



LESSONS FROM LOSSES

Flood Damage to Inventory in Storage

Prepared by IMUA's

Loss Control and Claims Committee

IMUA STATEMENT

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- ◆ Members - insurance and reinsurance companies that underwrite a significant portion of the commercial inland marine insurance in the U.S.
- ◆ Associate Members - provide products and/or services to the insurance industry.

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IMUA offers its thanks and appreciation to the Loss Control & Claims Committee members for their work on this paper:

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Lessons from Losses

Key Issue: Flooding damage to inventory in storage

Keyword(s): Flood, “Sandy”, “Cat” losses, Water Damage

Date of Loss: October 29, 2012

Location of Loss: Locations in North Jersey

Class of Business: Stock Throughput

Brief Description of Loss: Inventory (apparel in one and bed linens in the other) at two locations in the northern part of New Jersey.

When “Sandy” hit the Northeast it packed extreme winds and rain resulting in significant storm surge (up to 5 feet) in the affected area.

Water levels were such that it entered warehouse facilities that were located in close proximity to river and creeks.

Was there anything unique or unusual about the loss? Water damage due to flooding is neither unique nor unusual; however, the extent and magnitude of these losses caused by super storm Sandy far exceeded anyone’s expectations.

Type of Policy Form Used: Company Form

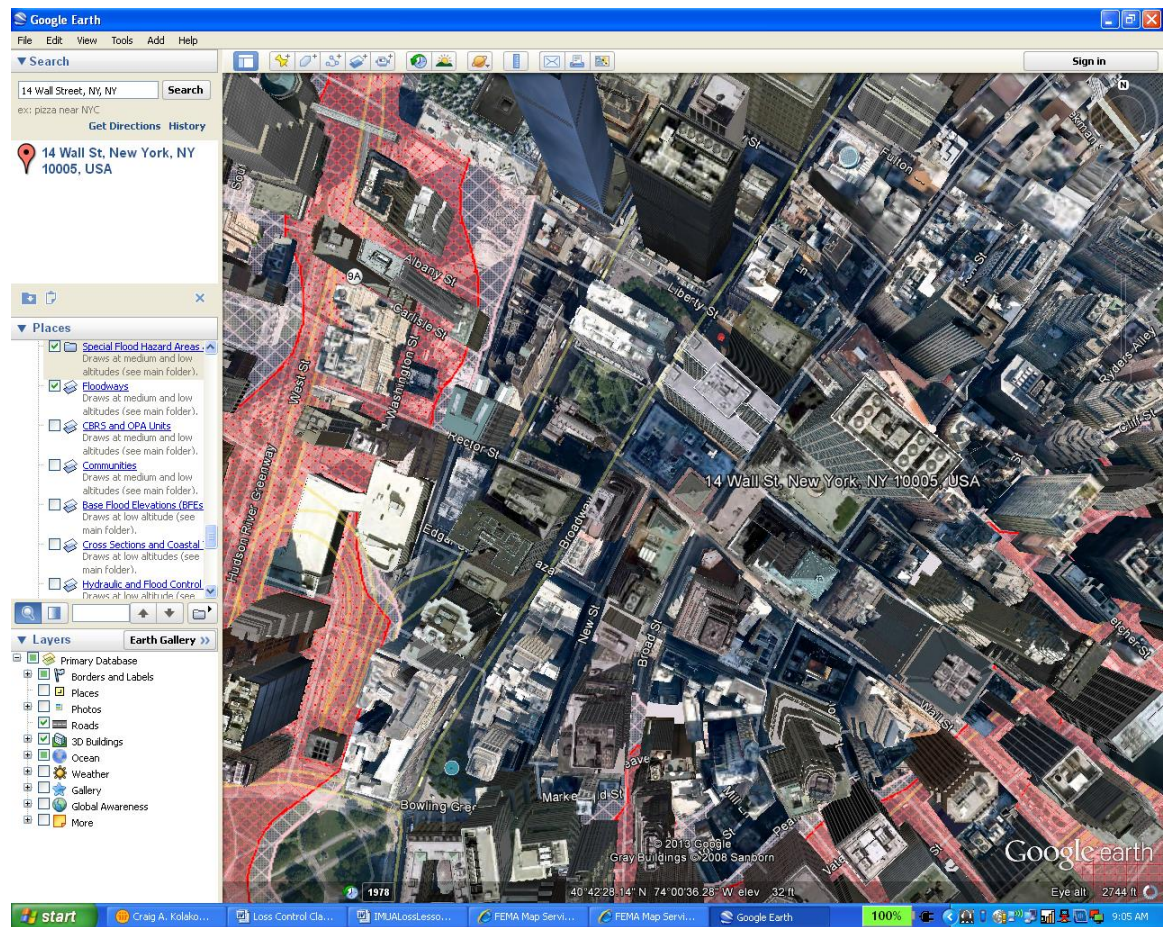
What lesson(s) were learned from this loss? Even though this was an unprecedented storm, locating storage facilities near bodies of water is potentially problematic. These types of events also require a company to have a viable disaster preparedness plan along with well-thought out recovery procedures. When a widespread event like this strikes, it will almost certainly affect employees working at the storage facility so they will likely be dealing with issues at their residences and/or be unable to get to the facility.

