Businesses pushing to settle claims from Sandy

The Press of Atlantic City

Linda Schwartz had been running her Mexican restaurant for 29 years when it became a casualty of Hurricane Sandy.Schwartz waited out the storm in her Dennis Township home, confident that she had done what she could to safeguard her Avalon business, Tortilla Flats, by moving equipment to high shelves and putting everything else she could move on cinderblocks above the floor.When she returned, however, she found her store and the rest of Dune Drive had been swamped by nearly 3 feet of water during two high tides that turned her oven range and refrigerators into boats that had sailed about the commercial kitchen."I felt really good when I went home that Sunday. I never thought water would come in that high," she said. "Everything floated off and fell over. I couldn't believe it."Schwartz cleaned up what she could and filed an insurance claim, one of thousands submitted by businesses in South Jersey after the Oct. 29 storm.Statewide, 38,955 businesses filed damage claims, including 64 in Cumberland County, 622 in Cape May County, 742 in Atlantic County and 2,969 in Ocean County. Another 13,805 filed claims for losses they sustained because of the interruption to their business, including 153 in Atlantic County and 55 in Cape May County.The storm also claimed at least 58,917 cars, including more than 5,000 belonging to businesses.In the weeks after the storm, analysts were predicting business losses in New Jersey could exceed homeowner losses. That, as it turns out, was nearly the case.About 10 times as many homes as businesses were damaged in the storm, but insurers so far have paid out nearly an equal share to each group, according to the Insurance Information Institute, a nonprofit trade group.Losses by businesses such as Tortilla Flats represented just 13 percent of individual claims, but accounted for nearly half of the storm's estimated $18.8 billion in damage expenses across 14 states."With business interruption insurance, there are lost profits and fixed business expenses I have to pay whether I'm open or not," said Michael Barry, a spokesman for the insurance trade group."As a result, commercial claims are often higher dollar amounts because they're more complex," he said.The cleanupSchwartz and her employees mucked out the silt and sand left behind by the storm and power-washed the interior while she waited for the adjusters to come.Months passed as she navigated her insurance policy and lined up

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contractors to take estimates about the extent of the damage.”There wasn’t anything that wasn’t unaffected,” she said. “It was a lot of paperwork. For every piece of equipment, you had to turn in paperwork with a dozen questions.”New Jersey’s Department of Banking and Insurance has fielded 3,400 claims-related phone calls and has addressed 1,900 requests for assistance since the storm, spokesman Marshall McKnight said.”The top issues are delays, denials and unsatisfactory settlement offers,” he said. “We recognize there are still a lot of unsettled claims. We’re working to address that every day.”But McKnight said the state’s insurers have been responsive in most cases.”We feel the carriers largely have done a good job in handling claims. This was an unprecedented storm,” he said.As the months passed in Avalon, Schwartz saw many of her neighboring businesses gradually come back to life as similarly damaged shops finished their renovations.”That was freaking me out. How can they reopen so quickly?” she said.In the wake of the storm, businesses such as Schwartz’s felt a lot of pressure to push through their claims so they could get back to business, said Anthony Bevilacqua, a Flemington attorney who advised Atlantic County businesses recently on behalf of the Builders League of South Jersey.”Insurance companies want to open and close claims quickly. It helps customers get back to a normal state of life faster. Secondly, they want to determine the actual damages from the event with some degree of certainty,” he said.Complicated claimsBut some businesses, particularly seasonal businesses such as Schwartz’s, might not know the full extent of their damage until they reopen for the summer, he said. Reopening claims to address unforeseen problems could present some challenges, he said.”The insurance company can’t arbitrarily decide the case is over until you sign certain documents,” he said.He likened storm damage to car repairs after an accident. The owner files a claim based on the mechanic’s estimate.”Then the mechanic tears apart the car and realizes you have other parts that are broken. So instead of a $3,000 claim, it’s a $4,500 claim,” he said. “The same thing applies here. You’ve got supplemental damages that should be covered. Sometimes that supplemental damage won’t be known for a couple months.”For example, the storm could have damaged expensive air-conditioning systems, which could go undetected until the warm months of spring or summer.”Salt water got into the compressor. Now you have to go back to the insurance company,” he said.Bevilacqua said businesses who find they have to reopen an old claim should not have to pay a second deductible to get the damage fixed.”We’re six months out from the event. Just about every person who has suffered some kind of loss has reported it by now,” he said.Bevilacqua advises business clients to consider every possible avenue of their claim before agreeing to close it. For companies with business-interruption insurance, that could include salaries, benefits and taxes, additional transportation costs and hotel and restaurant expenses.”You as the policyholder dictate when the claim is closed. The insurance company does not say that,” he said.Schwartz said her insurance carrier settled her full claim. Since her entire store was

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deluged from front to back, there was no debate about the severity of the damage, she said.She hired contractors and got to work removing walls, ripping out electric lines and fixing the plumbing.As of April, 93 percent of claims nationwide have been settled in what so far has been the nation's third-most expensive natural disaster next to Hurricane Katrina and Hurricane Andrew, according to the Insurance Information Institute.Meanwhile, the state Department of Banking and Insurance is monitoring insurers to determine whether customers will see a rash of nonrenewals by their insurance companies once their policies expire."The insurer is well within their rights to issue a nonrenewal notice," the insurance institute's Barry said."If I have a one-year contract with you as a policyholder, I as the insurer have a right to discontinue the policy."But Barry said state law requires insurers to renew at least 96 percent of their customers in any given year or seek state approval for steeper cuts."Nonrenewal notices are not taken lightly," he said. "Homeowners often have car insurance and other policies through the same company."So far, New Jersey's Department of Banking and Insurance has not seen any dramatic increase in nonrenewals of policies, its spokesman McKnight said.For customers who find themselves in that situation, there are many other insurers they can turn to, he said. And if every private insurer judges certain customers a bad risk, they can turn to state-sponsored insurance known as the Fair Plan. It's a policy of last resort, McKnight said."Those numbers even after Sandy continue to go down. We look at that as a good sign that the market is stable and people are finding homeowners insurance in the competitive market," he said. "It might be with a carrier that's not advertising on national TV and it might cost a little more."On April 26, Schwartz celebrated the grand reopening of her restaurant. The store looks even better than it did before the storm, she said."I can't wait to get back open. I'm glad it's behind us," she said.Contact Michael Miller:609-272-7217MMiller@pressofac.comHurricane Sandy insurance claims*County Home claims Home losses Business claims Business losses Total lossesAtlantic 8,333 $37 million 895 $21 million $207 millionCape May 3,739 $12 million 677 $7 million $125 millionCumberland 605 $1.9 million 69 $413,000 $8.7 millionOcean 49,202 $191 million 3,805 $107 million $952 millionNew Jersey 323,149 $1.4 billion 52,760 $1.3 billion $6.1 billion*Through March 29.

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