

FLOOD—TIPS ON RECOVERY AND PREVENTION

by Sue C. Quimby, CPCU, AU, CIC, CPIW, DAE

2020 was not just the year of the pandemic. It also brought record climate and weather-related disasters to the United States. In all, 22 such events caused at least \$1 billion in damage each, with the Midwest derecho in August resulting in over \$11 billion in losses. A record seven billion dollar events stemmed from hurricanes and tropical storms that made landfall. While the federal government may step in, in many cases the home or business owner must rely on their own insurance or assets to recover from such damage. Helping clients manage disaster risks, especially floods, is another value-added service of the professional insurance agent.

The number one natural disaster in the United States has long been flooding. It does not take much time or much water to cause a major problem. Just two feet of water can carry a car. In a flash flood, there can be a wall of water 10 - 15 feet high. As was seen in the Northeast during Tropical Storm Ida in 2021, many homes and businesses suffered tremendous damage due to the sheer volume of rainfall – in some cases as much as 5 inches in an hour. Total losses exceeded \$100 billion. Homeowners in the United States were projected to pay over \$20 billion to recover from flood damages from Ida (www.msn.com). This is four times the amount homeowners paid out for similar damage in the 1980s. Only about 15% of homeowners carry flood insurance.

Many people think that because they are not in a flood hazard zone, they do not risk flooding. However, anyone can experience a flood. Every state has been impacted – either from flooding or flash flooding – in the past few years. Areas that previously may have never seen flooding may become susceptible to flooding due to changes from construction and development that alters water runoff patterns. Melting snow, winter storms, and hurricanes are other sources of flooding. Wildfires also have an impact

on flooding, as they destroy vegetation that would normally absorb the water. Proper land grading and drainage can help reduce the impact of flooding.

The Federal Emergency Management Administration (FEMA) provides direct financial and other assistance to individuals and businesses who have disaster-related expenses that are either uninsured or underinsured. These can be floods or other disasters, including hurricanes and wildfires. Assistance ranges from temporary housing to home repairs or payment for medical and funeral expenses. It is interesting to note that one third of FEMA's flood relief assistance goes to people outside of flood hazard zones. The catch is that the event must be a declared federal disaster. Something like localized flooding would not trigger assistance. Property owners must look to specialty insurance coverage, or rely on their own assets to recover from the damage.

Flooding is excluded in standard homeowners and commercial policies. While some policies do offer coverage for back up of sewers, drains, and sump pump overflow, the coverage is often limited to \$5,000 or \$10,000. Even with one or more operating sump pumps in a home or business, as during Ida, there can be too much water and many sump pumps will be overwhelmed or fail. If water reaches appliances, including water heater and furnace, they probably need to be replaced. In such instances, gas and/or electricity should be turned off until they can be inspected. Sump pump overflow coverage does not apply if the sump pump is not actually installed and operational.

Flood insurance pays for damages even if there is no federal disaster declaration. The average flood insurance payout varies depending on the number of and severity of flood events. In 2017 the number was \$91,735, due in large part to three



hurricanes: Harvey, Irma, and Maria. The 2019 average was \$52,000. 2021 looks to be another high number due to the widespread damage and flooding caused by Ida.

Initially, flood insurance was only available through the federal government under the National Flood Insurance Program. The Write Your Own Program, started in 1983, allows private insurers to write and administer the Standard Flood Insurance Program. Companies receive a fee, while the federal government retains the responsibility for underwriting losses.

Disasters can occur at any time. In the case of flood, specialty insurance coverage is available to help pay for losses. Even though flood represents the largest cause of loss, and insurance is readily available, 85% of Americans do not carry flood insurance. Helping clients understand the risks of flooding and the ways to reduce flood loss, is another sign of the true insurance professional.

This article was previously published in Insurance Advocate® magazine and is provided courtesy of MSO®, Inc. (The Mutual Service Office, Inc.) for non-commercial use only. For any other licensing requests or permissions, please contact squimby@msonet.com. © MSO®, Inc. 2021.

MSO provides advisory services for all property and casualty lines except workers compensation. This includes customized forms and manuals for insurers, MGA's, and agents/brokers.



For more information call (800) 935-6900 or visit us online at msonet.com