



CORPORATE EXPOSURE: Snow Blindness

Harry P. Mirijanian

As you read this, winter will have ended for most of the country, but as this column is being prepared, the National Weather Service is predicting that certain areas of northern California can expect two to three feet of snow tonight. In light of that—and of the horrific snowstorms that hit the northeast last year—it seems only appropriate that we examine one type of coverage that has been receiving a lot of attention.

Weather-related policies have been around for a while, but only after the heavy snowstorms over the past two years have clients become particularly interested in the coverage. Although we are discussing snowfall coverage, remember that weather policies can be structured to cover such exposures as rain, wind, temperature, fog, cloud cover, and even the number of sunshine days per month. Historically, clients have only considered these perils when purchasing special events coverage—for example, an outdoor concert with a world-renowned entertainer that must be canceled because of monsoon rains. The promoter has invested a tremendous amount of capital, now lost to the cancellation of the show. A weather policy will allow the promoter to recover some of those losses after satisfying a deductible. An offshoot of this type of coverage is the vacation policy, which consumers purchase in case they have to cancel a trip because of illness, death, or other serious occurrences. These policies grew directly out of special events-type programs.

Snow policies are usually provided to cover a specific time frame. In the northeast, for example, an insured would probably purchase a policy to cover the months of December through April. There is really no point in paying for snow coverage in July. Given the fact that the policies cover only the specified time frame, how are premiums determined? The carrier simply reviews the average amount of snowfall during the period when records are available. For example, the average annual snowfall for the five- or six-month policy term may be 40 inches for the past 100 years.

*It may look pretty,
but snow can
cripple a community.*

Some believe that snowfall is one of the more difficult exposures to underwrite properly. As we know, a number of clients have experienced huge amounts of snowfall in just the last two years. Some have argued that "global warming" will affect the 100-year snowfall averages. And one highly respected insurance executive told me that ever since astronauts removed rocks from the moon's surface, we have all experienced unusual weather patterns. Be that as it may, snow policies usually have a deductible such as the number of inches that must fall before a policy becomes effective. This sort of policy will reimburse the insured for every inch of snow (up to an agreed-upon maximum or policy limit). Another deductible can be the number of storms a particular area experiences. The definition of "storm" warrants close review and monitoring.

Premiums are usually a percentage of the policy limit. The premium cost can

range from 10 to 25 percent of the policy; it will vary widely depending on the carrier and the factors we have reviewed. It is important to shop around for the best premium and coverage terms. Unfortunately, this coverage has not become so commonplace that there are several carriers to survey. Moreover, many brokers are unfamiliar with this sort of coverage. They can, however, contact a wholesaler or other intermediary to get you a quote and collect their commission.

What types of entities should consider this type of coverage? Almost every company must deal with the hazards associated with snowfall. Municipalities have probably been the most active in securing this coverage. Townships have been hit hard by the cost of salt, as well as overtime costs that result from trying to keep up with Mother Nature.

Restaurants, resorts, and shopping malls are also among the types of businesses that can be affected by excessive snow. Some retailers have purchased policies that cover key periods that could be critical to their business. The week before Christmas is one such period. Christmas week is also a busy week for airports, whose business can be severely affected by snow. And although the coverage is regarded by many as a niche product with limited appeal, I should point out that I can vividly recall getting stuck in Atlanta, Georgia because of a snowstorm that shut down the airport—and the entire city—for days. ■

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