

CANADIAN INSURANCE

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If a 6.5 quake happens near Montreal, unreinforced masonry will crash and crumble.

Water lines will break, damaged gas lines will spark multiple fires.

There could be billions of dollars in damage in Eastern Canada.



Are We Ready?

WHAT ARE THE CHANCES?

A lightning strike can cause devastating damage, but clients underestimate the risk

BY REGAN REID

I I was almost seven years old when my neighbour's house "blew up." It was summertime, and I was watching my sister's softball game when the sky turned menacing shades of red and black. The game was called off because of an approaching thunderstorm, so my sister, dad and I piled into the car and headed home. When we pulled onto our street we saw fire trucks lined up around the block and all of our neighbours crowded into the streets and on their porches.

The house behind my childhood home had been struck by lightning. The bolt hit the roof of the house and travelled through

the second and main floors to the basement, blowing apart virtually everything in its path. The roof, ceilings, water pipes and electrical panel were all destroyed (at the time, all the local kids were convinced that only a fireball, not lightning, could cause such destruction). Luckily, no one was injured, but most of the house had to be rebuilt. Our neighbour told the local newspaper that "very little" of his home was unaffected, and nearby residents got a taste of the damage as well—even my family's television was completely fried by the strike.

Environment Canada reports that lightning flashes occur in Canada approximately 2.34 million times a year. It estimates that up to 10 people are killed by lightning every year, 164 are injured and 4,000 forest fires are ignited. Lightning clearly presents a risk



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– Ashley Chinner, director of golf, Signature Risk Partners

to people, businesses and their properties, but insurers and brokers say many homeowners and commercial clients simply don't take this risk seriously enough. “We still see people taking silly chances,” says Glenn McGillivray, managing director of the Institute for Catastrophic Loss Reduction. “In

our pop culture we always say, ‘What are the chances that I could get hit by lightning?’ or ‘You'd never get hit by lightning.’ People continue to take it for granted [that they won't get hit].”

If more clients implemented simple risk management policies, industry members say, clients could save themselves from significant claims and potentially save lives.

Damage Control

While I've seen a home almost completely destroyed by a lightning strike, most haven't. And the fact is, most won't. “The great

majority of claims we receive are from electrical surges,” says John Lockwood, president and CEO of Peel Mutual Insurance Company in Brampton, Ont. “The actual damage to the structure is usually inconsequential, except when it starts a fire. Most residences aren't going to go to the trouble of putting up an electrical rod or ground system—it's too expensive, it's not aesthetically pleasing and the chances of [lightning destroying a home] are pretty remote. I don't see dwellings taking that extra step.”

Given that the best defence against strikes will seem an unnecessary expense to most homeowners, Lockwood says that there's not much they can do to protect their homes. “What you can do is try to minimize the damage.”

And it's not just the building that gets damaged, but also the contents within. “It's really rare that you just get a lightning claim to a building,” says Alex Walker, director of claims relations at RSA Canada. “There's almost always a contents loss related as well. That's where you see surge happening.”

Lockwood notes that, nowadays, homes are filled with expensive televisions, stereo systems and computers—devices that don't take kindly to a power surge. “The more sophisticated and more expensive the product, the less likely it is to respond well to fluctuations in power. A spike can do some significant damage to electronic appliances.”

Since lightning is a named peril in property policies, damage caused by a strike will be covered, says Walker. But it's important for clients to know that insurance companies will often opt to replace damaged electronics, rather than repair them.

“Unfortunately, with most electronic equipment, we don't repair it—we replace it, because that's more cost effective,” says John Lockwood. So if a client has a computer full of important information, the unit will be replaced but its information will be lost.

For this reason, many industry members recommend that clients install surge protectors. “You don't need a surge protector to protect your \$25 toaster, but you should maybe think of one for your \$2,000 television set or your computer that has all this important data on it,” says Glenn McGillivray. He admits, however, that many homeowners hesitate to buy a surge protector that could cost several hundreds of dollars. “[Many think] ‘Why should I put a \$500 surge protector into my panel? What are the chances of me getting hit by lightning?’ What's important to note, though, is that most surges in electrical systems don't come from lightning; they come from the power grid itself. So, by putting a surge protector in, you're not just protecting yourself against that rare lightning strike—you're also protecting yourself against the much more common surge.”

If homeowners still can't be convinced to purchase a surge

protector, McGillivray says that, at the very least, they need to buy a high-quality power bar with a surge protector built in.

John Lockwood also suggests homeowners take care to regularly prune large trees that could fall on the home if struck by lightning. As an added precaution, they could install sprinkler systems that would help douse a fire caused by a strike. Lockwood gives the example of a large rural home insured by Peel Mutual that was recently struck and burned to the ground. “That was a \$700,000 claim,” he said. “If [it] had a sprinkler system, it's unlikely that the fire would have spread to the entire dwelling.” He cautions, however, that Peel Mutual sees more claims from burst water pipes than from lightning.

