Flood insurance is a very necessary coverage for people who live in flood prone areas, as well as for those in low-to-moderate risk areas. However, it is important to understand that while homeowners insurance is designed to bring your home and its contents back to the same condition they were prior to a loss - flood insurance is only meant to get you back on your feet. To understand more about how this coverage operates and what it covers, read on...

Background Information

In the not too distant past, flood insurance was unavailable because it was too costly for private insurers to offer. The national

Are We Ready For The Big One?

The catastrophic earthquake (a 7.2 temblor or greater) that scientists warn has a 68 percent chance of striking the Bay Area in the next 30 years. The devastation could surpass Hurricane Katrina in the history books because it will probably be more destructive. A major earthquake centered in this region would make the 1989 Loma Prieta shaker, whose epicenter was about 60 miles away, a dress rehearsal in comparison.

Water, phones and power could be shut off, and emergency crews could take days to

assemble due to impassable streets, tunnels and bridges.

Un-reinforced masonry buildings, which are mainly commercial, have long been the focus of seismic retrofit programs. But damages to thousands of "soft-story buildings" in the 1989 Loma Prieta and 1994 Northridge quakes showed that they pose an even greater threat.

Soft-story buildings are often apartments with a garage or carport on the ground floor

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Condominium, Cooperative, Tenants In Common and Townhouse Policies

One of the most significant misconceptions about condominiums, cooperatives, tenancies in common and townhouses relates with the unit-owner's insurance responsibilities. Often, the unit-owner assumes that the association's master policy covers all of their interests. Unfortunately, many find out, only after a loss, that the association policy does not provide *personal insurance* coverage.

The master association policy for TIC's, co-ops, condos and townhouse associations is designed to cover the association and common areas owned by the various members. These policies are specifically customized to insure the building structure, common walls, roof, common electric and common plumbing and outbuildings. They have limitations and are not intended to cover the unit-owner's personal property, fixtures, personal liability or improvements to the unit.

Real Life Scenarios:

- ◆ You return from vacation to find that \$25,000 worth of computers, electronic equipment and jewelry have been stolen.
- ◆ Your dog bites a 5-year-old neighbor in the face. The young neighbor suffers devastating disfigurement and needs several surgeries. Medical costs are \$80,000.
- ◆ Your do-it-yourself repair of the toilet tank causes the toilet to leak and drain in your downstairs unit. The association's master policy refuses pay for damage to your newly installed marble flooring and high-end vanity.
- ◆ The association's garbage shoot has a fire and the master policy has a \$50,000 deductible. Each unit is assessed \$5,000.

Personal Coverage that is not found in the Association's Master Policy:

Unit Improvements (also referred to as "Additions & Alterations") - Provides protection to the interior of your unit. Some associations require unit-owners to provide their own coverage for carpets, flooring, drapes, light fixtures, kitchen cabinetry, built-in appliances, bathroom fixtures, etc. This is also known as unit-owner responsibilities, often defined in the association's covenants, conditions and restrictions (commonly known as "CC&Rs").

Personal Property – Provides protection for the personal property that you own. Examples include: furniture, clothing, fine arts, sporting equipment, personal electronics, jewelry, and other personal belongings.

Loss of Use - Offers coverage for additional living expenses you could acquire in the event of a covered

loss. Expenses could include additional rent, meals, and other expenses while your unit is being rebuilt or repaired.

Personal Liability – Provides liability protection to cover you in the event of a lawsuit that may arise out of negligence in the ownership of your condo/townhouse. Some common suits involve slips, trips, and falls. Other suits involving personal liability include ownership of pets, hunting, or sporting accidents. Personal liability also includes wrongful eviction, unlawful entry and/or libel and slander for rented units.

Loss Assessment - Tailored to protect you by providing financial relief for any special assessments charged by your Homeowners Association in the event of a covered loss. This is relatively inexpensive to add to your policy. It will protect you should your master policy have limitations or gaps in coverage or high deductibles and your Association assesses you pay for any shortages.

