



Surviving

Know what your insurance covers and what it doesn't—before disaster strikes

BY FERNANDO PAGÉS RUIZ

As an independent insurance adjuster, I've seen firsthand the effects that severe storms, earthquakes, floods, and fires have on houses and the people who live in them. In New York in the aftermath of superstorm Sandy, I saw families homeless and ill-equipped to recover because their homes were inadequately insured and inadequately protected against the elements.

Most of the damage from Sandy was the result of flooding in neighborhoods that had never flooded before. "This never happens

here" was a frequent comment. However, we're living through a period when these once-in-a-century storms are occurring with an alarming frequency. To prepare for catastrophic weather events like these powerful, destructive storms, it's vitally important for you to have a basic understanding of how your homeowners insurance works, what's covered and what's not covered under the different policies, and what you can do to minimize damage and avoid claims in the first place.



the Storm

Everyone lives in a flood zone

Unlike hurricanes, which occur along the coasts, and earthquakes, which occur in seismically active areas, there is no place in the United States that will never flood. Some areas are at greater risk due to their elevation or proximity to water, but floods—whether due to a water-main break, a rainstorm, or some other cause—can occur anywhere.

Flooding plays a role in 90% of all natural disasters nationwide. According to the National Flood Insurance Program (NFIP), your home has a 26% chance of sustaining damage from a flood during a typical 30-year period, compared to a 9% chance of damage by fire. It's important, then, to be fully insured against flooding if you live any-

where near a body of water, even if you're not in a federally designated flood area.

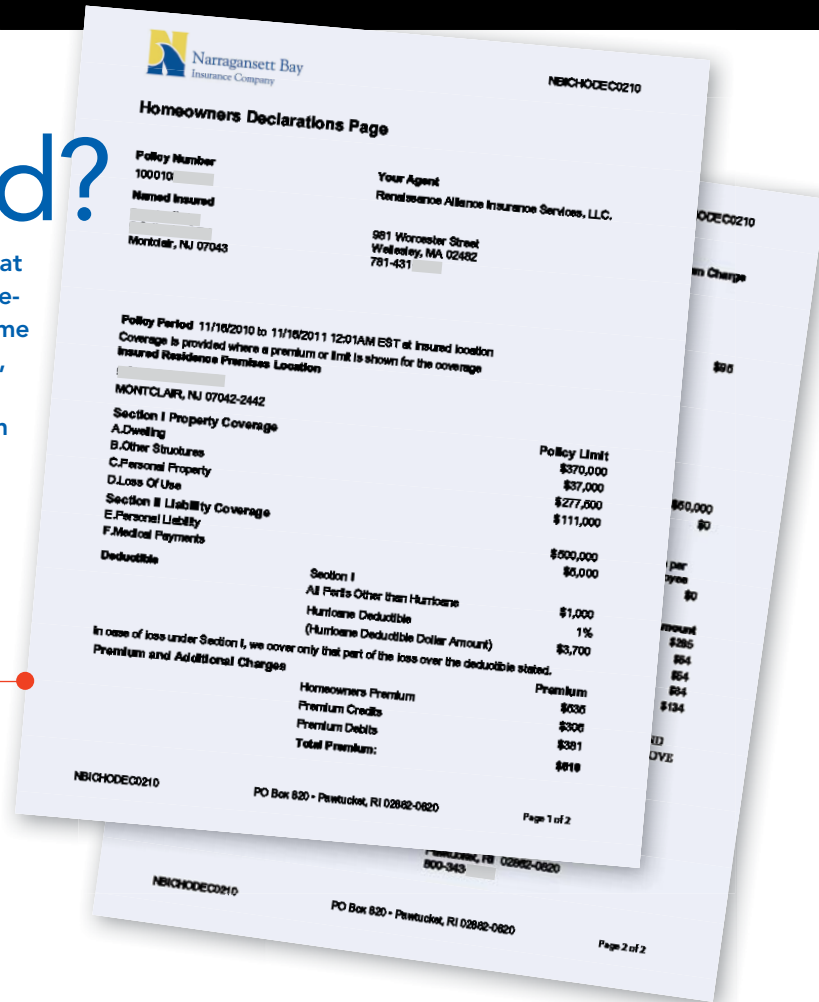
Of all types of home insurance, flood insurance is the most frequently misunderstood. Flooding is not covered in your basic homeowners policy. Homeowners typically buy flood insurance only when required to by their lender, and many buy the minimum amount of coverage and rarely read the policy. This is a mistake.

