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Ike Estimated to Become Fourth Costliest Hurricane Ever

Thousands of insurance adjusters are processing claims in Texas, Louisiana, and other states affected by Hurricane Ike. Insurers are working closely with FEMA officials to help adjust flood claims as well.

Hurricane Ike struck the Galveston area on Sept. 13 and was the fifth ~ and third major ~ hurricane of the 2008 Atlantic hurricane season. It resulted in insured losses estimated at \$9.8 billion. If these estimate hold, Ike could become the fourth most expensive hurricane in U.S. history. While final figures are not yet available, Hurricane Ike produced several hundred thousand claims.

Standard homeowners, renters, and business property insurance policies will cover wind damage from Hurricane Ike. Many people in Texas will have their wind damage paid through their policy with the Texas Wind Insurance Association. A hurricane deductible was applied to wind damage from Hurricane Ike in coastal areas. Depending on the policy, hurricane deductibles usually vary between 1 and 15 percent.

The most significant flood damage from Ike occurred as the result of the storm surge from the hurricane. Flood damage is typically excluded under standard homeowners, renters, and business insurance policies. Flood coverage, however, has been available since 1968 in the form of a separate policy from the National Flood Insurance Program (NFIP). Texas had the second-highest number of NFIP policies in effect in the U.S. as of June 30, 2008 (662,606). Florida was the only state with more NFIP policies.

Storm surge is defined as the rise of water beyond what would be expected by its normal movement due to tides. The NFIP routinely pays for surge related claims. Virtually every federal and state court that has examined the issue of storm surge in recent years has ruled that losses incurred by storm surge are flood-related and are excluded from coverage under the standard homeowners policy. With many Texas homeowners not carrying NFIP policies in the coastal region, their portion of the \$9.8 billion in damage may vary well be coming out of their own pocket.

Source: The Insurance Record