

Commercial Flood By the Numbers

1

Rank of flood in list of most frequently occurring natural disasters in the US.¹

4

Number of inland floods topping \$1 billion in damages in 2016²

40

Percent of small businesses that close and never reopen after destructive events such as floods³

50

Number of states that have experienced flood or flash floods in the past 5 years.⁴

89

Thousand dollars; the average commercial flood claim from 2011-2014⁵

Superstorm Sandy Case Study⁶



After Hurricane Sandy, only **12%** of commercial properties that reported financial losses actually had flood insurance



40% of these business owners had to increase debt as a result



50% of these business owners were forced to use personal resources to remain open

Floods Are on the Rise. Is Your Business Protected?

The dramatic images and news reports of rain events illustrate one reality of the weather extremes we face, and highlight the need for more effective insurance products to mitigate the risk of severe weather.

Severe, intense and/or frequent rainstorms can lead to the overflow of rivers, streams and other bodies of water which can cause water to flow into areas which in the past may have been untouched by flooding. These events can be deceptive – they last a short period of time but can leave a long-term impact. In fact, in 2016, the federal government identified 36 disasters involving floods or hurricanes. The damage from four flooding events was estimated to exceed \$1 billion each.

The risk of flood damage continues to grow at a rapid rate, and yet a majority of business owners remain underinsured, if not completely unprotected against the most frequently occurring natural disaster in America.

Sources: The Pew Charitable Trust, February 1, 2017; iii.org

Commercial Flood Coverage Overview

Munich Reinsurance America, Inc. (Munich Re) has developed a Commercial Lines Flood Coverage Endorsement for insurance companies who want to help their policyholders manage their flood risk more economically.

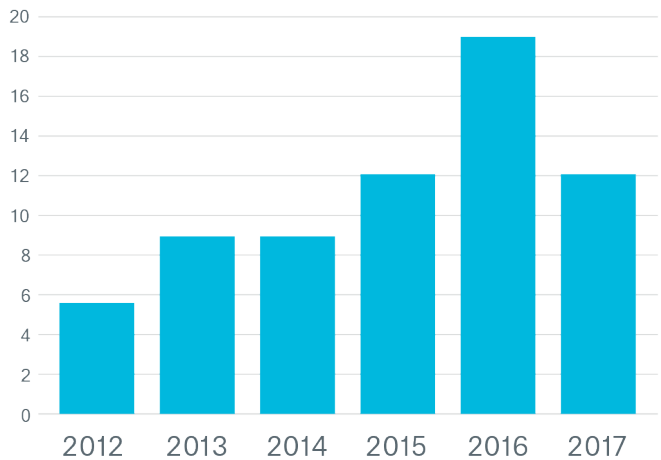
Key Benefits

Coverage

- Offered as a private-labeled endorsement on a participating insurance carrier's Businessowner or Commercial Property policy
- The endorsement is off-the-shelf ready for ISO participating companies (endorsements BP 10 79 or CP 10 65). Endorsement customization is available for proprietary and non-ISO policies.
- Coverage is written on a first dollar basis
- Covers the building, business personal property, business income, extra expense, and debris removal
- Flood-induced sewer backup or overflow is covered if it occurs within 72 hours after the flood recedes
- Up to 100% quota share treaty reinsurance for the endorsement
- Reinsured as a continuous or multi-year contract

Number of events

Relevant flood / flash flood events in the United States 2012 – 2017



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Scheduled Limits

- Maximum policy limits of \$250,000 for buildings, \$250,000 for contents, and \$50,000 for business income/extra expenses per occurrence and in the aggregate

Blanket Limits

- Maximum policy limits of \$250,000 for buildings, contents, and for business income/extra expenses per occurrence and in the aggregate

Rating

- All locations are rated based on each individual property's unique risk score
- Elevation certificates not needed

