



Protecting Your Business from Water Damage

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Protecting Your Business from Water Damage

Sooner or later, almost every business will suffer some type of loss from water damage, whether it's a broken water pipe or a leaky roof or a flood. Floods and flash floods occur in all 50 states. All areas are susceptible to flooding, although to varying degrees. In fact, 25% of all flood claims occur in low-to-moderate risk areas. Flooding can be caused by heavy rains, melting snow, inadequate drainage systems, failed protective devices such as levees and dams, as well as by tropical storms and hurricanes.

Because most water damage arises from unexpected events, losses can be quite severe, and can significantly harm your business. In addition to damaging your equipment and property, a water damage loss can result in downtime and even loss of business income. Failure to have a plan in place to handle a water damage loss can be catastrophic. Planning ahead can help reduce the impact a water damage loss has on your business.

Preparing for a water damage event not only includes having a plan to handle water intrusion, but should also include inspection and maintenance procedures to reduce the risk of water damage. This safety guide suggests ways you can prepare to manage a potential water damage loss, and provides some helpful tips you can use when inspecting your business for possible water intrusion areas.



Understanding Your Insurance Coverage

It's extremely important to read and understand your insurance policy. This will allow you to take the appropriate actions to resolve your water damage claim, and restore your business operations to pre-water intrusion status.

Typically, most policies contain a water exclusion, which is intended to exclude coverage for flood-type losses; however, many "sudden and accidental" losses could be covered. According to *Commercial Property Insurance and Risk Management*, flood is generally considered a peril that is difficult to insure because floods can cause widespread catastrophic loss, and the locations most susceptible to flood are low-lying areas that can be readily identified.

If your policy contains a water exclusion, it will not cover your business if a loss is caused by the following:

1. Flood, surface water, waves, tides, tidal waves, overflow of any body of water or its spray, whether wind-driven or not
2. Mudslide or mudflow
3. Water that backs up from a sewer or drain
4. Water under the ground surface pressing on, or flowing or seeping through:
 - Foundations, walls, floors, or paved surfaces
 - Basements, whether paved or not
 - Doors, windows, or other openings

If there is loss or damage by fire or explosion, or if sprinkler leakage occurs, the resulting loss or damage caused by that water is usually covered under your policy.

Flood insurance is available to any property owner located in a community participating in the National Flood Insurance Plan (NFIP). This is a program under the direction of the Federal Emergency Management Agency (FEMA).

It is important for you to understand the language and intent of your insurance coverage. Ask your agent or insurance company underwriter to answer any questions you have regarding your policy and available insurance coverage.

Planning Ahead



Establishing a crisis management plan makes good business sense. Without a crisis management plan in place when a catastrophe strikes, your business could be destroyed or have a reduced chance of ever fully recovering.

Your crisis management plan should describe the specific actions to take if water damage events occur. Consider the following: if the sprinkler system in your building broke, causing significant water damage to your electronic data processing equipment (computers, fax machines, printers, etc.), carpets and walls, paper files, and other vital records, would it be possible for you to continue operating?

It is a common misconception that once a computer gets wet, it cannot be repaired. Many restoration professionals will tell you otherwise. As part of your crisis management plan, identify local computer restoration vendors that can respond quickly if your computers are exposed to water.

Other vendors to identify include building contractors, water extraction/restoration specialists, and off-site storage companies located away from coastal areas.

When selecting vendors, confirm they have insurance and ask for proof of insurance before they begin any work. Also consider asking for a list of references or check the Better Business Bureau for any complaints that may contradict their service commitments.

Selecting a Roofing Contractor

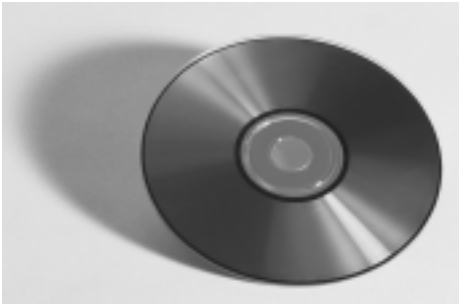
The National Roofing Contractors Association provides the following guidelines for selecting a commercial (low-slope) roofing contractor; however, most of these guidelines could apply to any type of contractor.

