

Insurance clients face bad news

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Many Toronto homeowners had wet basements after a surprise storm dumped 126 millimetres of rain July 8.

The intense rainfall exceeded the capacity of Toronto's storm sewer system, causing runoff that ravaged floors, walls, appliances and personal items stored below ground level.

Home insurance companies, hit with a flood of claims, were struggling to find adjusters to inspect the damage and contractors to repair it.

The storm was also a wake-up call for people who paid for home insurance without reading their policies. Some found they had far less protection against wet basements than they had hoped to get.

Pete Karageorgos is in that group. He's manager of consumer relations at the Insurance Bureau of Canada, but he didn't check his own policy until after July 8. The good news: He did have sewer backup coverage, an optional item usually paid for by customers.

The bad news: His sewer backup coverage had a \$30,000 limit — not enough to cover the cost of restoring a water-logged basement.

More bad news: He had a \$3,000 deductible, reducing the insurer's contribution to \$27,000. His home insurance policy's \$1,000 deductible didn't apply to sewer backup coverage.

Karageorgos owns a seven-year-old house in west Toronto, one of the areas hardest hit by the storm. Water backing up through a basement drain and shower stall caused him to start calling remediation firms the same night.

Another thing he learned: Insurers may cap the coverage on items damaged by sewer backups.

If you keep musical instruments or art in the basement, you should ask about getting a higher limit.

Since extreme weather may be here to stay, you have to check your insurance policy to see what protection you have. Then ask about the cost of increasing the coverage.

Here are some surprises Star readers found in the wake of the July storm.

Your insurance coverage may be slashed at renewal.

Elsie Blauwhoff made sure she had \$40,000 in sewer backup coverage when

insuring her home in 2003. She reviewed it in 2008 and 2010, but didn't notice the limit had been cut to \$10,000 last year.

"Like many people, I received my eight-page renewal and paid it without a detailed review," she says.

When the storm hit, she found 15 centimetres of water in her basement. This despite the fact she had a backflow valve professionally installed and regularly inspected.

The \$10,000 insurance cheque she received didn't cover the repair cost. What's worse: Her sewer backup coverage will be cancelled next year.

"The insurer said we can't guarantee the backflow valve didn't fail during the deluge. I appealed and was denied. So the only way we can get coverage is to guarantee that we won't need it."

You may pay more and get less.

John D'Onofrio had a \$50,000 limit for sewer backup, which cost him an extra \$91. His annual premium for home insurance was \$1,123.

When his policy came up for renewal in late July, he found his premium had gone up to \$1,377 — a \$254 increase.

What's worse: The sewer backup limit had been reduced to \$15,000, while the extra cost had risen to \$105 (from \$91).

"I've had no claims recently," he said. "The insurer agreed to increase my sewer backup limit to \$50,000 only if I installed a backflow valve, basically

guaranteeing that I'd never have sewer backup."

In an emergency, you can't wait for an insurer to do repairs.

"Time is of the essence," says Brian Maltman, executive director of the General Insurance OmbudService. "Mould starts to grow about 72 hours after the floor and walls get wet."

Many people called their insurers only to find that resources were stretched thin after Calgary's flooding a few weeks earlier. They had to hire their own contractors to dry out wet basements.

James Lee went ahead with repairs without approval since his health was at risk. (He's a retiree in his 70s.) His insurer took 16 days to tell him that he had no sewer backup coverage.

Lee knew he was taking a risk, but thought he might get a cheque once the insurer assigned an adjuster, a contractor and a claim number. He was wrong.

As these stories make clear, home insurance companies are cutting back on storm-related coverage. So you have a choice. If a severe storm hits again, you can subsidize some of the costs to preserve your health and your home. As an option, you can find a high-end insurer, such as Chubb or Chartis, to provide a higher sewer backup limit for an extra 15 to 20 per cent in annual premiums.

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