

Lessons Learned From Hurricane Katrina Can Help Insure Against Future Disasters As Fifth Anniversary Approaches

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INSURANCE INFORMATION INSTITUTE

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NEW YORK, August 5, 2010 — With predictions for a severe 2010 hurricane season, coastal residents should heed the lessons learned from Hurricane Katrina by making sure to have the right type and amount of insurance, according to the [Insurance Information Institute](#) (I.I.I.).

August 29 marks the fifth anniversary of Hurricane Katrina, the most costly insured disaster in United States history, which caused more than \$41 billion in insured damage to homes, cars and businesses in Louisiana, Mississippi, Alabama, Florida, Tennessee and Georgia. The [National Flood Insurance Program](#) (NFIP) paid an additional \$16.1 billion for flood-related losses.

The devastation caused by Hurricane Katrina demonstrates the costly ramifications of not

properly preparing for a disaster.

- 1.** Some individuals and business owners neglected to purchase flood insurance. Lack of flood insurance resulted in uncovered losses to thousands of homes and businesses.
- 2.** Many business owners, who had spent years building up their companies, did not purchase the right type and amount of coverage, including business interruption (business income) insurance. Many were never able to open their businesses again.
- 3.** Some homeowners and business owners did not invest in making their property hurricane-resistant by installing storm shutters, hurricane clips, and other loss-mitigation measures, which could have saved their property.
- 4.** Many policyholders failed to take a home or business inventory prior to the disaster, which could have made the claims process easier.
- 5.** Many businesses owners did not have a disaster preparedness plan. As a result, those businesses were unable to resume operations.
- 6.** Many homeowners and business owners did not update their insurance policies to reflect the current cost of rebuilding or replacing damaged property and were left underinsured as a result.
- 7.** Some individuals did not evacuate, especially when told to do so by authorities. At least 1,836 people perished in the hurricane and subsequent floods, making it the deadliest U.S. hurricane since 1928.

“The more prepared you are for a hurricane or other major disaster, the greater the possibility you and your loved ones will survive the storm both physically and financially,” said [Jeanne Salvatore](#), senior vice president and consumer spokesperson for the I.I.I.

The I.I.I. videotaped several Hurricane Katrina claimants who were able to get their lives back to normal after Hurricane Katrina because they had purchased the proper insurance. To view the video, see [Five Years After Hurricane Katrina](#).

Just how prepared are Gulf Coast residents five years later? According to a 2010 I.I.I. poll, 74 percent of Louisiana and Mississippi residents who had filed an insurance claim from Hurricane Katrina considered themselves more prepared now than in 2005, compared with about half of the residents of those states who did not file a claim. In addition, seven out of 10 Hurricane Katrina claimants now have an inventory of their possessions to document their losses after a disaster, compared with 50 percent of the nation as a whole.

However, the survey also found some disturbing views: 32 percent of respondents in Louisiana and Mississippi think their homeowners policy covers damage from flooding during a hurricane—that is double the percentage in the nation as a whole, but still represents a surprisingly high number of people who remain uninformed about flood insurance.

“It’s astonishing that so many people who lived through Hurricane Katrina still don’t understand that flood insurance is not covered under a home or business policy,” pointed out Salvatore.

The I.I.I. noted four important steps homeowners and business owners can take now to protect themselves and their property:

1. Review Your Insurance Coverage

The time to review your insurance policy is *before* you have to file a claim. Make sure that you have both the right amount and type of insurance:

§ Amount of insurance. You should have enough insurance to rebuild your home or business and replace all of its contents. If you have made a major alternation or improvement to your home or business, get in touch with your agent or company representative to update your policy. Homeowners should find out how much coverage is available for Additional Living Expenses (ALE). These expenses could include the cost of a temporary rental home or hotel room, restaurant, meals and any other expenses incurred in the event your home is uninhabitable while it is being repaired or rebuilt. Some policies provide coverage for 20 percent of the amount of insurance you have on your house. Others may specify a time period. Additional coverage is generally available for an additional cost.

§ Type of insurance. Ninety percent of all natural disasters involve some form of flooding. Flood damage is *not* covered by standard home insurance policies, but is available from the National Flood Insurance Program and from some private insurance companies. Excess flood insurance is also available from private insurance companies if you need more coverage than the NFIP offers. For more information on flood insurance, see [FloodSmart.gov](https://www.floodsmart.gov).

2. Create a Home/Business Inventory

A home or business inventory is a list of all of your personal or business possessions and their estimated value. An up-to-date inventory will help you:

- Purchase the right amount of insurance.
- Speed up the claims process by substantiating losses.
- Provide documentation for tax purposes or disaster assistance.

In order to make the process of creating and updating an inventory, the I.I.I. has developed the Web-based *Know Your Stuff* software for [homes](#) and [businesses](#). For more information on the process of creating an inventory, see the I.I.I.'s [home inventory](#) video podcast and [brochure](#).

3. Protect Your Property

Hurricane-proof your home by keeping wind and water out. Invest in storm shutters and reinforced garage doors. Secure roof shingles and seal any openings, cracks and holes. Gable end walls and roof sheathing should be strongly attached and braced, and double doors should have heavy duty anchors at the top and bottom and a dead bolt at least 1 inch long. The [Institute for Business & Home Safety](#) has additional tips to protect your home against wind and other disasters.

4. Have an Evacuation Plan

When a hurricane is approaching, advanced planning really matters. Decide ahead of time where you will go and how you will get there, and have more than one option. If you have pets,

contact your veterinarian for a list of preferred boarding kennels and facilities or ask your local animal shelter if they provide emergency shelter or foster care for pets. Also identify hotels or motels outside of your immediate area that accept pets. For more information see [Protecting Your Pet During a Disaster](#).

The I.I.I. also recommends practicing your evacuation plan by doing a test run: giving yourself just 10 minutes to pack up your family, pets and important items and get out—possibly for good. For a video on the subject, see [Ten Minute Challenge](#).

“By taking these four steps now, you stand the best chance of getting your life back in order after a disaster,” explained Salvatore.

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