



Department of Business Regulation
Insurance Division
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Consumer Alert

Update – On April 16, 2010, Congress passed and the President signed H.R. 4851, which extends the National Flood Insurance Plan through May 31, 2010. The extension was retroactive to February 28, 2010. Please contact your insurance agent or insurer directly for more information regarding flood insurance.

Spring Flooding

HOMEOWNERS NEED TO PREPARE FOR ONE OF THE BIGGEST SPRING RISKS

If you're like most homeowners, you wouldn't even consider living in your home without an insurance policy that reimburses you for the damage that would be caused by a major fire. But in many regions of the United States you actually face a greater risk of something that your current policy probably doesn't cover: a serious flood that could cost tens of thousands of dollars. If your home is one of the 13 million that are located in high-risk flood areas around the nation, you actually have a 26 percent chance of flooding during the course of a 30 year mortgage – far greater than the 10 percent risk of experiencing a fire during the same timeframe.

As the State's primary regulator of the insurance industry, we are well aware of the flood risks facing homeowners in the state of Rhode Island, particularly during the spring. Over the past 5 years a total of 49 flooding events were reported in Rhode Island. The property damage associated with these events has been estimated at \$2.21 million dollars. Flooding is the most common, costly and deadly severe weather related natural disaster in the country. Flood damage can come from events as commonplace as broken sewer lines, slow moving rainstorms – even warmer spring temperatures that bring about rapid snowmelt.

To help families better understand their flood risk and the steps they can take to protect lives and property, the Federal Emergency Management Agency and the National Oceanic and Atmospheric Administration (NOAA) have created an interactive "flood impact map" that features information about the scope and severity of flood events in our community in recent years. The map is available at www.floodsmart.gov, and the new web page also includes tips on what to do before, during and after a flood.

The web page also provides helpful links to information on the National Flood Insurance Program (NFIP), which makes flood insurance available for an average cost of \$550 a year – and as low as \$119 a year if you live in a lower risk area. Administered by the federal

government, the insurance is available to renters, homeowners and business owners through approximately 85 insurance companies in more than 20,800 participating communities nationwide.

The policies make especially good sense when you consider the average individual flood claim amounts to more than \$20,000. Flood insurance is also a smart bargain compared to disaster assistance, which is only available to families when a disaster has been federally declared and usually takes the form of a loan that must be paid back with interest.

Flood insurance can be purchased for properties both inside, and outside, of the highest risk areas – but it should be considered regardless of where you live. A quarter of all flood claims come from moderate-to-low risk areas, and the smart move is to take the simple steps you can to protect your family.

As is evident from the recent events in Rhode Island, floods can strike without warning. Although you cannot secure new coverage now to cover damages from this past event, you can take action to mitigate your exposure to the next event. Most policies take 30 days before they go into effect so you cannot wait until you are facing another alarming weather forecast or direct warning to purchase coverage. Contact your insurance company or agent today to discuss your flood insurance needs. To learn more about your level of risk, and how to protect the value of your home, visit www.floodsmart.gov. or visit The Rhode Island Emergency Management Agency at www.riema.ri.gov/

Flood Disaster and Insurance Frequently Asked Questions

Please note: In the unfortunate event you suffer a flood or other insurance loss, you should report your claim immediately to your insurance agent or company. Only your insurance agent or company can determine coverage in effect at the time of your loss and provide you with the necessary information and claim forms to submit a claim. Please keep in mind that the following “Frequently Asked Questions” are provided for informational purposes only since facts surrounding your claim and policies in force can vary from what might be considered a “basic” or “standard” policy.

QUESTION: My home was damaged by water when the flood entered my home. Will my homeowner's policy pay for the damages?

ANSWER:

Homeowners, renters, condominium and farmowners policies—Standard homeowners, renters, condominium and farmowners policies do not cover water damage due to flood for either the building or personal property. There is no endorsement available to add coverage.

