

Flood vs. Water Damage: What Type of Coverage Do You Have?

As an adjunct to our June 3 and June 10 series about being prepared, the following information is intended to enhance the understanding of the different types of insurance that everyone should at least consider when making the decision to purchase insurance. It is complicated, complex and a large portion of every Association's budget, but can we afford to live without it? To read the June 3rd and June 10th articles, please [click here](#).

Water, water everywhere, but not a drop should be there. Will your insurance policy cover this loss?

The answer to this question depends on the type of insurance you choose to purchase and how the water enters your residence or building.

There are basically two insurance policies that deal with damage due to water; a Flood insurance policy and a Commercial Property or Homeowners insurance policy. Knowing the difference between them and what's covered by each can help you make the right insurance coverage decision, as well as help you determine what to do and who to call if and when a water-related emergency does occur.

What is the difference between flood and water damage?

A typical Commercial Property or Homeowners policy will NOT cover flood damage.

A standard flood insurance policy, underwritten by the National Flood Insurance Program, provides coverage for damage caused by a flood. Flood is defined as an overflowing of water onto land that is normally dry. Generally speaking, if the water touched the ground before it entered your home or building, it is considered flood damage. Flood damage is NOT covered by your Commercial Property or Homeowners insurance policy. Examples of flood damage include:

- A nearby river overflows its banks and washes into your home or building
- A heavy rain seeps into your home or building because the soil can't absorb the water quickly enough.
- A heavy rain or flash flood causes the hill behind you to collapse into a mudslide that oozes into your home or building.
- A water or sewer main breaks causing flooding
- A swimming pool collapses and the water flows into your home or building
- Overflow of inland or tidal waters

A Commercial Property or Homeowners policy typically excludes water damage that results from rising water, from backed up sewers, or water that seeps up through the foundation or the basement. So what type of water damage is covered under a typical policy?

- Spontaneous exploding appliances, like a water heater
- Broken pipes or hoses (from a washing machine or ice maker) or burst pipes as a result of freezing, unless the pipes froze as a result of your absence or negligence
- A heavy rain soaks through the roof, allowing water to drip through your attic or ceiling
- Water damage that results from a rain or wind storm, although this can vary by policy. Some policies cover damage from water that enters your home or building as a result of a storm, such as hail breaking windows or damaging the roof. Other policies state that wind perils do not cover loss contained in a building unless direct force of wind or hail makes an opening on the roof.

Some additional questions to consider are:

Q: Is flood coverage available only in flood prone or “zoned” areas?

A: No. Flood coverage is available to anyone whether you live inside or outside a floodplain. However, you must live in a participating community which has agreed and adopted minimum ordinances in the 100 year flood plain area. Even those who live outside of a flood prone area are still at risk. Flood coverage is for any flooding event including a water main break, a swimming pool collapse, blocked culverts, drains.

Q: Is there more than one option for purchasing Flood Insurance other than through the National Flood Insurance Program?

A: Since 1983 NFIP has allowed insurance carriers to write and service flood insurance. The companies handle marketing, policy processing and claims. NFIP develops the rates, rules and regulation. All companies must use the same rates and rules.

Q: How is the cost of Flood Insurance determined?

A: Rating of flood involves several factors: Flood Zone, Building Occupancy, Year of Construction and the Building’s Elevation.

Q: Can Flood Insurance be purchased by an Association AND an Owner?

A: There is a special program called the Residential Condominium Building Association Program. To qualify for this program, the Condo Association must be in a participating NFIP Regular Program community. The RCBA form covers the entire building under one policy including all units within the building as well as commonly owned building elements. The Building coverage limit is replacement cost value of the building, or the number of units multiplied by \$250,000, whichever is less. Commonly owned Contents - \$100,000 or the actual cash value, whichever is less. This program provides greater coverage for less premiums by insuring all units in a condominium building under a single policy requiring only one deductible, creating a cost savings to unit owners.

Q: If so, does the coverage then work together to repair/replace the commonly owned portions of a building and the owners personal possessions?

A: Commonly owned is the key! If a unit owner wants coverage for their individual contents they must purchase a separate policy, and a separate deductible is applied.

Q: What are the deductibles and how are they applied?

A: Standard Deductibles are \$2,000 for Pre-Firm (built prior to 1974) rated building: \$1,000 for Post-Firm (built after 1974) rated buildings; \$1,000 deductible for flood zones B,C,X, A99. Optional deductibles are offered up to \$5,000 for Residential and \$50,000 for Commercial.

Q: Can an Association purchase flood insurance as optional coverage?

A: It can be optional and should always be seriously considered as it is an important coverage for anyone. Flood is often required by the Mortgagee (if the building is in a special flood hazard area which are flood zones A,AE (A-01-A-30), AH, AO, A99, AR,V,VE(VO-1-V30), VO. The Association’s Declaration may also require Flood coverage, regardless of the flood zone.

Read the specific terms of coverage in your policy, but be aware that many forms of water damage will not be covered. You should ask your agent or insurance company about the specifics of your policy to find out what is covered and what isn’t.

It is important to note that flood insurance and commercial property or homeowners insurance do not duplicate coverage for water damage. Instead, they complement each other.

KNOWING WHAT YOUR POLICY COVERS BEFOREHAND CAN BE ENORMOUSLY BENEFICIAL TO YOU WHEN A DISASTER STRIKES.

We would like to thank Sandy Lewis from Insurance Office of America for this article. Insurance Office of America is a privately held, full-service insurance agency founded in 1988 and is one of the fastest-growing independent agencies in the United States. IOA was named one of the top three Commercial Insurance Agencies of the year, 2005, by National Underwriter. A member of Independent Insurance Agents of America, IOA's home office is located in Longwood, FL with branch offices reaching from coast to coast.