



Water Damage – Will My Homeowners Insurance Policy Cover It?

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Agenda

- ✓ What is the Maryland Insurance Administration?
- ✓ Homeowners policies do not cover all types of water damage
- ✓ What is a flood?
- ✓ What water damage claims might be covered by your homeowners policy
- ✓ How to purchase flood insurance
- ✓ What does flood insurance sold by the National Flood Insurance Program (NFIP) cover
- ✓ What flood insurance sold by the NFIP doesn't cover
- ✓ How to reduce your risk
- ✓ What to do if you suffer a loss

2018 Rain

During 2018, Maryland received over 70 inches of rain. We had significant flooding events in Baltimore City, Baltimore County, Frederick County, Howard County and Washington County. Many homeowners received water damage as a result of that rain. Some of their homeowners insurance claims for water damage were paid and some were denied. The question that many homeowners ask is: **what type of water damages are covered by homeowners insurance?** This presentation will help answer that question.

What is the Maryland Insurance Administration (MIA)?

- The MIA is the state agency that regulates Maryland's \$28.5 billion insurance market.
- The MIA enforces Maryland's insurance laws and regulations.
- The MIA investigates and resolves complaints and questions about insurers and insurance agents (producers) that conduct business in Maryland.

Homeowners policies do not cover **ALL types of water damage**

The terms of your homeowners policy will determine what types of water damage are covered and the amount of coverage available.

Most homeowners policies DO NOT cover flooding.

What is a flood?

The Standard Flood Insurance Policy, which is available from the National Flood Insurance Program (NFIP), defines a flood as:

a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:

- overflow of inland or tidal waters; or
- unusual and rapid accumulation or runoff of surface waters from any source (rain is a source of surface water); or

What is a flood?(continued)

- mudflow (mudflow is defined as, “A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water);

or

- 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.

What water damage claims might be covered by your homeowners policy?

- If you have purchased a water/sewer back-up endorsement, it will pay for the damage done by the water or sewage that backs up into your home (subject to terms, conditions and limits). Many policies **WILL NOT** cover the cost to repair or replace the pipe or drain.
- The scope and amount of the water/sewer coverage will be determined by your homeowners policy.
- Maryland law requires that your insurance company offer you this type of coverage with the same limits as you have for dwelling coverage and most companies offer several additional coverage limit options.

What water damage claims might be covered by your homeowners policy?

- If a pipe in your home suddenly bursts and water flows all over the floors, generally a homeowners policy will cover the damage caused by the water.
- Generally, the repair or replacement of the pipe itself is not covered.
- If you have a **slow** leak, regardless of when you discover it, most homeowners policies will not cover the damage that results from that leak.
- Also, it is important that during the winter, you maintain appropriate heat in your home, especially if you are planning on being away from your home. If a pipe bursts due to your failure to maintain appropriate heat, the loss may not be covered by your insurance policy.
- You should check the terms of your policy to learn more about the scope and amount of coverage that your specific policy provides.

What water damage claims might be covered by your homeowners policy?

- If rain enters your home through your roof that has been properly installed and maintained, your homeowners policy will typically cover the damage.
- If rain enters your doors or windows, this may or may not be covered depending on whether it is surface water and it enters from ground level.

How do I get coverage for flood damage?

You can purchase a flood insurance policy:

- from the National Flood Insurance Program (NFIP);
- in the private market; or
- through a surplus lines carrier.

Talk with your trusted insurance producer to discuss these options.

Things to Consider When Buying Flood Coverage

- Amount of coverage you want.
- Type of coverage (replacement value or actual cost).
- If your home or business is in a Special Hazard Flood Zone and you have a mortgage, private insurance may not fulfill your lender's mandatory purchasing requirement.
- Policies issued by surplus lines companies are not protected by Maryland's Property and Casualty Insurance Guaranty Fund.
- Surplus lines companies are exempt from certain requirements under the Insurance Article and thus, such policies may not include the same consumer protections as a policy issued by another insurer.

Your insurance producer can help you determine what policy is right for you.

Facts about flood insurance sold by the NFIP

- An NFIP flood insurance policy can be purchased from an insurance producer or insurer who participates in the NFIP. The NFIP Help Center can be help with a referral by calling 800-427-4661.
- You can buy flood insurance whether you live in a single family house or a condominium if your community participates in the NFIP. To find out if your community participates in the NFIP, contact your NFIP insurance producer or visit <https://www.fema.gov/cis/MD.pdf>.
- Whether your flood risk is high or low, most property owners in a community that participates in the NFIP can buy building and/or contents coverage, but there are exceptions.
- Property owners located in low-to-moderate risk areas should ask their agents if they are eligible for the Preferred Risk Policy (**provides flood insurance protection at a lower cost than a standard policy in a high risk area**).

Facts about flood insurance sold by the NFIP

You can purchase flood insurance at any time. There is usually a 30-day waiting period after premium payment before the policy is effective but there are some exceptions including but not limited to:

- If the initial purchase of flood insurance is in connection with the making, increasing, extending, or renewing of a loan, there is no waiting period. Coverage becomes effective at the time of the loan.
- The 30-day waiting period may not apply if your property experiences flood damage caused by wildfire in your community.

Flood Facts

- More than 25 percent of flood insurance claims come from properties that are not in an identified high risk zone, but most homeowners in these areas are eligible for coverage at a preferred rate.
- To learn more details about your home's level of flood risk, including the type of flood zone it is in, go to: <https://msc.fema.gov/portal/> or www.floodsmart.gov.

What does flood insurance sold by the NFIP cover?

You can insure residential properties up to \$250,000 for the building, and up to \$100,000 for the contents. Commercial properties can be insured for up to \$500,000 for the building, and up to \$500,000 for the contents.

What does flood insurance sold by the NFIP cover?