Mobile home policy (MHO)—The basic MHO policy does not cover water damage due to flood for the structure or personal property. Some comprehensive MHO policies may provide flood coverage.

Commercial property policy (CP)—The standard CP policy does not cover water damage due to flood to the building or business personal property. However, some carriers have added limited coverage to their deluxe policies or can add this limited coverage by endorsement.

National Flood Insurance policy—The National Flood Insurance policy covers loss due to water damage resulting directly from flood. They offer a policy for buildings and a separate policy for personal belongings or contents.

QUESTION: My home was damaged by water seeping through the basement walls. Will my homeowner's policy pay for the damages?

ANSWER:

Homeowners, renters, condominium and farmowners policies – Standard homeowners, renters, condominium and farmowners policies do not cover water damage due to the seepage of water through the walls or floor of a basement. There is no endorsement available to add this coverage.

Commercial property policy (CP)—The standard CP policy does not cover water damage due to seepage for the building or business personal property.

National Flood Insurance policy—The National Flood Insurance policy provides coverage for seepage even if the flood water has not touched the house **if** there is a general condition of flooding in the area and the flood was the proximate cause of the seepage.

QUESTION: My home was damaged by water and sewer material when the sewer backed up into my basement during the flood. Will my homeowner's policy pay for the damages?

ANSWER:

Homeowner, condominium and farmowners policies—Standard homeowners, renters, condominium and farmowners policies do not cover water damage due to the backup of sewer. Insurance companies, however, offer endorsements to provide coverage for sewer backup. Some of these endorsements still exclude coverage if backup is due to a flood while some companies offer backup coverage even if the cause was flood.

Renters policy—The standard renters policy does not cover water damage due to sewer backup for personal belongings. There is no endorsement available to add coverage.

Commercial property policy (CP)—The standard CP policy does not cover water damage due to sewer backup for the building or business personal property. Some companies may offer coverage by endorsement.

National Flood Insurance policy—The National Flood Insurance policy provides coverage for sewer backup even if the flood water has not touched the house **if** there is a general condition of flooding in the area and the flood was the proximate cause of the seepage.

QUESTION: My home was damaged by water when the sump pump failed and water backed up into my basement during the flood. Will my homeowner's policy pay for the damages?

ANSWER:

Homeowners, condominium and farmowners policies —Standard homeowners, renters, condominium and farmowners policies do not cover water damage due to the failure of a sump pump for either the building or personal property. Some insurance companies, however, offer endorsements to provide coverage for sump pump failure. Some of these endorsements still exclude coverage if failure is due to a flood while some companies offer coverage even if the cause was flood.

Renters policy —The standard renters policy does not cover water damage due to failure of sump pump for personal belongings. There is no endorsement available to add coverage.

Commercial property policy (CP) —The standard CP policy does not cover water damage due to a sump pump failure for the building or business personal property. Some companies may offer coverage by endorsement.

National Flood Insurance policy —The National Flood Insurance policy does not cover sump pump failure.

QUESTION: How do I file a claim if I have purchased federal flood insurance?

ANSWER: Consumers who have purchased a flood insurance policy should contact their insurance agent for help in filling out claim forms. If you have questions on your flood insurance or you need help in locating your flood insurance company, you may call 1-800-427-4661.

QUESTION: During the course of fighting or fleeing the flood, someone drove their vehicle across my lawn causing damage. Is there any coverage for the lawn?

ANSWER:

Homeowners policy (HO) —The standard homeowner policy provides an additional coverage for damage to the lawn caused by vehicles not owned or operated by a resident of the premises. The amount of coverage is generally five percent of the dwelling limits.

Commercial property policy (CP) —The standard commercial property policy does not provide coverage for damage to lawns caused by vehicles.

QUESTION: The power failed somewhere off of my premises and caused my refrigerator/freezer to fail resulting in food spoilage. Is there any coverage?

