

Hurricane, Hurricane, Fires, Oh My!

Examining increased environmental exposures due to weather events.



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We've all seen the news or have spoken to others about the current weather events. For some of us, we dodged the bullet. But millions of people and businesses were and are right in harm's way.

Hurricanes cause an extensive amount of damage to economies, cultures and infrastructures. They pose an enormous amount of environmental loss exposures to both homes and commercial properties. Distribution warehouses, for example, that hold various chemicals that were in a safe place prior to the weather events, may have now been compromised, with chemicals released into flood waters or burned by the wild fires. Depending on the reaction a certain chemical has with water or fire, it could be immediately harmful to the nearby natural resources and people.

Hurricanes pose even more of an environmental loss exposure with the sheer amount of water intruding into commercial properties and homes. Mold can colonize rapidly within 72 hours of water damage, if the conditions are perfect. Since mold is naturally occurring, it needs a food source, water and heat to colonize and grow. Drywall is a great food source for mold as it is easy for the spores to digest. With the right amount of food, water and heat a commercial property can become a petri dish very fast if relative humidity is not under 40%. Bacteria is even more of a threat to humans and reproduces faster than mold. Bacteria colonies can grow 100% every 20 minutes with the right conditions. It is said that there are over one million different species of bacteria, and legionella is just one of those. Hurricanes and rain storms are the ideal situation for mold and bacteria growth, resulting in almost every fungi and bacteria sublimit and exclusion to trigger GL and property policies for commercial properties.

We know that General Liability and Property policies sold to commercial property owners have various pollution exclusions. What happens when mold starts to grow on the walls or the bacteria needs to be remediated? A fire and water restoration contractor must step in to help. I recently spotted a photo online of a whole neighborhood in Houston that appeared to be a ghost town. Not a restoration contractor in sight. I started to wonder how that could be, when many restoration contractors have been in Houston helping rebuild. I learned that restoration contractors generally will not work on a property (home or commercial space) if that property is not insured for fungi or bacteria, due to fact that the chance they will end up being paid for their work is slim to none.

PBS.org recently reported that 80% of homeowners in Houston that are underwater do not have flood insurance even though coverage is readily available. The National Flood Insurance Program is currently \$24 billion in debt. Rep. Jeb Hensarling, R-Texas and others state that the national flood program in its current form is not sustainable. Even if commercial properties could buy flood insurance that would include the effects from fungi, mold and bacteria, they are still is taking a massive risk on environmental loss exposures in the program.

What about the commercial properties that didn't purchase flood insurance from the national program? The majority of property policies sold to commercial property owners and managers have \$15,000 sub limits, according to a recent webinar cohosted by Swiss Re Corporate Solutions. ISO forms have a have this \$15,000 sublimit to highlight that mold, bacteria and fungi is not something they want to cover on ISO forms. The issue here is the average mold job on a commercial property is \$250,000.

Commercial properties are going to feel the effects for many years to come. The more the flood waters linger, the more mold and bacteria growth in those commercial properties trigger the pollution, fungi and bacteria exclusions on GL and

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property policies.

As we see a shift in weather patterns, I anticipate more flooding in cities that do not have a storm water system infrastructure to support the amount of rain fall, resulting in more mass flooding and more environmental loss exposures for commercial properties.

What's an Agency to Do? Document...Document...Document

Protect yourself and make the offer and, of course, document it! Just like you would with someone in a special hazard flood zone that didn't purchase coverage or someone that turns down uninsured motorist. Make the offer to investigate. Ask them if they have risk management processes for environmental loss exposures for liability and property. Offer the ARMR Property Environmental Risk Management program (PERM). If they say "yes," Big "I" Markets makes it easy. If they say "no thanks," document with [DocuSign](#). (Pro tip: Big "I" members new to DocuSign receive 20% off of their Standard or Business Pro plans. Find out more at www.docusign.com/iiaba.)

Over the past three years we have been creating a risk management and insurance program for commercial properties that incorporates a proactive environmental loss exposure management plan prior to a loss as well as the procurement of a specially designed environmental site pollution liability policy if a loss were to occur. This program is exclusive through ARMR.Network. For more information along with agency specific sell sheets for you to pass along to your commercial property owner and manager prospects and clients, please reach out to us on Big "I" Markets under **Pollution Contractors-FarmUSTs-Other**.

To provide you with an indication we just need to see the statement of values for the property portfolio. The information you send your property underwriter will work great. It will take us about 24 hours to turn around an indication for site pollution liability, including mold, fungus, bacteria as well as incorporating the proactive emergency response plan at no cost to your client. If the client or prospect is interested, you will gather the additional underwriting information needed and we will release a formal option to bind. It is that simple!

With the increase in weather events, commercial property owners and managers must be looking into how to better manage their environmental loss exposures. What is stopping barrels of alcohol being blown into a river and killing the natural resources for miles when a storm hits? Nothing.

To close the gap in coverage for environmental loss exposures caused by GL and property policies, every commercial property owner and manager should consider the ARMR commercial property program or else they will be unknowingly underinsured for those exposures. Your commercial property owners and manager clients and prospects are relying on you as the insurance professional to inform them they have a problem. I do not want to see you caught up in a potential E&O situation because the solution of covering environmental loss exposures was not offered to them.

ARMR.Network is your environmental insurance resource. You can find us on [Big "I" Markets](#) or just reach out to me with any questions you may have at kari@armr.net. We look forward to hearing from you!