

## MARKETS

# Houston Residents Return Home to Scary Reality: No Insurance Coverage

Many flood victims are checking the fine print on their insurance policies and hoping for the best



Sydney Truss hauled his ruined belongings out of his home, which flooded as Harvey dumped more than 50 inches of rain in some parts of Texas. PHOTO:CHRISTINA WAGGONER

*By Leslie Scism and Nicole Friedman*

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Hundreds of thousands of Texas homeowners are expected to lack adequate insurance for repairing flooded houses, if they have it at all.

Many homeowners never examine details of the policies they buy, and it is only after a flood they learn the basics: Standard homeowners' policies provide payouts for damage from wind, fire, fallen trees and other storm-related events—but not flooding. For that, people generally need to buy separate policies from the U.S. government, through its nearly 50-year-old National Flood Insurance Program.

As Houston residents start to return home Friday following Hurricane Harvey, many are for the first time checking the fine print on their insurance contracts and hoping for the best.

Among them is Andrea Womack, a 38-year-old mother of four.

The carpet and some clothing in her one-story house in Houston's Settegast neighborhood were damaged by water. On Friday morning, Ms. Womack was waiting for an insurance company representative to come by and go through what was covered.

"I signed up for insurance a while back, but on my papers it says it does not cover flood insurance. So I'm not sure" what will be covered, she said.

Early loss estimates are starting to show that Ms. Womack isn't alone.

Analytics firm CoreLogic has estimated total residential flood costs of \$25 billion to \$37 billion in 70 counties in Texas and Louisiana hit by Harvey. Of that, about 70%—or \$18 billion to \$27 billion—is uninsured.



Andrea Womack, in blue, surrounded by her children, from lower left: Chance, 6, Jaiden, 7, and Kyle, 5. Back right is R'Miaha, 12, as well as a family friend. Ms. Womack and her family spent a few days at the George R. Brown Convention Center, which had been turned into a shelter, after their home flooded. PHOTO: ERIN AILWORTH/THE WALL STREET JOURNAL

Overall, households and businesses in Harris County, which includes Houston, held roughly 249,000 federal flood insurance policies as of June 30, according to the Federal Emergency Management Agency. There are about 1.7 million housing units in the county.

Those homeowners who do have flood insurance are likely those whose mortgage lenders require it, said Etti Baranoff, an associate professor of insurance at Virginia Commonwealth University.

"The mortgage company checks if your home is in a flood zone or not, and they'll make you take" a policy out if so, she said.

Even so, those with the government flood policies aren't always made whole, she said. These policies pay out a maximum \$250,000 for rebuilding and \$100,000 for personal possessions.

Among homeowners with flood coverage are Sydney Truss and his wife, who live south of Houston in Friendswood, Texas.

When they were house-hunting last year, the couple was worried about possible flooding. So, before they settled on a home, they looked up whether it flooded during Tropical Storm Allison in 2001.

“That’s kind of storm Houstonians judge everything by,” said Mr. Truss, 36 years old. “It did not flood during Allison.”

Even so, the couple’s bank still required them to get a federal flood policy that they bought through their Allstate agent.

“We’re hearing you have to have [all the damaged items] to get insurance” claims paid, Mr. Truss said, surveying the piles of clothes, toys and books in his front yard. He said he was initially going to wait until he heard from insurance officials before clearing out the house, but “it would be a disaster if we kept waiting any longer.”

He’s trying to photograph every item to show an insurance adjuster eventually.

Standard homeowners’ policies do pay for some damage from water—such as if it enters the house after the wind rips off the roof or a tree crashes through the attic. But if water overflows a riverbank or gushes down a street to seep into a house, the homeowner can expect a claim to be rejected, according to industry lawyers.

The federal flood insurance program’s payouts for Harvey appear on track to rival those made for superstorm Sandy in 2012, the nation’s third costliest hurricane (behind Katrina in 2005 and Andrew in 1992.) So far, 130,622 Sandy claims have cost the program \$8.4 billion, an average of \$64,331 apiece, according to the Insurance Information Institute trade group.

Insurers’ payouts for cars damaged by Harvey’s flooding could be several times larger than those they make for homes. Investment bank Keefe, Bruyette & Woods puts insured personal and commercial auto costs at roughly \$4.7 billion. But not all the estimated 500,000 vehicles flooded by Harvey are covered by insurance.

Overall private-market insurance payouts for Harvey are expected to be dominated by payments to business policyholders and range from \$10 billion to \$20 billion altogether. At the high end, they would likely top those for Sandy, which cost \$19.8 billion in 2016 dollars, according to the Insurance Information Institute.

A frequent area of dispute after hurricanes has been how much an insurer ought to pay in instances where both winds and flooding damaged a property. Those disputes could arise in

coastal communities where Harvey landed as a Category 4 hurricane with its strongest winds.

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“If there is a breath of wind and breath of storm surge, that ought to be enough to put in front of the Texas courts and ask for relief for these people,” said David Wood, a policyholder lawyer for corporate clients at Barnes & Thornburg LLP in Los Angeles.

Bradley Allen, 61 years old, said his sister began filing a claim with the federal flood program for

their father earlier this week.

“The insurance company doesn’t want you to touch anything until they get there” so an adjuster can walk through the home and assess the damage, he said. But he’s not waiting to clear out his father’s house in southwest Houston’s Meyerland neighborhood, he said, because mold is already growing inside.

Mr. Allen said on Friday he plans to help his father choose which possessions to try to salvage from the home, which flooded with a foot and a half of water.

“It’s real personal, when you lose every single thing,” he said. “I’m really worried about him.”

—*Erin Ailworth contributed to this article*

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