ANSWER:

Homeowner (HO) and farmowners policies —Standard homeowners and farmowners policies do not cover food spoilage as a result of power failure off premises. Some comprehensive policies, however, have added a limited amount of coverage, i.e., \$500, while other companies will provide an endorsement to cover food spoilage.

Commercial property policy (CP) —The standard CP policy does not cover food spoilage due to power failure. Most companies offer coverage through the use of an endorsement.

National Flood Insurance policy—The National Flood Insurance policy does cover loss of refrigerated products but only if caused by flood. Power failure for other reasons would not trigger coverage under this policy.

QUESTION: I had to leave my home because of a mandatory flood evacuation. Are my additional living expenses covered?

ANSWER:

Homeowner, condominium and farmowners policies—Standard homeowners, renters, condominium and farmowners policies provide loss of use and additional living expenses for any covered peril. Since flood is not a covered peril; there is no coverage under the policy.

National Flood Insurance policy—The National Flood Insurance policy does not provide coverage for loss of use or additional living expenses.

QUESTION: When the flood waters receded, it left a large amount of debris on my property. Is there coverage for removal of this debris?

ANSWER:

Homeowner policy (HO)—The standard HO policy covers debris removal if a covered peril causes the loss. Since flood is not a covered peril, there would be no coverage.

Commercial property (CP)—The standard CP policy provides coverage for debris removal if a covered peril causes the loss. If the standard CP policy provides coverage for flood, then debris removal would be covered.

National Flood Insurance policy—The National Flood Insurance policy does cover debris removal resulting from a flood within the total limits of coverage. This applies whether it is debris from off of your premises or debris from your property or premises.

QUESTION: At one time I purchased "special coverage" for some of my personal property, which was added to my homeowners policy. Are these items covered for flood?

ANSWER:

Homeowner, renters, condominium and farmowners policies—The following types of personal property can be scheduled or specifically listed in an endorsement to the standard policy: jewelry, furs, computers, cameras, musical instruments, silverware, golf equipment, fine arts, postage stamps and rare and current coins. This endorsement does not exclude flood; therefore, those items would have coverage for flood damage.

QUESTION: I had to close my business because of the flood. Will insurance cover my lost income?

ANSWER:

Commercial property policy (CP)—The standard CP policy may provide business income protection within the policy or by endorsement. The coverage only applies to a covered cause of

loss. Therefore, if the policy provides flood coverage, the coverage also applies to business income.

National Flood Insurance policy—The National Flood Insurance policy does not provide coverage for loss of use, loss of access, business interruption, additional expense or loss of profits.

QUESTION: My vehicle was covered by the flood water. Will the damage be covered by my auto policy?

ANSWER: If you carry comprehensive coverage on your automobile policy, then you would have coverage for damage caused by a flood.

QUESTION: Are there any other types of losses and insurance coverage I should be aware of?

ANSWER:

Boats—Boats may be covered by a separate endorsement to a homeowner’s policy or by a separate boat owner’s policy.

Livestock losses—The farmowner’s policy may provide coverage for livestock on a blanket or schedule basis. Also, animal mortality policies provide coverage for drowning.

Farm equipment—Farm equipment is usually not covered, although some farmowners’ policies may provide some specific coverage.

QUESTION: Who can I call if I have more insurance coverage questions?

ANSWER: You should first try to contact your local insurance agent or your insurance company for specifics about your policy.

For general flood insurance policy questions, call FEMA at 1-800-427-4661.

For National Flood Insurance Program claims, call 1-800-638-6620.

QUESTION: If I have problems with my insurance company, agent, or adjuster, where can I turn?

ANSWER: If you believe you are being treated unfairly, you may file a complaint with the Rhode Island Insurance Division. For information on filing a complaint, please complete a [complaint form](#) at the Insurance Division website or call 401-462-9520 for assistance. Please understand that only your agent or insurer can determine if coverage is in effect at time of loss. The Insurance Division does not have the authority to settle or arbitrate claims, determine liability or determine that an insurer should pay a claim.

Joseph Torti III
Superintendent of Insurance
March 18, 2010