

Frequently Asked Questions About Flood & Storm Damage

The following are some common questions and situations we have run across over the years.

Q. The price our flood adjuster gave us to repair our house seems very low. He has written a computer estimate but the local and out-of-town contractors say they cannot do the work for these prices. What should we do?

A. After every storm the size of Super Storm Sandy, construction demand causes the cost of labor and building material to increase dramatically. Computer software in the adjuster estimating programs is supposed to change to meet the surge in pricing. Often they do not keep up, as was the case with Hurricane Isabel several years ago. You clearly have a voice in this. If you retained the services of a public adjuster, we suggest you bring this to their attention as they can negotiate with the insurance company if the real cost estimates do not accurately reflect the current market dynamics. Also contact your local and national political officials as they have a voice in this process given that NFIP is a Federal program.

Q. The storm debris from the neighborhood has covered my property; it was all washed on my property with the tidal surge. Will my flood policy pay to clean up my yard and haul the debris away?

A. No, the flood policy will pay to remove any debris on the insured structure. Remember the policy pays for damage to the insured "building". The damage to the yard and landscaping is not covered. If a tree is washed into the house, and the house is damaged, flood will pay to take the tree off the house and set it in the yard.

Q. Our kitchen had two feet of saltwater in it and the bottom cabinets are destroyed. The upper cabinets do not appear to be damaged by the flood but my contractor

said he cannot replace the bottom cabinets to match the upper cabinets. Will the flood adjuster pay to replace all of my cabinets so they will match as they did before the flood?

A. Unfortunately no. A flood policy covers direct physical damage. If the upper cabinets do not have physical damage from flood only the base cabinets will be paid for. But remember, each loss has its own fact situations. You may be able to determine if flood water did in fact damage the upper cabinets even though a debris line is not present. Did the flood water splash up on the cabinets? Also be sure to check for water damage from an opening caused by wind. This may allow the standard homeowners policy to kick-in and pick-up part of the cost to replace the cabinets.

Q. Should I expect my insurance company to cover my living expenses or business losses?

A. Unfortunately for many property owners, the flood peril that caused a significant amount of damage may not trigger insurance coverage under your standard policy, such as additional living expense (ALE) that would pay for relocation and the additional cost of living expenses while the home is being repaired and for business interruption (B I) related to continuing business and lost profits. Policyholders should not simply assume this is always the case however. Each loss and its facts and location is unique and needs to be evaluated on its merit. As an example, if wind damage or some other covered event occurred at the loss location with proper investigation and documentation, you may be able to negotiate with the insurer with this coverage. Many policyholders are just now coming to the realization that ALE and B I coverage is typically not covered in a standard flood policy and unless you purchased an excess flood layer of



Q&A

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coverage or some hybrid manuscript policy you will need to carefully view and preserve the facts of your loss .

Q. Our dock was destroyed along with the seawall that surrounds the insured home. Will flood pay for the dock and to replace the seawall?

A. No, neither item is covered under the NFIP policy. Remember the flood policy will only cover the building described in the declaration page of the policy.

Q. The ground under the slab of our house has partly washed away leaving a void under the slab. Will the flood adjuster approve the work needed to shore up and fix this washed out section of the foundation so further damage does not result to my home?

A. Yes. It has been our experience that this type of damage is covered. We have had commercial buildings on the shoreline where the type of damage you describe occurred in past hurricanes. Flood has paid our clients to fill the void with a grouting process. You must however take whatever steps are necessary to protect and ensure further damage does not result and mitigate the loss before a plan is worked on and agreed to by the adjuster and other professionals that may be needed.

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Q. Our parking lot, driveways and other exterior items at our condominium have extensive damage from the tidal surge. Will flood pay to have these items replaced or repaired?

A. No, these items are not covered under the flood policy since it only covers the building.

Q. The lower floors of our condominium building and road including the entrance are filled with sand washed in by Sandy. Will flood pay for all the sand removal cost?

A. The cost to remove the sand in the building will probably be covered, but the exterior drives, walkways and other areas will not be covered.

Q. We had a flood loss last year that caused damage to our home. The same items were damaged again. We had not completed all the repairs. Can we claim the new damage from Sandy?

A. The NFIP has updated their record systems. Now, each time you have a loss, the information about prior payments

is stored and retrieved and given to the adjuster for the most recent loss. They will look to see what has been repaired and replaced. If you were paid for prior damage and did not do the repair work, you will not be paid again. I have seen records retained for as long as 15 years on a property, so make sure you are honest as they will know what happened in the past.

Q. Our condominium community has significant damage from storm surge that destroyed all of the bottom units as well as others in the building. What can we expect the flood carrier to pay versus the unit owners HO6 unit owners policy for interior damage as well as the master association policy?

A. The NFIP does not recognize state rules, regulations or state laws where the loss occurred. The unit owner's policies regarding the adjustment of the flood loss as well the master association policy will follow federal law and the rules established to administer the NFIP program. If both unit owner and master association property is damaged by flood, the flood will pay the total cost for repair.

Q. Our building was flooded by sea water and storm runoff that contained oil, bacteria and other toxins. Will the clean-up be covered?

A. Yes, but only up to the limits of your policy. These types of losses often referred to as "black water" will require special handling by skilled remediation firms. You must keep a keen eye on the cost as there are limits in the policy and our experience is that clean-up of black water losses are expensive.

Remember, NFIP is a Federal program that takes precedent over state laws that may be in effect. At the same time, rules such as co-insurance may impose a penalty should the association be underinsured for flood coverage. If you are a condo association, you need to pay close attention to this condo provision about co-insurance. We have observed unit owners on the upper floors of a building forego flood insurance and the board of directors not insure the building to the correct value. If hit by a co-insurance penalty, all of the unit owners will have to pay based on the assessment levied for the penalty.

As with every storm also known in the trade as a "Cat" event, new issues surface and we have seen NFIP respond with policy changes through bulletins and other releases. As a subscriber to these releases, we get the new information as the changes are published. We will be updating our blog on flood issues as the recovery continues, so please visit our Hurricane Sandy Insurance Tips blog to read additional questions or send us one of your own.

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