

Water Damage and Flood Insurance Claims - So You Think You're Covered?



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Water losses are by far the most frequent claims reported to the insurance industry. I suspect water losses are also the most frequent perils that impact property owners. Since many are not reported however, we really have no accurate data to determine the full scope of damages that water causes notwithstanding the CLUE reports (Comprehensive Loss Underwriting Exchange) that are filed for reported claims. Yes, both you and your claim data are being stored and indexed by big brother insurance. Who would have thought with all the privacy concerns that your prior property loss information is stored and shared! With flooding everywhere in the southeast and especially Florida and the Tampa Bay, St. Petersburg area due to a stagnant weather low system, it seems timely to cover a few of the issues policyholders are facing with water losses and their insurance claims.

First, let's distinguish between two types of water events: one that is covered in most property policies and another that is excluded. In regard to the former, as I stated, water is a very prolific cause of losses. Not surprising, the insurance industry picked up on this (and the premium opportunity) and over the years the water peril was added to named peril policies and all risk policies. But as in all things with insurance, the big print gives and the little print takes away. Water caused by flooding (the uncovered loss) was excluded, as were other causes such as long-term leakage or seeping of water from under a slab or through walls. In the beginning the intent was clearly to cover sudden, accidental water losses such as those that resulted from broken pipes, burst supply hoses as in washing machines, broken toilet water lines and other "in the house" water losses. Typically these losses were fully covered, up to the limits of Coverage A, Building and/or Coverage C, for Contents.

But as they say, all good things must come to an end or in the case of the water peril, it may not have ended but the insurance industry has made a major push to limit their exposure to water losses. A few years back some companies in the industry made a significant move by limiting coverage for a water loss to the damages that occurred in the first 13 days. So if your water loss was 14 days old or longer you are out of luck. The problem with this scheme is that no one has yet to come up with the science to date a water loss. But this is a gift the folks in Tallahassee bestowed on our winter snowbird guests who are most likely to have an undiscovered loss given their vacant property status during the summer months. Now the picture seems to be getting worse as we are hearing of efforts to limit water loss payments to \$5,000 or some other amount that will likely leave the policyholder scratching their heads wondering what their insurance premium actually paid for. And good luck with getting the restoration companies to service you since they are not likely to plug-in their dryers and dehumidifiers without some really big bucks to go after.

To be fair, a lot of the reduction in water coverage has to do with overreaching repair bills. The Assignment of Benefit (AOB) controversy comes to mind and then there are seemingly a lot of water losses that have suddenly sprung up, no pun intended. As an example, a call from a large loss adjuster in Miami this week was a little strange. It seems he was in a building where three water pipes broke in three different rooms all at the same time! Good answer to an age-old joke in the industry, how do you start a flood?

Let's talk more about flood. A flood loss is not covered in most property policies. To get flood coverage you need to buy a separate policy from the NFIP (National Flood Insurance Program) a division of FEMA. While a house or building full of water may seem like a flood, it is not unless the water came from outside the building.

The NFIP has a definition that applies to flood—"a flood is an excess of water on land that is normally dry." The official definition used by the National Flood Insurance Program is "A flood is a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or two or more properties (least one of which is your property) from:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source.
- Mudflow is defined as "A river of liquid and flowing mud on the surface of a normally dry land area as when earth is carried by a current of water..."
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.

So there you have it. The official definition in NFIP policy that describes the conditions that must occur before a flood is covered in their policy. Please note that excess flood policies and other manuscript flood policies may have different terms and conditions than the FEMA/NFIP policies. So as always, it is advisable to review your coverage with your agent or broker before a loss and consult with a qualified licensed professional after a loss.

Make no mistake about it, a flood occurred in Super Storm Sandy and most flood losses occur as a result of conditions detailed in the NFIP policy. So flooding can result from events other than hurricanes and rising water from rivers and streams. Remember a flood can and will occur from a local storm such as we are currently seeing in the Tampa Bay area, which can flood homes and properties that are not in a traditional or declared flood zone area.

With all the rain and water from our recent low system it should be a reminder to check your policy for coverage and understand your exposure for flooding. While flood policy rates are rising, the cost will likely be justified in the event your home or business is flooded.

This just published article [Tampa joins nation in increased flood risk, USF study finds](#) in the Tampa Bay Business Journal, highlights some of the research conducted at three universities that concludes that the flood risk has been underestimated for many of our coastal areas. And a new term for flood exposure has been introduced, which this study says is "compound flooding." Policyholders in Super Storm Sandy may not have heard of this, but they know the effects of storm surge, high tides and heavy rainfall. Add all three of these to our already overbuilt coastal communities and we have the makings of another super storm flooding event that is unpreventable given the lack of corrective infrastructure our local communities have ignored over the years.

Sadly a lot of folks who have paid their mortgage off are going without flood insurance that should have it. That is as long as they have the financial ability to self-insure. Just remember it's not just the direct flood damages many coastal community residences will face, but after a major flooding event some property owners will be faced with law and ordinance costs associated with complying with new elevation requirements. As an example if your property is damaged to the extent that the damages exceed 50% of its pre-loss value, you will need to re-build to current flood zone elevation heights.

Oh, and one more tip, if you've had a flood and FEMA/NFIP paid all or some part of your claim, (unlike the most recent alleged loss of government emails) FEMA/NFIP does not lose your record on when, what and how much you were paid for a prior flood loss. Yep, they will give the old detailed flood loss information (including serial numbers of any appliance you were paid for) to a new adjuster for your current flood loss. If you did not do the work they paid you for or replace the appliances from a prior flooding event, the government backed FEMA/NFIP will know and make the adjustment for old damages not repaired or paid for.

Finally on this subject, I am not aware of any statute of limitations on these old flood records. In one case I have personal knowledge of, each year the old flood loss detail is sent out to the current property owner for a flood event that occurred 22 years ago! This information is sent out with the new flood insurance policy renewal each year. The home that was damaged back then does not and has not existed for 19 years. Actually, a new home has been built to current flood elevation requirements and has been occupied on this property for 18 years. I think the government by sending out this old loss detail is telling us they are tracking and watching you.

Maybe the FEMA/NFIP should take over the government email system. Seems they cannot find some recent emails of a few folks in Washington D.C., but all the old flood loss details from all over the U.S.? No problems with that!

Final tip: If you are going to be away from your property for more than a few days, locate the main water shut-off valve and turn the water off.

For more information and answers to your questions on water damage and flooding, I would recommend you visit our [Water Damage and Flood Insurance Claims](#) page. If you have questions regarding any property insurance claim related issues please call 800.321.4488 or [contact us](#) to submit a question to one of our public adjuster insurance claim experts.

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Tutwiler & Associates
Licensed Public Insurance Adjusters & Loss Consultants
Executive Office
5401 W. Kennedy Blvd., Ste. 1080
Tampa, FL 33609

Florida License# A269833
Offices: Tampa, Hollywood, Palm City, Florida

info@publicadjuster.com • www.PublicAdjuster.com
Toll Free: 800.321.4488 • Phone: 813.287.8090

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