

# Special Communications

October 7, 2004  
To: All Agents

## Avoid E&O flood claims: Sell building *and* contents coverage. Insure to value.

Charley. Frances. Ivan. Jeanne. The names go on and on, and each hurricane leaves behind not only property damage and emotional despair, but also a message to insurance agents who want to avoid E&O claims: **Be sure your customers' assets are adequately covered!**

**Sell both building and contents coverage.** According to the *Virginia-Pilot* (March 22, 2004) in reporting on continuing issues stemming from 2003's Hurricane Isabel, "One of the most common complaints is that the basic flood insurance policy covers only damage to the house, not its contents. Coverage for contents can be purchased separately, **but many people say their insurance agents never told them that.**"

- The Federal Emergency Management Agency (FEMA) reports more than 40 percent of policyholders enrolled in the National Flood Insurance Program (NFIP) *do not* carry coverage for their personal or business contents. Many may have assumed that flood insurance works like their standard property/casualty policies, which automatically include insurance for contents.
- Through Harleysville, separate contents coverage of \$100,000 can be purchased for residential homes (\$250,000 building coverage) and \$500,000 is available for commercial building contents (\$500,000 for commercial business structures).
- Make sure the amount of contents coverage desired is shown on the application form and on the declarations page. **For clients who do not want contents coverage, have them sign a rejection form for your file, or mark on the application that contents coverage was declined and have them sign the application form.** (See reverse side for information on how to access online forms.)

**Insure buildings for their full replacement value.** Compounding the problem for hurricane victims is the fact that many who bought flood insurance for their buildings did not insure their property to its current value. This value can be determined in different ways:

- If you believe the current amount of building coverage on the property policy is sufficient, consider using that amount for replacement cost purposes.
- You may apply a replacement cost dollar factor to the square footage of the building. These factors vary depending on the quality of the building construction and the county and state in which the property is located.
- You also may want to suggest that your clients hire an appraiser to perform a replacement cost appraisal on their building. Note, however, that any associated costs will be borne by the policyholder. *(Continued >)*

- **Make sure clients insuring their buildings for less than the replacement value sign a statement documenting that they are underinsuring their building.** (See below for information on how to access online forms.)

## Our experienced flood insurance specialists are ready to work with you.

As an industry leader in the U.S. flood insurance market, Harleysville sells and services federal flood insurance policies through the NFIP. This year, our agents have produced more than \$51 million in flood insurance premiums to provide their customers with the benefit of total account protection.

Harleysville offers a commission program that ranks among the best in the industry; primary coverages for homeowners, renters and businesses; and accommodations for lenders who need to place flood insurance coverage through the Mortgage Protection Program. Working with our experienced flood specialists, you can expect exceptional service, free flood zone determinations, online policy transaction capabilities and marketing materials to help your agency sell more flood insurance.

Contact one of our professionals today:

	Territory	Phone	Fax
Donna Jallick VP- Flood Operations	NJ, DE, MD, Lower NY, Eastern PA,	888.707.4443	732.542.1879
Jim Pitts Assistant VP- Flood Operations	Midwest, NC, SC, TN, WV	800.858.4754	843.766.8938
Dale Conrad Sr. Flood Marketing Consultant	AR, AL, AZ, LA, MS, TX, South FL	800.858.4754	843.766.8938
Kevin DuPree Sr. Territorial Marketing Specialist	New England States, W. PA, (Harrisburg and westward, including Scranton, and northward), VA, Upper NY (including Long Island), CA	866.371.3067	803.396.0808
Deb McCracken Flood Sales Consultant	North FL, GA	866.283.8886	912.634.4416
Melissa Koch, Adm. Assistant	—	800.523.6344	215.256.5678

**How to access Harleysville's online coverage rejection forms.** To help protect your agency against E&O exposure, Harleysville provides flood insurance rejection/underinsured forms online, which you can access via our extranet site (Agent Link > Flood > Flood Rejection Forms), or our corporate Web site ([flood.harleysvillegroup.com](http://flood.harleysvillegroup.com)).

It is critical that you have these forms signed by any customer who chooses *not* to purchase flood insurance for the building/and or its contents, or to underinsure the building.

- Attachments: 1) Flood insurance: Sharing the facts**  
**2) Coverage limitations in basements and elevated buildings with enclosures**