Underwriting Eligibility Criteria

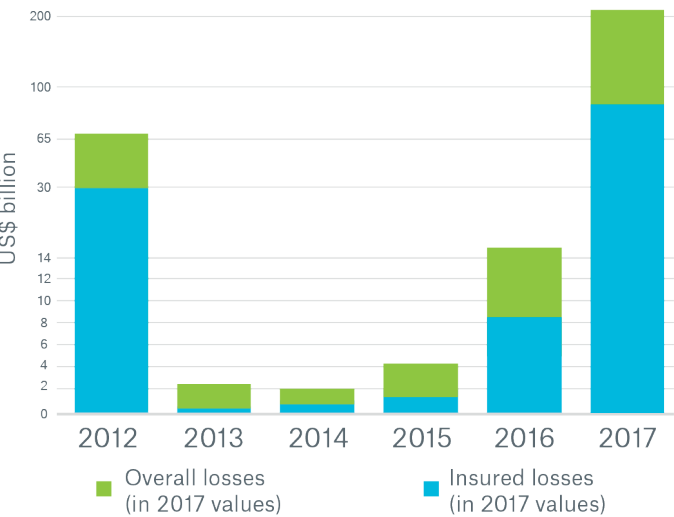
- Coverage will be offered for Small Commercial Insureds with location TIV's up to \$5,000,000
- Locations in all FEMA Flood Zones—except those beginning with prefix A or V, or within a 25-meter buffer of those zones
- All jurisdictions except AK, FL, HI, LA, and PR
- Certain surge exposed locations are ineligible

Sources

1. Federal Emergency Management Agency, "The National Flood Insurance Program," accessed June 2017.
2. NOAA National Centers for Environmental Information, "U.S. Billion-Dollar Weather and Climate Disasters: Overview," accessed June 2017.
3. Federal Emergency Management Agency, "Protecting your Businesses," accessed June 2017.
4. Federal Emergency Management Agency, "Flooding in the Past 5 Years," accessed June 2017.
5. Federal Emergency Management Agency, "Business and Other Non-Residential Flood Insurance Policies: What Insurance Agents Should Know," July 2016.
6. Federal Reserve Bank of New York, "Superstorm Sandy: Update from Businesses in Affected Area," April 2015

Overall and insured losses in US\$

Relevant flood / flash flood events in the United States 2012 – 2017



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Product Support

Claims Service

- Claims can be fully managed by Specialty Insurance Services Corporation (SIS), experienced flood claim specialists. SIS is a subsidiary of American Modern Insurance Group, Inc., an affiliate of Munich Re. For more information, visit www.siservices.com.

Implementation Services

- Munich Re's turn-key full implementation services include: policy language support, state filings support, ongoing product management, systems support, training, marketing and communications support
- Available application programming interface to provide our eligibility and pricing through our proprietary InDepthsm flood rating engine

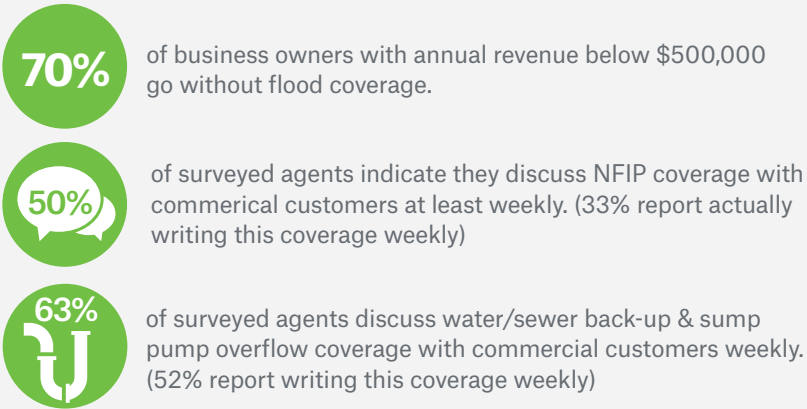
Not a Replacement to NFIP

The Commercial Lines Flood Coverage Endorsement is not intended to satisfy any mandatory flood insurance requirements of your policyholder's lending institution for their mortgages or loans. Coverage to satisfy these requirements is available through the National Flood Insurance Program (NFIP).

Market Interest

Our independent survey of agents and business owners found widespread appeal in a commercial flood coverage option. In many areas this coverage is considered optional, and there's a massive block of fully exposed customers as a result. Agents believe with a smooth and detailed quoting process, this coverage will be an attractive product offering to unprotected businesses.

Agent Survey Results



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Any descriptions of coverage contained in this brochure are meant to be general in nature and do not include nor are intended to include all of the actual terms, benefits and limitations found in a reinsurance/insurance policy. The reinsurance/insurance policy and not this brochure will form the contract between the parties thereto, and governs in all cases.

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