



Sump pump failure

Resource kit 90629

By Jim Pittz, CIC, CPIA

Each spring as the snow melts and the rains come, so do a slew of problems, many of which deal with water—in particular water in the basement.

Many people have converted their basements into a family room or entertainment room. It's nice and dark in the basement, so a home theater would be perfect for that room. A nice carpet, furniture, an entertainment system with a big screen TV—perfect for movie night with the family! Just as the movie starts, your insureds see the big-headed lion roar and a storm rumbles in, a clap of thunder that shakes your house to the foundation and all of a sudden; the lights go out—there has been a power failure! The rain keeps coming down, and keeps coming down and keeps ... (Well, you get the picture). Now as the kids are sitting on the floor, one of them says, why is the floor wet? Water is coming up through the sump hole. The sump pump is not working because the power is out and now the floor is getting soaked. It is now official, there has been a loss.

As everyone knows, this damage is not covered by a standard ISO homeowners policy:

Section I—Exclusions

A.3 Water damage

Water damage means:

- a. flood, surface water, waves, tidal water, overflow of a body of water or spray from any of these, whether or not driven by wind;*
- b. water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or*
- c. water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure; caused by or resulting from human or animal forces or any act of nature.*

As you can see, the backup of sewer and drains, as well as the failure of a sump pump, is excluded. The damage sustained from either of these problems will not be covered and you'll be responsible to pay for the loss and the clean up. The clean-up costs could involve the renting of industrial driers to dry out the carpet. (Have you ever tried to lift a soaking wet carpet or, for that matter, ever have the fortune, or misfortune, of being in the same room as a soaking wet carpet—the odor?).

The current ISO HO policy excludes this coverage, so you're thinking: could this be a flood and your insured's flood policy will cover some of the damages, at least to the structure. But according to the National Flood Insurance Program, a flood is defined as a general and temporary condition of partial or complete inundation of normally dry land by:

- the overflow of inland or tidal waters;
- the unusual and rapid accumulation or runoff of surface waters from any source;
- mudslides (i.e., mudflows) which are proximately caused by flooding, as defined above and are akin to a river of liquid and flowing mud on the surfaces of normally dry land areas, including your premises, as when earth is carried by a current of water and deposited along the path of the current; or
- the collapse or subsidence of land along the shore of a lake or other body of water as a result of erosion or undermining caused by waves or currents of water exceeding the cyclical levels, which result in flood as defined above.

To qualify as a general and temporary condition, the flood must affect either two or more adjacent properties or two or more acres of land and have a distinct beginning and ending point. You know that this water was due to the snow melt, compounded by a spring storm and the ground was just saturated, and not due to a flood. Also, to qualify, the flood waters can only be surface water that covers land that is normally dry. So, no luck here on coverage.

What other alternatives are there? What you can include to help offset some of the damage for your insured is to attach the endorsement on your policy—**Water back-up and sump discharge or overflow or Limited water back-up and sump discharge or overflow (depending on your state's edition date of coverage form)**.

When you read the endorsement you'll notice:

A. Coverage

We insure up to \$25,000 (again, based upon your edition of coverage and whether your state has adopted the newest form), for direct physical loss, not caused by the negligence of an "insured," to property covered under Section I caused by water, or waterborne material, which:

- 1. backs up through sewers or drains; or*
- 2. overflows or is discharged from a:*
 - a. sump, sump pump, or*
 - b. related equipment; ...*

D. Exclusion

The water damage exclusion is replaced by the following:

Water

This means:

1. flood, surface water, waves, including tidal wave and tsunami, tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind, including storm surge;

2. water which:

a. backs up through sewers or drains; or

b. overflows or is otherwise discharged from a sump, sump pump or related equipment; as a direct or indirect result of flood; ...

So you can see that the reason for the wet basement was because the sump pump stopped working due to the power outage; and since this was not a flood, there would be coverage for this loss.

This is a perfect example of the importance of an agent over a direct writer. By having the insured inform the agent of a new change, the agent can then recommend the appropriate coverage, explaining in detail how and why coverage exists.

So a simple conversation between an agent and an insured, asking if there are any new changes to their home or their lifestyle can create a benefit by turning a potential bad situation into a positive one.

This is the type of situation where an insured would surely have an over-the-fence conversation with their neighbor, explaining how glad they were that you not only saw the need to include the endorsement, but after hearing about the home theater you recommended that coverage be increased. As one neighbor looks at the other, he doesn't see the same facial expression. Then he finds out that the neighbor purchased their homeowners insurance over the internet on one of those get-a-quote-now websites where they promise to save you 15 percent. He never saw the endorsement, and you know what—even if he did, he probably wouldn't know what it meant. 3/18

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