Steps/Measures that might help Prevent/Mitigate/Minimize Loss:

- Identify and recognize your flood risk; the reasoning “I am safe, because this area never flooded before” is not an adequate evaluation. The latest FEMA flood maps (known as Flood Insurance Rate Maps, or FIRMs) are available online from FEMA at no cost. A popular method of obtaining the flood maps is by using Google Earth, which overlays the digital flood map on a Google Earth image. The following link includes instructions on how to do this (Google Earth and either of 2 applications are needed to be downloaded and installed):

<https://hazards.fema.gov/femaportal/wps/portal/NFHLWMSkmzdownload>

Below is a screenshot of this application showing flood zones in red near 14 Wall Street, NYC (IMUA offices).



Digital only flood maps, which provide the actual FEMA FIRMs, can be found at:
<https://msc.fema.gov/webapp/wcs/stores/servlet/FemaWelcomeView?storeId=10001&catalogId=10001&langId=-1>

- Develop a flood emergency preparedness plan if you are in an area susceptible to flooding or within an identified flood zone. Information on crafting a plan can be found at:
<http://www.ready.gov/floods> and see IMUA's "[Flood Damage Mitigation Checklist](#)"
- Establish an emergency supply chain strategy, designed to avoid inventory buildup at vulnerable locations, including diverting inbound shipments and expediting outbound shipments.
- Consider the location of a storage facility prior to construction bearing in mind historical weather patterns, especially flooding and closeness to bodies of water.
- Consider the location of third party storage facilities when selecting a site to store your property.
- Place goods that are susceptible to water damage as high above floor level as possible.
- After an event like flooding, get personnel, either company employees or restoration experts, on the scene as soon as their safety permits so they can begin the segregation of sound from wet goods. Efforts to minimize the effects of damage to apparently affected good should begin immediately.
- Remove all undamaged goods out of the wet/damp environment so they do not suffer damage due to moisture.
- Identify key personnel/designated emergency responders and assess their ability to reach the facility in the event of a flood.
- Assign backup personnel to respond if needed.
- Establish communication protocols with utilities, law enforcement and other relevant government entities.
- Contact your insurance agent/broker and apprise them of the situation.

Resources:

Recommendations for Businesses preparing for a flood:

<http://embc.gov.bc.ca/em/community/BC-FloodPrepBusiness.pdf>

Other sites:

www.fema.gov guidance on Planning, Preparedness and Hazard Mitigation

<http://msc.fema.gov>- Map Service Center for flood maps

<http://www.ibsengineeredproducts.com/en/Flood-Control-Systems/Flood-Gates.php>

Information on flood gates:

<http://www.floodpanel.com/?gclid=CKqvkc-Ww7YCFcJo4AoddkcAUg> – Engineering for flood proofing of commercial property

[Flood Damage Mitigation Checklist](#)