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FEDERAL
COORDINATING
OFFICE

MOUNT ST. HELENS TECHNICAL INFORMATION NETWORK

federal emergency
management agency

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BULLETIN #17 - "Insurance Concerns"

Almost every category of insurance has been involved in some way in the aftermath of the eruption of Mount St. Helens. Conflicting attitudes and approaches are to be found between consumer and insurer and even within both groups. Considerable effort is being expended by all concerned in attempts to sort out the questions and resolve the conflicts. The Washington State Insurance Commissioner, insurance company representatives, agents, consumers, and other affected agencies-both private and government-have held numerous meetings to try to unravel the many complexities of the problems. There is no precedent to look back on nor is there any applicable court decision that sets parameters within which anyone can proceed. The unknowns are gradually being exposed so the questions posed are gradually being answered, but much patience and consideration will be needed before these things are in balance. Unanswered questions should be addressed to the appropriate consumer or regulatory agency. BUT IN NO CASE SHOULD UNCERTAINTY PREVENT FILING OF LOSS CLAIMS. TO PUT IT IN ITS SIMPLEST FORM, "NO CLAIM, NO RECOVERY."

The principal types of insurance involved are discussed here in brief.

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AUTO. Uncertainties in auto insurance center on the effects of dust and questions of prudence on the part of the user. Actual effects are as yet imperfectly described, so the taking of reasonable precautions is necessary while at the same time the precautions are not always obvious, nor are some of the precautions common knowledge. And it is obviously too early to make judgements on the long-term effects.

HOMEOWNERS. The nature of the hazard itself, as related to the descriptions in the policies, is a major question. If a policy protects against "explosions," it is not clear that it should pay off for mud flows or other secondary manifestations of the eruption. Clean-up problems might or might not be regarded the same as actual damage. Some damage could even result from clean-up attempts. And repeated eruptions can add more complexities.

BUSINESS. The structural questions noted under Homeowners (above) can likewise pertain to businesses. In addition, Business Interruption decisions face several aspects, such as forced closing by civil order rather than simply closing because of ashfall. Loss of revenue later in the year because tourists stay away or are barred from an area is yet another factor.

LIFE AND HEALTH. Death benefits always present problems when people are merely "missing." Laws vary on rulings of eligibility for these and other benefits, such as social security. The involuntary change in status and eligibility of survivors, some in

involuntary change in status and eligibility of survivors, some in distant areas, require special analysis and action. For example, health plans have many different approaches to continuation by survivors of the working member who held the right to insuring the family.

THE INSURER VIEWPOINT

While the public is asking these types of questions, the insurance companies face a different set. Some of their problems are as follows:

- * If one agrees that Mount St. Helens started erupting with an explosion, when does the "explosion" stop? Was it when the blast stopped, or when the volcanic debris hit the ground, or just when? What do we call the May 25th ejection of ash?

- * Should the pyroclastic flow be handled as a "flood" or as part of the "explosion?"

- * What will be the result of a decision to pay off now if the mountain continues to erupt for years?

- * Since most insurance policies specifically exclude "earth movements", including volcanic eruptions, how can our company reasonably help our insureds? When can they expect payments for the losses?

- * If we pay claims outside of our policy coverage what will happen to our Reinsurance?

- * Will our claims practices in Washington State trap us if a later eruption hits other states?

FEDERAL FLOOD INSURANCE

Federal Flood Insurance is available in most communities and counties in the state where a Floodplain Management Plan has been completed and approved by the Federal Insurance Administration. Residents of these communities, regardless of their proximity to water courses, can purchase Flood Insurance policies for residences, mobile homes, businesses, and contents. Amounts of coverage available and specific rates vary, but all rates are affordable. Insurance agents in your local area will be able to help you complete a Federal Flood Insurance Application. The insurance policy becomes effective 5 days from the date of application and will cover flood damage, flood-related erosion damage, and mudflow damage. Because the eruption caused a silt build-up in the Cowlitz and Toutle Rivers, their flood carrying capacity is now diminished. This has enlarged the flood-prone areas and hence can subject more property to flood damage. Therefore, persons in the Cowlitz/Toutle alleys and other areas adjacent to water courses are encouraged to purchase flood insurance if there is a damage potential.