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Storm warning: You may not be covered for losses

Couple finds policy only pays for damage from sewer backup

Buying flood insurance is virtually impossible: Industry spokesman

After a traumatic experience with the after-effects of the storm which hit north of Toronto on Aug. 19, Gail has learned more about insurance law than she ever wanted - or needed - to know. She was also just one of the 15,000 people who submitted insurance claims estimated to exceed \$400 million as a result of that one storm.

As well, she's on the hook for many thousands of dollars in damages her insurer says are not covered.

Gail and Don (not their real names) have been close friends of mine for many years. When Gail called to tell me about her run-in with both Mother Nature and her insurance company, I could feel the pain in her voice.

Gail and Don live in an up-scale house near Bayview and Steeles - not far from a branch of the Don river which flows under that intersection.

Their son Michael was home that afternoon, visiting from abroad.

When the storm hit, Michael discovered that a torrent of water had pushed against a basement window and forced it open. Water was pouring in until Michael jammed the window closed and duct-taped the edges. He achieved some success, but water continued to seep in.

The basement broadloom was covered with water. A wall unit suffered extensive damage as did the bottom of the drywall on all four walls. Fortunately, Michael disconnected and moved the stereo cables and computer wires. If he hadn't been home, the equipment might well have been toast.

Unaware of what was going on at home, Gail stopped at a shopping plaza on Centre St. in Thornhill for some retail therapy. At the time it was not raining and there were no storm warnings on the radio.

Unfortunately, she chose to park her car at the lowest level of the plaza's parking lot.

When she came out a short time later (because the roof of the store was leaking and the customers were evacuated) she discovered her car was in water which covered the tires and the interior seats.

The parking lot was a lake, she told me.

Eventually, a Good Samaritan came along and towed Gail's car to higher ground. She opened the doors, drained the interior and drove the short distance home. The car never worked again and was a write-off.

During all this excitement, Don's office was experiencing its own problems. He has a ground-level office condominium on Yonge St. not far from home, and it too was flooded.

Storm drains outside the building backed up, and water came in under the front door - ruining the carpet and causing massive disruption requiring relocation of filing cabinets and computers.

Following this triple whammy in one afternoon, Gail learned the hard way about insurance policies and water claims.

Damage to vehicles from rising water is covered if the vehicle has comprehensive coverage. Don and Gail have settled with their insurer for the car's value less the \$1,000 deductible.

Water damage to homes and offices is only covered if the water source is actually from sewer backup, and the policy contains a rider for water and sewer back-up coverage.

Overland flooding is not covered. If water enters a house through the walls, windows, or cracks in the floor, there is no coverage.

If the water in the basement is clean there's no insurance. But if the basement is filled with water and sewage, the insurance company will come to the rescue if the policy contains the appropriate rider.

Insurance companies view inadequate drainage as a structural defect or a maintenance issue, and specifically exclude it in home insurance policies.

Similarly, repairing mould damage resulting from a basement flood is also excluded from policies, although wind damage from

falling trees is covered.

If a storm is classified as a catastrophic loss by the government, like the storm in Peterborough on July 15, 2004, the government may pay for losses, but the insurance companies won't.

John Karapita, a spokesman for the Insurance Bureau of Canada, tells me it's virtually impossible to buy flood insurance in Ontario.

The best type of home insurance available on the market today is a comprehensive policy covering all risks. But an all risks policy doesn't cover all risks. It covers all losses *except* those listed on the policy as excluded, and water damage is excluded unless it's due to a sewer backup.

Gail and Don's house insurer turned them down flat. They even had difficulty getting a crew in at their own expense after the storm to dry the basement out, but Saul Berlin at Restorx came to the rescue that weekend with a crew to remove the carpet and big fans to dry out the wet walls.

Some of Gail and Don's neighbours with a different and better insurance company, got full coverage.

Don's office insurer also initially denied coverage, but two adjacent office units in the same complex with the same water problem have had their losses covered. By the end of last week, a final decision on coverage still had not been made.

I feel abandoned by my insurance company, Gail told me last week.

She will be choosing her next insurer very, very carefully.

And she will be checking its claims payment record by asking friends and neighbours for their experience with insurance claims.

For Don and Gail, it has been an expensive lesson.