Commercial Concerns

“I think anybody who has a business would want to be concerned with lightning because the potential for damage can be quite extreme,” says Alex Walker. He adds that companies housed in older buildings may be especially vulnerable because of the wiring and a lack of adequate surge protection in the electrical systems.

“One of our service providers had a \$40,000 claim this year with a lightning strike to a warehouse,” explains Walker. “Then they installed a \$3,000 surge protector and indicators, and that protected them against a second lightning strike. You know that old saying, ‘Lightning never strikes twice?’ Well it did strike twice.” But because they'd spent some extra money on surge protectors that second time around, they were spared another substantial claim.

In addition to investing in surge protectors and lightning rods,



FROM 2.34 MILLION LIGHTNING STRIKES PER YEAR IN CANADA, UP TO 4,000 FOREST FIRES ARE IGNITED

(source: Environment Canada)

companies should develop business interruption plans in case their building or electricity is knocked out by a strike, says Graham Bouchard, real estate practice leader at Zurich Canada.

“If you have specialized equipment, get someone from our Risk Services team or an engineer to take a look at it and create a customized plan.”

And for those companies that operate outdoors, planning for strikes is of even more importance.

Ashley Chinner, director of golf at Signature Risk Partners, says golf course clients are especially vulnerable to strikes, and it's something they need to take into consideration in their risk management plans.

For golf courses, it's got to be safety first. In June of this year, four golfers were seriously injured by lightning at a course north of Toronto, and in 2012, an 18-year-old golfer was killed at a course north of Montreal, when the tree he was standing under fell and crushed him.

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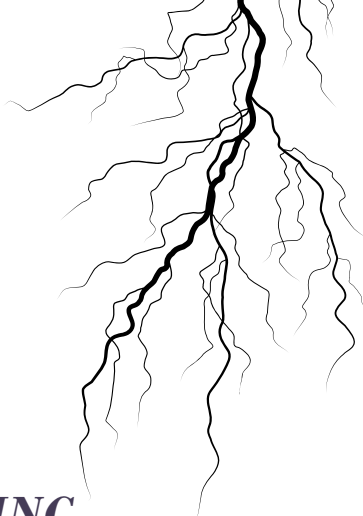
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“SO, BY PUTTING A SURGE PROTECTOR IN, YOU’RE NOT JUST PROTECTING YOURSELF AGAINST THAT RARE LIGHTNING STRIKE; YOU’RE ALSO PROTECTING YOURSELF AGAINST THE MUCH MORE COMMON SURGE.”

– Glenn McGillivray, managing director, Institute for Catastrophic Loss Reduction

“Golf courses are on vast areas of land,” says Chinner. “Smaller 18-hole golf courses could be on 40 to 50 acres, but the big facilities can stretch to beyond 600 acres. You can see clouds coming, but they come very, very quickly and getting from one side of the course to the clubhouse is sometimes not an option—especially if you’re walking.”

Many courses will have lightning detection systems, usually on each nine, that warn players of approaching storms. Once the horn sounds, play is suspended and golfers (and staff) are supposed to pack up and head to shelter. “It all happens very, very quickly so people need to know where to go,” says Chinner. He suggests that golf courses put safety recommendations inside golf carts and on the back of every score card, listing all the locations people can go for shelter. “As an added point, when the person is paying for their green fee, or at the first tee, the golf pro or the starter could [remind players] that, in case of bad weather, there are shelters out on the golf course and they can see them on the score card.”

Next, clients must also plan for the protection of their property. Typically, clubhouses will have lightning protection, but Chinner says some courses don’t install it in their pump houses or maintenance buildings, which hold equipment worth anywhere from hundreds of thousands to more than \$1 million. “Golf courses are usually in the middle of nowhere,” says Chinner, noting that it’s pretty hard for a fire department to do its job “in the middle of the country.” One bolt of lightning “could take out the entire pumping station and could result in a claim of \$100,000 to \$250,000.”

He says those golf courses that have a proper risk management policy in place will install lightning rods or suppression systems on all their major buildings. “If you’re going to protect your clubhouse, why wouldn’t you protect your other property?”

Lightning also presents risks to the course itself. Anyone who golfs knows the frustration of losing a ball in the trees (or the sand, weeds and water, for that matter), but these features are there to add complexity to the hole, and many courses are designed around them.

“Some of the older golf courses in Canada... they’ve got trees that are in critical areas on some holes,” says Chinner, who suggests that golf courses actually install lightning rods in the bigger, more important trees. “If a tree got hit by lightning, it changes the hole dramatically. How do you replace a 70-year-old oak tree? How do you put a value on that?” **TB**

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