Although any area is susceptible to flooding, certain places carry greater risk. Designated flood zones are geographic areas that the Federal Emergency Management Agency (FEMA) has defined according to various levels of flood risk. These zones are depicted

So am I covered?

Insurance policies are complex, esoterically written documents that are difficult to digest and excellent for putting you to sleep. Nonetheless, you should take the time to review your policy and become familiar with it. By knowing what's covered—and more important, what's not—you can better prepare your house to reduce out-of-pocket costs and to avoid a recovery effort that can become even more trying than the disaster. Here's what policies typically say, and what they typically mean.

The **DECLARATIONS**, or "dec page," is a summary of your coverage. It describes what's covered (e.g., your home, your boat), who owns the policy (the insured), the policy number, the type of policy (e.g., homeowners, flood), the time period the policy covers, the limits of liability (top payout from the insurance company), deductibles (payout from your pocket), and the premium (what having the policy costs you). A homeowners policy also includes details on which the quote is based, such as the year of construction, the type of construction (e.g., frame with an asphalt-shingle roof). Under "coverages," it lists the estimated replacement cost (to rebuild, not to buy) for the primary structure, as well as coverage limits for "other structures" (e.g., a garage) and personal property (e.g., appliances or furniture). "Liability" describes payouts for medical care should someone be injured on your property.



POLICY DEFINITIONS

provide a legal glossary of the terms used in the policy. Understanding them fully is important to understanding your coverage. Definitions are often very specific and describe not only what certain terms in the policy apply to, but what those terms don't apply to.

5. "insured location" means:

- a. the residence premises;
- b. the part of any other premises, other structures and grounds used by you as a residence. This includes premises, structures and grounds you acquire while this policy is in effect for your use as a residence;
- c. any premises used by you in connection with the premises included in 5.a. or 5.b.;

8. "property damage" means physical damage to or destruction of tangible property, including loss of use of this property. Theft or conversion of property by any insured is not property damage.
9. "residence employee" means an employee of an insured who performs duties, including household or domestic services, in connection with the maintenance or use of the residence premises. This includes employees who perform similar duties elsewhere for you. This

on a community's flood-insurance rate map (FIRM) or flood-hazard boundary map. A general condition of flooding triggers flood-insurance coverage, distinguishing a flood from other damaging water events, such as a sewer backup.

Although you can buy flood insurance through your homeowners-insurance company, the policy is likely underwritten by FEMA. Unlike homeowners insurance, which covers a number of perils (such as fire and wind damage) and may offer competitive perks (such as living expenses when your home becomes uninhabitable), a policy under the NFIP provides only bare-bones coverage for damage directly resulting from a "general condition of flooding." The insurance is meant to get you back into a habitable house, but not necessarily to fix every problem. For example, if floodwater damaged your lower kitchen

cabinets but not the uppers, flood insurance will likely cover replacement of only the damaged cabinets, even if it's impossible to find ones that match the uppers.

Homeowners often assume that coverage for personal belongings, known as content coverage, comes automatically with their flood policy because their homeowners insurance covers such losses. It does not. You must buy content coverage separately. Even then, Cadillac flood policies don't exist. The maximum coverage you can buy is \$250,000 for the structure and \$100,000 for content. The area of a home most likely to flood, the basement, has such narrow coverage that most improvements, such as a media room, have practically no coverage at all. Only a few items typically located in a basement will be covered under a basic policy, including mechanicals and unfinished drywall.

INSURING AGREEMENTS, often labeled “coverages,” outline the specifics of what is covered and what is not (the “exclusions”). Items covered are usually divided into three parts: the dwelling, other structures, and personal property. Loss of use, which provides for reimbursement for living expenses or loss of rental income from damage to insured structures, is also detailed in this section if the policy includes it.

