



Bob Aaron bob@aaron.ca

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Caring broker may get you broader coverage

Earlier this month, I wrote in this column about friends of mine I called Gail and Don, and their unfortunate experiences in the aftermath of the storm that hit north of Toronto on Aug. 19.

Within a few hours that day, the basement of their house at Bayview and Steeles was flooded by water pouring through a basement window, the family car was submerged in a shopping mall parking lot, and Don's main floor condominium office was flooded by water pouring in under the entrance door.

Now, two months later, the only insurance money they have seen was the write-off value of the car, minus the deductible. The house claim was denied because "overland flooding" and inadequate drainage are not covered risks, and the office claim is still under discussion with the insurer two months after the damage occurred.

When I wrote about the plight of Gail and Don, I mentioned that some of their neighbours with a different and "better" insurance company but similar damage, had received payments from their insurers.

I received a number of emails wanting to know the name of the insurance company that provided flood coverage.

John Karapita, a spokesman for the Insurance Bureau of Canada, emailed to say that flooding is never covered in insurance policies including those at Bayview and Steeles. Flood is not considered insurable, he told me, since floods occur in low lying areas.

The insurance industry position is that insurable events like fire, theft and windstorm are the source of potential losses, but from the perspective of the consumer, they are always unexpected. Overland flooding, according to the industry, is more than a possibility, it is inevitable.

Even if it were available, I'm told it would be prohibitively expensive for the relatively few who would ever need it.

I accept the logic that says theft, fire or windstorm losses are unexpected, but I have difficulty with the view that overland flooding is inevitable. In any event, those are the rules of the game and the consumer is stuck with them.

The mystery of how Gail and Don's neighbours got flood coverage was solved by Malcolm Armstrong, a broker with Nacora Insurance. Armstrong emailed to say that the neighbours probably had the same insurance coverage, but their brokers or adjusters decided that the houses suffered wind damage, which allowed the water to enter. Wind damage, of course, is a covered risk.

So the magic answer is that if a wall of water pushes a basement window open and the house floods, it's not covered by insurance. But if a windstorm pushes the same window open and then water gushes in, the flood is a covered risk since it was due to wind damage.

Armstrong's advice is "know your insurance broker." A caring broker, he says, will go the extra mile for his or her client, assisting in obtaining wider coverage.

My friends Gail and Don live not far from the home of Karapita's parents at Bayview and Steeles. The Karapita family loss during the Aug. 19 storm was due to sewer backup and was fully covered.

To be sure, Karapita tells me, the experience of having their basement flooded with sewage was extremely unpleasant for them and they wish it could all go away soon, but on the whole, they are not disappointed with their insurer.

Karapita speculated that Gail and Don's neighbours who got "full coverage" probably just had sewer back up coverage. The point, he says, is that no one has coverage for overland flooding.

In fact, based on Armstrong's analysis, I think that the neighbours with water damage from overland flooding just had more creative brokers or adjusters who "interpreted" the losses as arising from wind damage rather than flooding.

In my column about Gail and Don, I referred to the storm damage in Peterborough on July 15, 2004. I said that the government might pay for "catastrophic losses," but the insurance companies wouldn't.

What I meant was that insurers paid for covered damages, but not from overland flooding. Karapita tells me that insurers paid more than \$95 million for damage caused by last year's flooding in Peterborough.

In some cases, the government may pay for certain things in an emergency that are not insured but in Peterborough, insurance companies were there and paid many times more than what the government ever provided.

Flooding is not the only loss that is excluded from an all-risk policy. Consumers should be aware that losses are not covered if they arise from earthquake, snow slide, landslide and subsidence of land, unless those losses arise from fire, explosion, smoke or leakage from fire protection equipment.

Also not covered are losses from industrial smoke, wear and tear, and repairs to faulty or improper material or workmanship.

The Insurance Bureau of Canada realizes that it is difficult for homeowners to understand their policies and specifically what's covered and what's not covered.

It encourages people to ask their brokers questions to find out what losses are covered and what are not.

The Insurance Bureau of Canada also operates a Consumer Information Centre to explain insurance matters to the public. It's available at 1-800-387-2880 or locally in the GTA at 416-362-2031.

Meantime, I'm thinking of trying to get flood insurance for my mother's penthouse condominium. Since the industry tells me that overland flooding on the 18th floor is "inevitable," I wonder if any company would be willing to provide coverage.