- **Permanent place of business.** Confirm that your contractor is well-established with a permanent address, telephone number, tax identification number and, where required, a business license.
- **Knowledge of roofing systems.** A professional roofing contractor is familiar with the different types of roof systems and will help you make the best decision for your building and budget.
- **Affiliated with an industry organization.** Involvement in a professional organization tends to keep a contractor better informed about the latest developments and issues in the industry.
- **Committed to education.** Insist on having trained and experienced roof mechanics.
- **Licensed and bonded.** Check to see if a prospective roofing contractor is properly licensed or bonded. Your state's department of professional regulation or licensing board will have this information.
- **Financially stable.** A professional contractor will be able to supply you with current financial information.
- **Application expertise.** Have your contractor list the roofing manufacturers with which his firm has licensed or approved applicator agreements.
- **Written proposal.** Insist on a written proposal and examine it for complete descriptions of the work and specifications. Be sure the proposal includes the approximate starting and completion dates, payment procedures, and addresses issues such as landscape damage prevention and debris cleanup.
- **Warranties.** Be sure that your contractor offers a warranty that covers workmanship. A manufacturer's warranty alone will not protect you if the roof is improperly installed. Carefully read and understand any roofing warranty offered and watch for provisions that would void it.
- **Completed projects.** Look for a company with a proven track record that readily offers client references and a list of completed projects.
- **References.** Ask the roofing contractor for a list of recent clients. Check with these customers to see if they were completely satisfied with the quality of materials and workmanship provided.
- **Provisions for on-site supervision.** Have the contractor explain his project supervision and quality control procedures.
- **Professional maintenance program.** Professional roofing contractors will offer periodic maintenance inspections throughout the year. These inspections will help ensure that your project complies with the standards specified in the warranty. A maintenance program usually consists of a detailed visual examination of the roof system, flashing, insulation, and related components to identify any potential trouble areas.



Improve Your Technology

If your computers and electronic storage devices are outdated, consider replacing them with newer technology. You can easily



store all your business information on compact discs or jump-drives. Scanners can help store written information so you can easily retrieve it at a later date. It's a

good idea to identify offsite storage vendors that are located away from coastal areas and flood plains, and store your data with them.

Protect Vital Records

According to FEMA, protecting facilities, equipment, and vital records is essential to restoring operations once an emergency has occurred. Vital records include:

- Financial and insurance information
- Engineering plans and drawings
- Product lists and specifications
- Employee, customer/client, and supplier databases
- Formulas and trade secrets
- Personnel files
- Student records
- System access passwords

Preserving vital records is essential to the quick restoration of operations. Analyzing vital records involves:

- Classifying operations into functional categories, such as finance, production, sales, and administration
- Determining essential functions for keeping the business up and running, such as finance, production, sales, etc.
- Identifying the minimum information that must be readily accessible to perform essential functions. For example, maintaining customer/client collections may require access to account statements
- Identifying records that contain essential information and knowing where they are located
- Identifying the equipment and materials needed to access and use the information.

Consider enhancing your knowledge of emergency management planning. FEMA offers a number of free emergency management resources on their web site, www.fema.gov.

Practice Your Crisis Management Plan

Before a crisis occurs, it's important to communicate and practice your crisis management plan. Know what you need to take with you in the event of an emergency. Assign specific responsibilities to staff members so there is no confusion about who should remove records or evacuate personnel. Locate critical files and equipment in zones where they can be quickly evacuated, along with staff. Assign a priority level to those zones, and label or color code the important files and equipment that should be removed first.

Very importantly, have a backup plan in case critical personnel are out at the time of a catastrophe. Identify backup power supplies and evaluate the crisis response capabilities of vendors you use as well.

Preventing Water Damage

Conducting regular inspections of your property may help prevent a water damage loss. The Institute for Business & Home Safety, an initiative of the insurance industry to reduce deaths, injuries, property damage, economic losses, and human suffering caused by natural disasters, contributes some of the following recommendations for inspecting your property.

Inspect Flashing and Sealants

Check sealants and caulking around windows, roofs, and doors for effectiveness. If they are brittle or there are noticeable gaps in spaces, reseal them or apply new caulk to the area.

Make sure periodic window inspections are part of your maintenance plan. Do the operable windows shut tightly? Are weather-stripping elements in place? Are the exterior joints and flashing systems in good shape? Are there broken panes of glass? Are any of the units "fogged," indicating a seal failure? Can you feel air blowing through the window? If so, water can get in.

Check the Roof After Storms

Heavy loads of snow and ice can damage your roof, and can also cause water to leak inside your building, damaging walls, carpeting, and equipment. This may be especially true for historic buildings and museums because of the building's age and dated construction standards. After any heavy snow, check your roof from the ground. If there appears to be a heavy load of snow, check with your local snow removal contractor to see if he recommends removing it. Clearing snow and ice from your roof can be dangerous—don't try to do it yourself.