What does a condominium, cooperative or town-home policy cost?

The price of a unit-owner policy depends on three main rating factors – the dollar limit of contents/personal property coverage, the dollar limit of unit-owner fixtures/improvements coverage and the specifics about the insured location (year built, alarms, fire protection, etc.).

For example, the premium for \$100,000 contents with \$50,000 of unit-owner fixtures and improvements coverage for a condominium built in 1995 with central station alarms runs less than \$400 per year.

Consider an insurance review

As you search for proper coverage, do not assume that your broker or insurance representative knows the specific insurance on your building or the associations CC&Rs (covenants, conditions and restrictions). We recommend that you discuss your individual needs with your representative and review the Association's CC&Rs with them.

Condominium, cooperative, TIC and town-home coverage can help protect you against losses and personal liabilities that could attack a substantial portion of your assets or future earnings. For only a few hundred dollars a year, you may add a personal policy or increase your policy limits commensurate to your growing assets. Ask your Fort Point Insurance relationship manager to provide you with all the necessary information regarding this important coverage.

Flood

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communities that make the effort to reduce flood risks can receive insurance as a financial protection against flood losses. The government has been able to lower its financial risk by having local governments take responsibility and steps to limit the chances (and the resulting devastation) of floods.

What is a flood?

"Flood" is defined as a general and temporary condition of partial or complete inundation of normally dry land areas from:

- overflow of inland or tidal waters,
- flood as result on a earthquake,
- the unusual and rapid accumulation or runoff of surface waters from any source,
- or mudflows caused by flooding.

Do I need flood insurance?

Don't let the fact that you do not own beach-front property lull you into a sense of false security. In actuality, beach-front structures only account for 3% of all flood losses. Homeowners who live in high hazard flood areas should seriously contemplate purchasing flood insurance...especially when you consider that they have a 26% chance of having a flood loss over the course of a 30 year mortgage! Often, flood insurance is required condition of obtaining a mortgage if your lender determines that your home is in a high hazard flood area.



Even if you live in a low hazard flood area your property may still be at risk. Each year, approximately 25% of all flood claims paid are for property located outside high-risk areas. The good news is that there is a Preferred Risk program that offers substantial premium discounts for homes located in low hazard areas.

How can I get flood insurance?

About 85 private insurance companies participate in selling and servicing the National Flood Insurance Program for the federal government. Your Fort Point Insurance relationship manager is able to provide you with all the necessary information.

Waiting period rules

Don't wait until the water's rising to decide that you need Flood Insurance! There is a standard 30-day waiting

period for new applications and endorsements to increase coverage. The effective date of the new policy will be 12:01 a.m. local time on the 30th calendar day following the application and premium payment date. The exception is for insurance purchased as a condition for a mortgage loan. In such a case, the flood insurance is effective on the date of the closing.

Coverage availability/limits

Flood insurance is catastrophic insurance, meaning there are limits on how much insurance will be provided. For example, residential buildings can only receive up to \$250,000 in coverage. Contents within the home are also limited up to \$100,000 for residential (\$500,000 for non-residential) locations.

What's covered?

Direct physical losses by flood are covered. Also covered are losses resulting from flood-related erosion caused by excessive waters accompanied by a severe storm, flash flood, abnormal tidal surge or the like, which result in flooding. Damages due to mudflows, if caused by flooding, are also covered.

Coverage is provided for flood damage to the building itself. This includes foundation elements, as well as posts, pilings, piers or other support systems for elevated buildings. Coverage is excluded for:

- Most buildings located entirely over water (like boat houses),
- Structures other than buildings (such as fences, retaining walls, swimming pools, underground structures),
- And items like walkways, decks, driveways and patios located outside the building.