COVERAGE A - DWELLING

1. **Dwelling.** We cover the dwelling used principally as a private residence on the **residence premises** shown in the **Declarations**.
Dwelling includes:
 - a. structures attached to the dwelling;
 - b. materials and supplies located on or adjacent to the **residence premises** for use in the construction,

Example: Dwelling
Your house and anything attached to it. Detached sheds, garages, and other outbuildings are considered “other structures.” They usually have limited coverage, typically 10% of the main dwelling.

- b. any costs required to replace, rebuild, stabilize, or otherwise restore the land; or
- c. the costs of repair techniques designed to compensate for or prevent land instability to any property, whether or not insured under Coverage A.

COVERAGE B - PERSONAL PROPERTY

1. **Property Covered.** We cover personal property owned or used by an **insured** while it is anywhere in the world. This includes structures not permanently attached to or

Example: Personal property
Your furniture, computer, TV, tools, and appliances. Built-in appliances and attached furnishings such as kitchen cabinets are considered “structure” and are treated differently. Special limits, exclusions, and deductibles typically apply to personal property such as jewelry, guns, and cash.

1. A1 - Replacement Cost Loss Settlement - Similar Construction.

- a. We will pay the cost to repair or replace with similar construction and for the same use on the premises shown in the **Declarations**, the damaged part of the property covered under **SECTION I - COVERAGES, COVERAGE A - DWELLING**, except for wood fences, subject to the following:
 - (1) until actual repair or replacement is completed, we will pay only the actual cash value at the time

- (4) we will not pay for increased costs resulting from enforcement of any ordinance or law regulating the construction, repair or demolition of a building or other structure, except as provided under **Option OL - Building Ordinance or Law Coverage**.
- b. **Wood Fences:** We will pay the actual cash value at the time of loss for loss or damage to wood fences, not to exceed the limit of liability shown in the **Declarations** for **COVERAGE A - DWELLING EXTEN-**

LOSS SETTLEMENT describes how you will be compensated for loss under your policy.

Example: Replacement cost
The actual cost to replace the damaged property. This is what most homeowners policies will pay on most losses. Beware of losses settled on an “actual cash value” basis, which means the policy will pay only the depreciated current value of your property, not what it will cost to buy new.

EXCLUSIONS state what the policy will not cover and may include specific items, such as a motor home, and certain perils, such as flood and earthquake damage.

ENDORSEMENTS are additions to the basic policy that typically enhance coverage (and premiums). Endorsements might include coverage for sewer backups, debris removal, or specific covered items with higher limits, known as “scheduled personal property,” such as a guitar collection or photography equipment.

CONDITIONS are actions you must take to preserve coverage. They include notification requirements, your obligation to protect the insured property from further damage, and the requirement that you maintain adequate levels of insurance. If you don’t meet certain conditions, the company can limit or deny your claim.

Flooring, trim, and contents—with the exception of washers, dryers, and freezers under some policies—are not. Every homeowner, then, should prepare for loss prevention in the face of flooding (see p. 78).

When the storm is a hurricane, the homeowner pays

Residents along the Eastern Seaboard and the Gulf of Mexico have become all too familiar with the annual storm season that arrives in late fall. But hurricanes affect other areas, too. Just ask homeowners in inland Connecticut and Vermont, who suffered the brunt of Hurricane Irene in 2011. In 2012, superstorm Sandy affected areas as far west as Wisconsin.

Most wind and hail damage caused by ordinary storms is covered by homeowners insurance, subject to the standard deductible. Hurri-

canes are another matter. Many policies for houses along the Atlantic and Gulf coasts include a special deductible for hurricanes that can range from 1% to 5% (sometimes even higher) of the home’s insured value. This means that if your home is insured for \$400,000 with a 5% deductible, you would be liable for the first \$20,000 of damage. With a deductible that high, the best way to minimize out-of-pocket expenses is to prepare (see p. 79). Fortunately, there has been more study on preventing damage from hurricanes than from any other major catastrophe besides earthquakes, so reliable construction methods and special products exist to minimize damage.

