

Don't Underestimate Your Exposure to Natural Catastrophes

Americans tend to be an optimistic bunch—which is typically a good quality to possess. A key exception, however, concerns our impressions that we are very unlikely to ever experience a devastating natural disaster. As you know, 2011 has already proven to be one of the very worst for natural catastrophes in decades. This reason alone should cause you to systematically consider your exposure to natural disasters and take sound action to mitigate these types of losses if one were to occur. Here are a few ideas for properly handling your exposure to natural disasters.

- Flood losses have impacted tens of thousands of people during the past month—particularly those near the Mississippi River and its tributaries. You can check floodsmart.gov to see if your home has a higher exposure to flooding. Remember, however, that about 33 percent of all flood losses occur outside the flood zones. Studies indicate that in the course of a home's 30-year mortgage, it has a 26 percent chance of suffering damage from a flood, compared to a 9 percent chance of a fire. If you do not have flood insurance, talk to your insurance agent about the protection provided by this policy and annual cost.
- Tornados can decimate houses, as seen in the massive storms in Missouri and numerous southern states. And yet many people fail to carry adequate dwelling limits on their home. According to one of the largest residential building cost data companies, Marshall & Swift/Boeckh (MSB), 64 percent of U.S. homes are undervalued by an average of 19 percent. So if you are unsure whether you have the proper protection, ask your insurance agent about your dwelling limits and your potential for being underinsured. Note that some insurers offer guaranteed replacement cost or extended replacement cost—invaluable coverages in the event your home is destroyed.
- If your home is near an earthquake fault zone, consider procuring earthquake insurance. Here is a [U.S. Geological Survey map](#) of the contiguous United States indicating various levels of risk.
- Develop a home disaster plan and rehearse it with your family on an annual basis.

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