If your area experiences hail storms, it is a good idea to check your roof as soon as possible after a storm. You may need to contact a professional contractor to help you inspect these areas properly. Flat roofs require more frequent inspections than pitched roofs.

Check Roof Drainage and Ventilation Systems

Make sure roof drains and gutters are free of debris, and provide water drainage away from buildings. Also check the surface condition of the roof. If it's in poor condition, it may need to be replaced. Check roof drains monthly, and remove any debris, leaves, or twigs that have collected around the drain or on the roof. This may help increase the life expectancy of your roof. Check all rooftop systems regularly from inside and out. Are the seals intact around HVAC systems? Are the flashings around skylights, stack vents, and other rooftop elements in good condition? When inspecting from below, do you see daylight where you shouldn't?

Ventilation systems should have appropriate hoods and be in good working condition. Check heating and air conditioning systems for excessive condensation or leaks in water lines.



Check Plumbing for Leaks

Look for leaking fixtures, dripping pipes (including fire sprinkler systems), clogged drains, and defective water drainage systems. You may also consider contacting a sprinkler system contractor to inspect your system for readiness and check for deteriorating pipes that could burst during the winter months.

Here are some tips to prevent pipes from freezing and bursting:

- Protect exposed pipes with insulation made to retard freezing.
- If no commercial insulation is available, wrap several layers of newspaper loosely around the pipes and secure the paper to the pipe with string.
- Open faucets so a trickle of water moves through the pipes.
- Keep a door ajar between a heated room and an unheated room with pipes so that the unprotected area will receive heat.
- Have a professional plumber inspect your pipes before winter. Plumbers can offer long-term recommendations that can help reduce the likelihood of pipes bursting.

Inspect Foundations and Exterior Walls

Look for cracks in walls and gaps in expansion joints (flexible devices between bricks, pipes, and other building materials that absorb movement). Older brick structures may have aged brick joints that need re-pointing, sealants that may have disintegrated, damage from acid rain, or settlement cracks. Have a professional building contractor inspect significant gaps or cracks.

Where the wall meets the ground can be a high-risk area for damaging water intrusion. Building components such as hose bibs, roof drains, and landscape irrigation systems can put a lot of water in the wrong place at the wrong time. To prevent water damage, check the following:

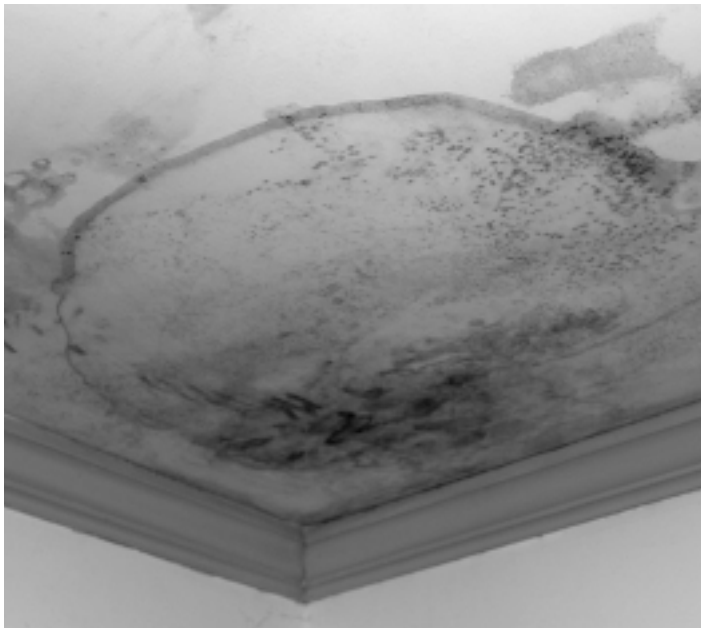
- Monthly: Check all at-grade plumbing systems
- Monthly: Check all at-grade drainage systems.
- Monthly: Test basement flood control and sump systems.
- Quarterly: Check all wall systems for proper flashing and sealant integrity.
- Quarterly: Check all major wall joints at windows, doors, electrical, and plumbing penetrations.

Replace any leaking fittings or drains immediately, even if the leak is small.

If the irrigation system sprays water against the foundation wall, hire a landscape or irrigation specialist to correct this problem.