Hurricane deductibles apply when the storm that makes landfall in a given area qualifies as a hurricane, meaning that it has sustained winds of at least 74 mph. Superstorm Sandy, although devastating,

Protecting what

did not qualify as a hurricane when it hit the U.S. coast (its top wind speeds were 69 mph), so standard homeowner deductibles applied. Still, the damage was historic.

When tornadoes loom, focus on safety

Despite harrowing news accounts about tornadoes such as the EF5 monster that ravaged an Oklahoma City suburb last May, in comparison to floods, hurricanes, and earthquakes, tornadoes are relatively small, narrow events that cause limited losses. Insurance policies come without worrisome caveats about tornadoes and often do not even mention this peril by name, covering it under the broader term *windstorm*. Hail is another damaging peril that homeowners policies generally cover without special deductibles and restrictions, although hail often causes higher losses to insurance companies than tornadoes do.

You can build a house that is generally more resistant to windstorms, including tornadoes, principally by using structural sheathing, rafter tie-downs, and hail- and wind-resistant roof shingles, but nothing you can build within practical limits will survive an EF5. If you live in a tornado-prone area, your focus must be on safety. You need a reinforced safe room or an underground shelter. (For more on how extreme winds damage houses, see “How It Works” on pp. 18-19.)

Earthquakes call for supplemental coverage

Earthquakes can occur anywhere, although they happen most frequently in certain geological areas. To find the likelihood of seismic events where you live, consult the U.S. Geological Survey’s seismic-zones map in your local code book. Zones are labeled from 1 to 4, based on the potential severity of a seismic event. If you live along the California coast, you already know the high probability of a catastrophic quake. If you live in Topeka, Kan., however, you may not realize you’re in zone 2A, with a middling chance of experiencing significant earthquake damage.

Coverage for earthquakes is similar to that for floods in that it’s excluded from your homeowners policy, so you must buy a separate policy to obtain coverage. Earthquake deductibles can go as high as 20% of the policy limits; in California, this easily tops \$60,000. You can buy a supplemental policy to bridge the gap somewhat. These policies reduce your deductible, increase coverage for content, and include outbuildings, such as detached garages. What supplemental earthquake policies cover varies from state to state; check with your state insurance authority to find out about coverage available in your area.

Earthquake insurance also resembles flood insurance in that it’s meant to get you back into a habitable house, but not necessarily to restore the house to its former state. If you had a masonry fireplace, for example, the adjuster may replace it with a metal one in the settlement estimate. Earthquake coverage is also expensive, and some experts recommend spending money on retrofitting your home to withstand a seismic event rather than purchasing insurance to rebuild afterward. Based on my experience, I believe doing both is the most prudent strategy. □

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FLOODING

BASEMENT Create a storage area at a higher elevation to transfer items kept in the basement when threatened by flood. Basic flood insurance offers only very limited coverage to basement structures, and content coverage is limited to items such as washers, dryers, freezers, and window air conditioners. Avoiding damage to other valuables is the only real way to mitigate a loss.

CRAWLSPACE Make sure there’s sufficient ventilation to provide drainage for water that gets under the house. The rule is at least 1 sq. in. of ventilation for 1 sq. ft. of floor area. The vents must be located at opposite walls and within 12 in. of the exterior grade. These are not traditional air vents. They serve as flood openings for water-pressure equalization on exterior walls. When possible, keep the interior crawlspace grade above the exterior grade to eliminate ponding after a flood.

FOUNDATION When building new, dig footings extradeep to avoid water scouring from undermining the footing. Houses often float off their foundations in a flood, so make sure your floor frame is firmly and mechanically attached to the stem wall. Use corrosion-resistant connectors and fasteners.

MECHANICALS Elevate the furnace, water heater, and electric panel in your home if you live in an area that has a high flood risk. Consider installing check valves to prevent floodwater from backing up into the drains of your home.

