

Wind Insurance

Whether the reward (saved premium \$\$) is worth the risk (having a noncovered wind claim) is wise or not depends on a number of factors:

VALUE AT RISK:

Lower valued properties is connected to generally higher rates, minimum premiums, and minimum deductibles. For instance, if an office has 3 electronic items worth \$10,000 and can be run from any location does it make sense to pay a \$2,500 minimum premium subject to a \$5,000 minimum deductible. On the other hand, if a jeweler has sunk everything into her \$2,500,000 of jewelry inventory, she would need to do everything reasonable to insure that inventory as it is basically her entire net worth and retirement account.

TYPE OF EXPOSURE:

In those areas where it is hard to decide what to do you can take into account what type of exposure you have. A steel warehouse holding concrete blocks would have less susceptibility to loss. If a few pieces of roofing metal blow off, you replace them and mop up the water that gets inside. On the other hand, if a warehouse has sensitive electronics the water intrusion would be catastrophic.

RATE SITUATION:

Wind rates are cyclical based on numerous factors I won't go in to. In general, in my 30+ years they have ranged from .25% to 4% of insured value based on location, construction type, year built, Etc. When rates are at the bottom of the cycle they are considerably under priced and you'd be crazy not to buy wind coverage. At the top of the cycle, it is hard to afford whether you want to or not.

DISPERSION OF RISK:

If a corporation owns 100 buildings 2 per state if one is damaged, it can handle that. If it only has one building that claim could prove catastrophic.