

Saturated with Flood Coverage

After digging into complicated lines of coverage and liability contract language, I wanted to take a step back this month and discuss a property coverage, that on the surface, seems rather straight forward: Flood. Even many agents believe that because there are few viable private markets for flood, thus leaving coverage to a uniform, federal program, known as the NFIP (National Flood Insurance Program), then it can't be too tricky. In reality that logic doesn't hold much water.

The peril of Flood is briefly defined as: a general and temporary condition where two or more acres of normally dry land or two or more properties are inundated by overflow of inland or tidal waters, unusual and rapid accumulation or runoff of surface water from any source, and mudflow. It is further defined as a collapse or subsidence of land along the shore caused by waves.



Like all association insurance it is crucial to understand the interaction and response of personal unit owner coverage (owner responsibilities) and master association (commercial policy) coverage. Knowing where one policy begins and the other ends can help insureds avoid gaps, duplicate coverage, and poor resolution of claims. Nowhere is this more confusing than flood coverage in Florida.

NFIP is gospel, as written, and is unalterable by the association or the agent concerning “covered property”. **The policy wording is not subject to your association's bylaws, it is also not subject to Florida Statute 718*** which intends to exclude interior property for condo owners. By comparison hazard policies (wind, fire, lightning, etc) don't have this issue. We can tailor association master policies to stop or start per association docs and personal HO-6 policies can be built by personal lines insurance agents to build a seamless risk transfer.

To understand the possible duplication (or gap) we first must realize property coverage is broken into two main categories: building and contents. These items can further be broken down, with additional exclusions from both policies, just one policy (as the other policy should pick up coverage per docs or statute) or both policies causing duplication of coverage (and overpayment).

Building property below ground such as foundations is not covered in most hazard policies and should also not be included in hazard appraisals. For flood coverage these parts of building property are covered and represent a very significant portion of the insurable value (15% to 30%). This is one reason a separate flood appraisal based on replacement cost valuation should be obtained by the association. **Additionally, personal property of unit owners such as refrigerators, cabinets, countertops, and more are actually part of the master flood policy building coverage known as a Residential Condominium Building Association Policy (RCBAP).** Once again this requires further attention by your appraiser and could also spark owners to reduce unit owners' personal flood building coverage to avoid duplication. Other factors to pay attention to, especially for HOAs, are who the policies are in the name of, maximum coverable values per the NFIP (\$250K per unit for building, \$100K for contents), and excess coverage as it pertains to the prior two factors.

While this is just a cursory examination of Flood coverage, I do hope it both clarifies some issues while bringing to the forefront new areas of discussion. I purposefully avoided the topics of hazard zoning (X vs. AE vs. VE, etc), elevation certificates, grandfathering, LOMA/R to be discussed at another time. **It is important to know there is no such thing as “not being in a flood zone”. If it can rain where you live it can flood**, but some property is at higher risk than others hence the letters and zoning. If you would like to know what zone you have currently been mapped into there is an excellent resource provided for Brevard residence which can be found here: http://gis.brevardcounty.us/flood_map/

For any questions or further reading please email me as there is a lot of misinformation on this very costly coverage and the facts can very difficult to obtain, even directly from the NFIP and FEMA. If your association would like to hear more on this topic please contact me and we can set up a date with our personal lines leader, Joslynn, and me to come out and answer questions and review policies.

Best Regards,

Trevor Barone
Lead Community Team Advisor

News & Other Links

- [SCCA—January 16th our friends at the Levine Law Group will be presenting on Insurance, Property Damage, and Disaster Recovery](#)
- **SCCA Program Speaker May 2016- Trevor Barone.**
Detecting Hidden Danger: Navigating the Association Insurance Mine Field
- [Florida Approves Citizens' 2016 Rates With Minor Adjustments](#)
- [National Hurricane Center](#)
- [‘New Chubb’ Opens Today](#)
- [Scaffolding Collapse Lawsuit](#)
- [The Top Southeast Lawsuit Stories of 2015](#)
- [We Want YOU to Join State Flood Market](#)
- [Insurance Commissioner McCarty Resigns](#)
- [HOA Treasurer—Grand Theft](#)
- [To Claim, or Not to Claim?](#)
- [Condo FHA Financing Changes](#)
- *Flood Policies, Condo Units, and Additions & Alterations—[David Thompson](#)



Brown & Brown is an independent insurance intermediary that through its licensed subsidiaries provides a variety of insurance products and services to corporate, public entity, institutional, trade, professional, association and individual clients. Headquartered in Daytona Beach and Tampa, Florida, offices are located across the United States.

Please forward, distribute or copy this email or PDF as long as you forward, distribute or copy it without any changes and you include all headers and other information identifying the author and owner of the copyrighted material contained herein. You may not copy this email or PDF to a website without the written permission of Brown & Brown, Inc and Trevor Barone.