Look for Humidity and Moist Areas

Periodically check for mustiness or moldy smells. On a quarterly basis, check basement floor drains and drainage systems. Also check basement walls for signs of water staining or damage. Try to keep these areas dry by tracking the source of the moisture and repairing it immediately. If moisture occurs frequently, there may be underlying causes that require professional evaluation and repair.



Check Interior Walls and Ceilings for Stains

Water stains on the ceiling or running down walls may be the sign of a much greater problem behind the drywall. If left untreated, the ceiling or wall could collapse.

Protect Electronic Equipment

Dust covers designed for equipment such as computers, telephone switchboards, and other sensitive electronic equipment may provide some protection should a pipe burst or a roof leak. Make it a policy to cover equipment at the close of every business day and during fire drills. Keep computer equipment elevated above ground-level floors.



Responding to Water Damage Events

By responding quickly to a water damage event, you may be able to minimize some of the damage. Your water emergency preparedness plan should include:

- Quick shut down of water supply lines. Label water shut-off valves and educate staff on where to locate them in case of an emergency.
- Safe shut down of electric and gas supply lines, as appropriate.
- Easy access to appropriate tools.
- Emergency telephone numbers for fire, police and emergency personnel, and HVAC and plumbing specialists.

You can make temporary or emergency repairs to reduce the likelihood of additional property damage. You do not need specific authorization from your insurance agent or Markel to take reasonable, immediate, preventive actions.

Reporting a Water Damage Loss

Report any water damage events to your insurance agent or carrier immediately upon discovery. Timely reporting will get the claims adjustment process started, helping you restore your business sooner.

Important information to have available when you report a water damage loss includes:

- Your policy number
- The location of the property involved
- A description of what happened
- Date and time the event occurred
- A description of the property damaged

If you are unable to gather a detailed description of what was damaged, don't delay reporting the event. You will have an opportunity to provide a list during the adjustment process.

Preventing Lightning Damage

Lightning damage to office equipment is a residual effect of most storms that create water damage losses. Taking precautions before a storm strikes can help reduce losses to equipment such as computers, fax machines, and printers, in addition to reducing losses to telephone equipment.



According to the National Lightning Safety Institute, damage from electrical surges is one of the leading causes of electrical equipment failure. The most obvious source is from lightning, but surges can come from a variety of other sources, too. Power surges may come from external sources like lightning, and internal sources like fax machines, copiers, and air conditioners.

One overlooked source of power surge damage comes from failing to protect sensitive electronic equipment connected to telephone/fax lines, cable or satellite systems, and local area network coax cable. Power surges can quickly travel along these sources of electric current, damaging your equipment. You can increase your chances of avoiding costly repairs and downtime by adding a surge protection device to these systems, as well as to your AC plug. Make sure the surge protection device is properly sized for the system it will protect, and that it is properly installed.

Some additional recommendations are:

- Install your surge protection device as close to the equipment being protected as possible.
- Keep cable lengths short and as straight as possible to minimize the resistive path of the circuit to ground.
- Make sure your connection to your surge protector is solid by pushing the plug completely into the socket.
- Only purchase surge protectors that are equipped with indicators that show the circuit is grounded and the unit is operating properly, allowing for easy inspection.
- Consult with a licensed electrician to ensure that your electrical distribution system is grounded correctly.

Summary

Almost every business will eventually suffer some sort of water damage loss. However, having a plan in place before such an event occurs will help you get back to business as soon as possible. You can also prevent some types of water damage by regularly inspecting your property, and making repairs as needed. Should a water damage event occur at your business, be sure to report it immediately to your insurance agent or carrier, so the claims adjustment process can get underway quickly.

Resources

Federal Emergency Management Agency (FEMA)

202-566-1600

www.fema.gov

Institute for Business & Home Safety

813-286-3400

www.ibhs.org

National Flood Insurance Program (NFIP)

888-379-9531

www.floodsmart.gov

National Lightning Safety Institute

303-666-8817

www.lightningsafety.com

National Roofing Contractors Association

847-299-9070

www.nrca.net

It's All About Safety

Safety is your primary goal. It's ours, too. The best way to keep people safe is to prevent accidents from happening in the first place. Markel's *Safety 1st* Education program and risk-management experts can show you how. The program includes:

- *Safety 1st* publications
- Risk Management Newsletter series
- Training
- Seminars
- Analysis of loss trends

Please explore our web site, www.markelinsurance.com, to find out more about our programs, or call us at 800-431-1270.



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