Coverage is also available on an actual cash value basis for the contents (your personal possessions) located inside the building. However, it's very important to know that coverage on valuable items (such as artwork, rare books, jewelry and furs) and personal property used in business is limited to only \$2500. A collections or valuable articles policy will protect your most treasured possessions from many perils, *including* floods (and earthquake for that matter). You may want to contact your local agent to learn more about this very important protection.

Flood insurance is not meant to restore your home to its original condition, but rather to get you back on your feet! It is much better than having no coverage at all. Remember, this section is not intended to be a complete description of coverage. Your Fort Point Insurance relationship manager can provide you with complete provisions.

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with inadequate supports that can buckle during an earthquake. Newer buildings have stronger supports, but most that were built more than 50 years ago present the highest risk of collapse. Single-family homes, especially those built before 1945 with a crawl space underneath, may also be vulnerable if the house is not bolted to the foundation. Since 1989, many homeowners have done so, but if the job isn't done properly by a professional, the homes may not survive a major quake.

BE PREPARED

Bolt the foundation of your home (the most effective tool to protect your home), attach bookcases and water heaters to walls, and make sure breakable items are secured. Plan where to go if your home is damaged. Maintaining your home's structural integrity by **retrofitting** and eliminating **hazards inside** the home may be a life saver in the next quake. Here are some precautionary steps for enhanced protection:

- ◆ Fasten shelves securely to walls.
- ◆ Place large or heavy objects on lower shelves.
- ◆ Store breakable items such as bottled foods, glass, and china in low, closed cabinets with latches.
- ◆ Use latches to secure cabinets and drawers. Secure the refrigerator and appliances with sturdy L-shaped brackets.
- ◆ Keep heavy items such as pictures and mirrors away from beds, couches, and anywhere people sit.
- ◆ Brace overhead light fixtures.
- ◆ Repair defective electrical wiring and leaky gas connections.
- ◆ Secure a water heater by strapping it to the wall studs.
- ◆ Repair any deep cracks in ceilings or foundations. Get expert advice if there are signs of structural defects.
- ◆ Store pesticides, and flammable products securely in closed cabinets with latches and on bottom shelves.
- ◆ Close blinds or drapes each night to prevent broken glass from flying into the room.

CONSIDER INSURANCE AS AN OPTION

While the California Earthquake Authority (CEA) is the largest provider of earthquake insurance for California homeowners, the coverage is very basic and the premiums for older homes are becoming astronomical. Fortunately, there are a number of options for homeowners and even renter's and condo-owners.

Did you know that some companies offer a broader policy (including contents and additional living expenses) for less money than the CEA? A comprehensive policy for a \$500,000 structure (replacement cost, not market value) may be less than \$950/year. Deductibles are typically 15%, but some carriers including; GeoVera, Axis and AIG offer 5% and 10% options. A \$1 million home can cost less than \$1,900 per year to insure.

Worth noting, fire and water damage that follow after an earthquake are covered under your standard homeowners policy.

Your Fort Point Insurance relationship manager can provide you with rates, policy samples and more information.

About Fort Point Insurance:

Fort Point Insurance Services, Inc. is an independent agency specializing in the designing, placing and servicing of innovative personal insurance programs for affluent individuals and families. Based in San Francisco, we work with individuals and families across the United States.

Our Principal Carrier Relationships:



Fort Point Insurance Personal Insurance Solutions and Products:

Personal liability – primary, excess and umbrella limits up to \$100 million

Dwelling - high-value, standard, historic, multi-state, foreign, rental property and seasonal/secondary

Automobiles – high-value, standard, collector, RV and motorcycle

Collections - jewelry, fine art, wine and other collectibles

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Earthquake, hurricane and flood

Kidnap, ransom & extortion

Identity theft

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Watercraft – yacht, small boat, sailboat and personal watercraft

Family office coverage

Employment practices liability for domestic employees **Workers compensation** for domestic employees

Personal Directors & Officers Liability



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