



Do You Know the Difference Between Flood, Water Damage & Sewer Back-Up?

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Understanding the difference between Flood, Water Damage and Sewer Back-Up is a common area of confusion for any real estate investor. Which covers what exposure? How can I purchase these coverages if they are excluded from my current policy?

Most property policies exclude coverage for "Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not..." (Insurance Services Office). Thus, Flood coverage must be purchased separately through the National Flood Insurance Program (NFIP). Costs vary and are dependent upon the amount of coverage desired and the property's location within specified flood zones.

What is the difference between Flood coverage and coverage for Water Damage? FEMA defines a flood as a "general and temporary condition of partial or complete inundation of two or more acres and two or more properties of normally dry land." In addition, flood damage can only be caused by the "overflow of inland or tidal waters, unusual and rapid accumulation or runoff of surface waters from any source, mudflow, or collapse 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." In other words, a Flood may occur when water from natural sources such as rivers and lakes breach their banks during heavy rains or when the ground is over-saturated with water and causes the excess to seep through foundations or other vulnerable parts of the structure.

Water Damage must be "sudden and accidental" to be covered, such as a pipe bursting or the accidental overflow of a bathtub. In colder seasons if freezing causes a pipe to burst, one must certify that they have done their best to maintain heat in the building or have fully drained the system and shut off the water supply in order for coverage to be available for the ensuing water damage. Rain that damages the interior of a property after roof is compromised from a storm also falls under the category of Water Damage.

The easiest way to ensure you have Water Damage coverage included on your policy, is to purchase a Special property coverage form. Be careful as some carriers can/will manuscript those policies to exclude Water Damage coverage (even when you purchase Special form). While it is always a best practice to read your full policy, at the very least you should review your policy endorsements and exclusions to make sure this exclusion is not present.

Lastly, let's clarify the difference between Flood and Water Damage from Sewer Back-Up. Sewer Back-Up is another common exclusion in property policies and is defined as "water that backs up or overflows from a sewer, drain or sump." (ISO) Drains and sewers can back up during storms. So, what you or I call a "flooded basement" may or may not technically be "flooded" when it comes to insurance – it all depends upon how the water enters the dwelling. That stated, investors will want to make sure that any drainage systems in basements are well-maintained and that sump pumps are regularly tested to help avoid water damage from Sewer Back-Up.

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Sewer and Drain Back-Up can typically be purchased for an additional premium through most carriers (regardless of the property coverage form you currently carry). This is not always the cheapest coverage to add, so consider a higher deductible for this peril to offset the additional cost (if this is an issue for you). Most carriers can assign a unique deductible to this peril alone, much like they do for wind / hail (in some areas of the country), named windstorm, earthquake and / or flood.

As always, if you are unclear about your coverages, consult your agent. Many losses *can* be avoided by being aware of common risks and taking prudent steps to maintain and protect your property. Your agent will also be happy to share tips to safeguard your investment!

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