There are two types of coverage available under the National Flood Insurance Program:

- Building property, which includes the insured building and its foundation, insulation, electrical and plumbing systems, built in cabinets, furnace, hot water heater, as well as major kitchen appliances like the refrigerator, stove and a detached garage.
- Contents coverage for your personal property. (For example, personal belongings such as clothing, furniture, and electronic equipment; curtains; portable and window air conditioners; portable microwave ovens and portable dishwashers.)
- These coverages are purchased separately and carry separate deductibles.

Replacement cost or actual cost value coverage

Replacement cost coverage is available for single-family homes.

- ✓ Single-family homes include a residential condominium unit that is the policyholder's principal residence; and
- ✓ is insured for at least 80 percent of the unit's replacement cost at the time of the loss.

Replacement cost or actual cost value coverage

- Personal property is always adjusted on an actual cash value basis.
 - Actual cash value means the cost to replace an insured item of property with “like kind and quality” at the time of the loss, less the value of physical depreciation of the damaged item.

What does flood insurance sold by the NFIP cover?

Basements:

- The policy offers limited coverage for basements. The NFIP defines a basement as: "any area of the building, including a sunken room or sunken portion of a room having its floor below ground level (subgrade) on all sides."
- Unimproved structural parts such as walls, foundation and utility connections are covered. Coverage usually applies to sump pumps, water tanks, furnaces, air conditioners and clean-up as part of the building coverage. Finished portions of a basement, by law, are not covered.

What is not covered under an NFIP flood policy?

Wind-Driven Rain is not Considered Flooding:

- Rain entering through wind-damaged windows, doors or a hole in a wall or roof that results in standing water or puddles is considered windstorm damage, not flood damage.
- The NFIP only covers damage caused by a general condition of flooding.

What is not covered under an NFIP flood policy?

Additional Living Expenses:

Flood insurance does not provide for additional living expenses. Most homeowners policies have some additional living expense benefits, but that coverage is only available if the home is not livable as a result of a **covered** cause of loss under the homeowners policy.

Remember: Homeowners insurance typically does not cover damage from a flood.

Reduce Your Risk

Decide how to prepare and protect your home from flooding based on your home's flood risk and create a plan to mitigate the risk to your property: www.ready.gov/make-a-plan

Outside the Home:

- ✓ Maintain proper water runoff and drainage
- ✓ Improve lot grading
- ✓ Reduce impervious surfaces around your home
- ✓ Install a rain barrel
- ✓ Elevate utilities and service equipment
- ✓ Anchor outdoor fuel tanks

Reduce Your Risk

Inside the Home:

- ✓ Protect your valuable possessions
- ✓ Seal your foundation and basement walls
- ✓ Install flood vents
- ✓ Install a sump pump
- ✓ Prevent sewer backups
- ✓ Use flood-resistant building materials
- ✓ Raise electrical system components
- ✓ Protect utilities and service equipment
- ✓ Install a flood alert system

Bringing property up to current building code

The Increased Cost of Compliance Coverage (ICC) under the standard NFIP flood policy building coverage form provides additional monies to:

- Help pay for the cost to comply with state or community floodplain management laws or ordinances from a flood event in which a building has been declared substantially damaged or incurred repetitive damage.
- ICC coverage will help pay for the cost to elevate, flood-proof, demolish or relocate the building (or any combination of these activities) up to a maximum benefit of \$30,000.

After a Loss

- ✓ Contact your insurance company promptly after sustaining a loss.
- ✓ Take photographs and/or video of the damaged areas.
- ✓ Make only those repairs necessary to prevent any further damage. Do not make permanent repairs before talking to your insurance company.
- ✓ Before you remove any damaged property from the premises, be sure an insurance adjuster or your agent has seen the damage.

After a Loss

- ✓ Keep all receipts for emergency repairs.

- ✓ As soon as possible, prepare a detailed inventory of all damaged or destroyed property. Give a copy to the insurance adjuster and keep a copy for yourself. It should include:
 - Description and quantity of items.
 - Date of purchase or approximate age.
 - Cost - time of purchase and estimate to replace.

After a Loss

- Be present when your insurance adjuster inspects your property.
- Do not accept an inadequate settlement offer. Cashing a check may bar you from seeking additional compensation; confirm in writing that it will not.

Summary

- Consider making improvements or repairs to the property that may mitigate loss or damage.
- Review your policy to see what your deductible would be.
- Determine whether you have Actual Cash Value (ACV) or Replacement Cost Value (RCV) coverage.
- If you do not understand your policy, consult with your insurance producer or company and ask them to explain it.

Reminder



If your insurance company denies any part of your claim, be sure they put the denial in writing and you keep all the paperwork.

Contact Information

Al Redmer, Jr., Maryland Insurance Commissioner
Office: 410-468-2090
Cell: 443-845-0802

Maryland Insurance Administration
1-800-492-6116
www.insurance.maryland.gov

National Flood Insurance Program
1-800-427-4661
www.floodsmart.gov

Maryland Home Improvement Commission
1-888-218-5925
www.dllr.state.md.us/license/mhic/

Contact Information

Maryland Emergency Management Agency

1-877-636-2872

www.mema.maryland.gov/

Federal Emergency Management Agency

1-202-646-2500

www.fema.gov

Publications Available on MIA's **Website**

Check out the following publications for more information.

- An Insurance Preparedness Guide for Natural Disasters
- A Consumer Guide to Disaster-Relief Resources
- Consumer Guide to Homeowners Insurance
- Why Renters Insurance is a Good Idea
- Should I Hire a Public Adjuster to Help Me Settle My Claim?
- Consumer Guide to Auto Insurance
- Property Damage – What to Do After A Loss
- Weather Related Damage – Frequently Asked Questions about Insurance Coverage

Questions?