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Flood insurance: Who needs it, and can they get it?

The recent hurricanes and our wet summer in North Texas bring many stories of property destroyed by floodwaters. Often lost in the aftermath of these newsworthy events are the individual stories of those who find themselves without adequate resources to replace what has been damaged.

Unfortunately for most people, damage caused by floodwaters brought by hurricane or heavy rains is not covered under a homeowner's policy or a commercial property policy. In fact, flood insurance is usually not even a consideration unless you live in a flood-prone area. And if you live in such an area, flood insurance is often not available except through a special government program.

So what exactly is a "flood" for purposes of insurance coverage? A Texas homeowner's insurance policy contains coverage for various risks of loss to property. In general, these policies specifically exclude coverage for flood losses with language very similar to the

following:

We do not cover loss caused by or resulting from flood, surface water, waves, tidal waters or tidal waves, overflow of streams or other bodies of water or spray from any of these whether or not driven by wind.

A typical commercial property policy, though structured differently from a homeowner's, contains a similar exclusion. Notably these exclusions are limited to *floodwaters* we associate with natural causes such as heavy rains. Damage caused by broken water pipes or toilets that overflow is most often covered. So is water damage caused by driven rain or damage to the roof. (Note that these events are not *always* covered, just usually. Check your policy to be certain.)

This exclusion serves a beneficial purpose. Flood insurance is useless to the vast majority of us because there is virtually no risk we are going to need it. To require most of us to buy flood insurance would be similar to requiring a junkyard to carry liability insurance on each automobile. The cars aren't moving, so there is no risk of an accident.

On the other hand, if you're in a flood-prone area, you need flood insurance, but will likely find that no one really wants to cover you. While that is iron-

ic, to those in the insurance industry, it makes perfect sense. Owning such property means you're a high risk. Think of property in a flood plain as you would a bad driver.

Fortunately for the bad driver (and the rest of us), the state has stepped in and told insurance carriers if they want to do business in this state they have to insure some bad drivers, too. But no such state level mandate exists for those in a flood plain.

That's where the federal government comes in. It sells flood insurance through its Federal Emergency Management Agency (FEMA). You can find information on FEMA's National Flood Insurance Program at www.fema.gov/nfip/qanda.shtm.

This still leaves one important question: How do I know if I need flood insurance?

If you've purchased property and financed any part of it with a bank in the last 10 years, you may have noticed a line item charge for "Flood Certification." This is a fee you pay a company to check to see if you're in a flood plain. It's required before closing because the bank needs to know whether its collateral is at risk. In fact, the bank may have restrictions against financing

the purchase of property subject to flood.

So chances are any property you financed in the last 10 years is not in a flood-prone area. If you don't know, you can contact one of these companies and find out, or you can look up the flood plain maps yourself.

But keep this in mind: Flood plains change over time. Upstream development, changes in weather patterns and downstream flow patterns can affect the size of the flood plain on a map. So these maps are not an absolute authority, but rather represent someone's guess. The older the map, the less accurate the information and the estimates. Also keep in mind that a 100-year storm can happen more often than every 100 years.

So if watching the hurricane coverage on the news has made you a bit nervous, go ahead and ask some questions. Doing so most likely will put you in a better position than the person who only begins to wonder once he sees the animals lining up in pairs by a neighbor's boat.

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