MATERIALS When making flood upgrades, and especially when finishing a basement, select materials that are resistant to mold and that dry easily, such as closed-cell spray-foam insulation, paperless drywall, and steel studs.

EXTRA PROTECTION If you’re in a flood zone and your house sits below the flood elevation level, consider raising the house 1 ft. above it. This requires the assistance of a licensed engineer familiar with the design of elevated flood foundations. For detailed information on flood reinforcement, especially if you live in a designated flood zone, go to fema.gov.

Photos, from left: Danielle McGrew; courtesy of the Providence Journal; Rob Yagid.

insurance policies don't



EXTREME WIND

ON THE ROOF Consider wind- and hail-resistant roofing products such as concrete tile and higher-grade composition shingles; GAF's Timberline ArmorShield II, for example, has wind ratings of 130 mph to 150 mph. Refer to manufacturers' recommendations for high-wind nailing patterns. The roof-to-wall connection is one of the most critical transition points in any structure, so it's important to connect the roof framing to the walls below with mechanical tie-downs.

ON THE SIDES High-wind-resistant siding options exist as well, even with premium vinyl siding. If you're going to replace siding, it's a good idea to sheathe the entire frame with a structural board such as OSB if it isn't there already, and to tie walls to the foundation and to the roof framing.

FRAMING Make sure that trusses or joists are attached firmly to the walls below with appropriate hurricane hold-down hardware. Along with gable-end walls, trusses represent a common failure point. Attach connectors to the trusses as close to the roof sheathing as possible. Special connectors, such as any of Simpson Strong-Tie's hurricane ties (from H8s to a pair of H2.5s) are designed to simplify retrofitting in an existing attic.

FLOOR SYSTEMS Wind racking may not blow your house down, but it can cause lots of drywall cracks and result in windows and doors that no longer fit properly. Reinforcing the floor system will help, which is done easily when replacing old carpet. Reattach floor sheathing to joists with 10d common nails. Space nails every 6 in. along edges and 12 in. in the field. Install blocking if you can access the floor framing from underneath.

WINDOWS Flying glass can injure occupants, force you to replace carpets littered with glass shards, and cause damage to furnishings. A good pair of real (not decorative) storm shutters will prevent damage, but they can be impractical in many homes. Alternatively, you can install windows with impact-resistant glass (if you're replacing windows or building new) or buy resin-coated fabric covers to install prior to a storm. You can also fit anchors around your windows so that they are ready to receive plywood boards when a storm is approaching.

EARTHQUAKES

INTERIOR HAZARDS Anchor to walls large and heavy items that could cause injury or damage, such as bookcases and file cabinets. Locks on cabinets can help to reduce spillage and breakage during an earthquake.

APPLIANCES Combustion appliances, such as water heaters and furnaces, should be anchored securely to walls and attached to the gas service with flexible lines. Your building department will have guidelines; these rules are code in many earthquake-prone areas.

FOUNDATION Foundation defects account for some of the severest earthquake damage, especially in older homes. Check the foundation for missing or inadequate hold-down bolts and inadequate stem-wall bracing. Simpson Strong-Tie and HCS both have extensive retrofit hardware catalogs that include anchors for reinforcing the connection between the foundation and the floor and wall framing. These catalogs also have guides to the hardware to use for a particular type of foundation, such as a crawlspace or a slab on grade. If your home was built to code after the 1980s, it's likely already reinforced. Download a guide to common earthquake-retrofit strategies at www.seismic.ca.gov.

POSTS Attach structural posts to beams with hardware, not just nails.

RIM JOIST Some older homes have no rim joists. In this case, install solid blocking between floor joists as close as possible to the sill plate, or over it.

WALLS It's difficult to retrofit a house for shear walls, which offer the most protection, but if you're going to replace the siding, hire an engineer or experienced retrofit contractor to look at the exterior walls. If they're not solid-sheathed, at least apply a layer of OSB or structural plywood to the entire exterior-wall surface. Nothing helps to protect your structure more in an earthquake (or windstorm) than solid sheathing.



For details on securing your home against wind and earthquakes, visit FineHomebuilding.com/extras.