

When water is not a Flood

One of the lessons of Hurricane Katrina was that not all property insurance policies are created (and interpreted) equal. Gulf coast residents quickly learned that their Homeowners insurance policies did not cover the tragic effects of water that came into their homes.

When you purchase a homeowners insurance policy, it contains a list of specific exclusions for events such as Earthquake, War and Flood. The insurance industry concluded a long time ago that the catastrophic exposure to flood was actuarially impossible to assess and priced out of the reach of ordinary citizens. In other words, it would cost too much to buy if someone was able to obtain it. For this reason, the federal government is exclusive provider of Flood Insurance coverage through the Federal Emergency Management Agency (FEMA). The rates are set by FEMA and subsidized by the US taxpayers. There is usually a 30 waiting period for new applications which means that you cannot buy it when the hurricane is outside your door.

However, homeowners insurance does offer the consumer coverage for water damage...other than Flood. Your policy will pay for damage resulting from water that comes from a broken appliance (e.g. water heater) or water pipe. It will also pay for damage to the dwelling when a plumbing fixture overflows. There is coverage for interior water damage when the structure is damaged by wind first. If the water comes into the home because the roof or walls are compromised, then the subsequent water claim would be paid. However, if the rising waters outside the home arrive first, this is a flood and is not covered. In most cases, your contents are not covered for water claims unless you purchase broader coverage.

Some insurance companies will also offer you an optional endorsement that pays for water damage resulting from sewer backup or sump pump failure. These policy enhancements generally limit the claim payment to \$2500 to \$10,000. The premium charge typically ranges between \$50 and \$100 annually.

One of the most common examples of the differences between water damage and flood damage occur each Spring and Fall when heavy rainstorms strike our area. When groundwater overflows basement windows or seeps through walkout doors into a lower level, this is a flood and would only be covered by federal flood policy. When a toilet tank cracks or overflows in the same basement, the homeowners insurance policy will respond. It is essential that you review these exposures and topics with your insurance advisor the next time your policy comes up for review.

*Provided to you by VML Insurance. VanTol, Magennis & Lang, Inc.
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