ENDORSEMENT ANALYSIS

Flood Coverage Endorsement (CP 10 65)

ISSUER: ISO | NUMBER: CP 10 65 | EDITION: 10 12

STATUS: Latest Edition | View Form

The Flood Coverage Endorsement was introduced with the 2000 commercial property portfolio revisions. It is a detailed four-page form that is designed to "wrap around" a National Flood Insurance Program (NFIP) policy but can also be used when there is no underlying NFIP policy. Prior to the introduction of the Insurance Services Office, Inc. (ISO), commercial flood policy program in 2018, this was the only ISO flood coverage form.

All of the causes of loss forms contain the same water exclusion, which eliminates coverage for loss from flood and several other types of water damage. The text of the exclusion, which is discussed under the "Water Exclusion in the ISO Basic and Broad Causes of Loss Forms" and the "Special Causes of Loss Form: Water Exclusion" sections, is shown below.

Water Exclusion in ISO Causes of Loss Forms

g. Water

(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) Mudslide or mudflow;

(3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;

(4) Water under the ground surface pressing on, or flowing or seeping through:

(a) Foundations, walls, floors or paved surfaces;

(b) Basements, whether paved or not; or

(c) Doors, windows or other openings; or

(5) Waterborne material carried or otherwise moved by any of the water referred to in Paragraph **(1), (3)** or **(4),** or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies regardless of whether any of the above, in Paragraphs **(1)** through **(5),** is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

But if any of the above, in Paragraphs **(1)** through **(5),** results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage (if sprinkler leakage is a Covered Cause of Loss).

Source: Insurance Services Office, Inc., Form CP 10 30 10 12, Copyright 2011

The Flood Coverage Endorsement (CP 10 65 10 12) can be used with any of the three causes of loss forms to add back coverage for loss from flood. The endorsement's definition of flood includes mudslide, but not seepage of water. Discharge or overflow from a sewer, and, beginning with the 2012 edition, from a drain or sump, is covered, but only if it results from flood and occurs within 72 hours after the floodwaters recede. Coverage also applies to damage from collapse or sinking of land along the shore of a body of water caused by erosion or undermining by waves or water currents that "exceed the cyclical levels and cause flood." Otherwise, no coverage applies to the cost of restoring land. The endorsement specifies that the earth movement exclusion does not apply to overflow of tidal waters caused by a tsunami. It further specifies that, unless ordinance or law coverage has been added to the policy by endorsement, loss from ordinance or law in connection with flood damage is excluded.

No coverage applies to loss from a flood that begins before or within 72 hours after the inception date of the endorsement. However, beginning with the 2012 edition, this restriction does not apply to any location for which flood coverage was in effect for at least 72 hours prior to the inception date of this flood endorsement, when this policy replaces another policy that provided flood coverage with no lapse in coverage. Similarly, increases in limits are not applicable to loss that begins before or within 72 hours after the request for increased limits. However, beginning with the 2012 edition, this 72-hour waiting period does not apply to an increase that is made effective on the renewal of the policy.

The definition of "flood" used in the ISO flood coverage endorsement is very similar to the definition used in the NFIP form (discussed in "The NFIP Flood Coverage Form: Covered Perils—Flood and Mudflow Definitions") but a little bit less restrictive. Whereas the ISO flood coverage endorsement defines "flood" as "a general and temporary condition of partial or complete inundation of normally dry land areas ..." the NFIP flood coverage form stipulates that the flood must cover "two or more acres of normally dry land area or two or more properties (at least one of which is your property) ..."

The flood coverage endorsement provides coverage for loss to underground foundations and underground pipes, flues, and drains. However, no coverage applies to boat houses and open structures located on or over a body of water. Bulkheads, pilings, piers, wharves, docks, or retaining walls that are not part of a building also are excluded from coverage, even if they have been added as covered property by endorsement. Personal property in the open is excluded unless otherwise specified in the declarations or flood coverage schedule. Finally, no coverage applies to property that is ineligible for NFIP flood coverage under the Coastal Barrier Resources Act and Coastal Barrier Improvement Act of 1990 (generally, buildings constructed after a specified date on specified coastal barrier islands).

A debris removal provision in the endorsement replaces the one in the building and personal property coverage form (or other applicable direct damage coverage form). It establishes that, with respect to flood-borne debris on the insured premises, coverage applies to the removal of debris of both covered property *and other property.* However, removal of mud deposits from the grounds of the insured premises is not covered. Coverage also applies to removal of debris of covered property from premises other than the insured's premises. Under the flood coverage endorsement, covered debris removal expenses are subject only to the applicable flood limit; there is no debris removal sublimit.

The endorsement specifies that buildings or structures not fully enclosed by walls and a roof are not covered under the newly acquired or constructed property extension for loss from flood. It also establishes that the limit under the newly acquired or constructed property extension for loss by flood is 10 percent of the sum of all the flood coverage limits.

Applicable flood coverage limits and deductible are indicated either in the policy declarations or a separate flood coverage schedule form (CP DS 65 10 12). Note that the flood coverage endorsement establishes an annual aggregate limit for flood *even if no annual aggregate limit is shown* in the policy declarations or flood coverage schedule. If no annual aggregate limit is shown, the amount shown as the flood coverage limit applies as both the per-occurrence limit and the annual aggregate. If no flood coverage limit is shown in the declarations or flood coverage schedule, the limit applicable to loss from other causes applies as the per-occurrence and annual aggregate limit. In the event of flood loss and ensuing loss from another covered cause, the maximum total amount payable is the limit applicable to loss from fire.

It is important to note that the coverage of this endorsement applies excess of the maximum limit of coverage for which the property is eligible under an NFIP policy,*regardless of whether any such policy actually exists,* unless the policy declarations or flood coverage schedule indicates that the "Underlying Insurance Waiver" applies. As mentioned earlier, the ISO flood coverage endorsement is designed for use in conjunction with an NFIP flood policy. However, it "wraps around" rather than "follows" the NFIP policy. Accordingly, the flood coverage endorsement applies on a first-dollar basis with respect to coverage that is provided under the commercial property policy to which it is attached but not provided under an NFIP policy. For example, NFIP policies do not provide any time element coverage. Therefore, when this endorsement is attached to a commercial property policy that provides business income or extra expense coverage, any covered business income or extra expense loss resulting from flood is payable under the flood coverage endorsement, after deduction of the flood coverage deductible amount shown in the declarations or flood coverage schedule. Similarly, property valuation under an NFIP policy is at actual cash value; replacement cost coverage is not available. Therefore, if this endorsement is attached to a commercial property policy that provides replacement cost valuation, the difference between actual cash value and replacement cost would be covered under the flood coverage endorsement.

Coverage under this endorsement is subject to the policy's coinsurance provision, unless the "No Coinsurance Option" is shown as applicable in the declarations or flood coverage schedule. This option also eliminates any coinsurance requirements for the policy's coverage extensions with respect to loss from flood.

Three substantive changes were made to this endorsement in the 2012 edition:

- The provision establishing that discharge or overflow from a sewer is covered, provided it results from flood and occurs within 72 hours after the floodwaters recede, was expanded to apply also to discharge or overflow from a drain or sump.
- The provision establishing that no coverage applies to loss from a flood that begins before or within 72 hours after the inception date of the endorsement was revised to specify that this restriction does not apply to any location for which flood coverage was in effect for at least 72 hours prior to the inception date of this flood endorsement, when this policy replaces another policy that provided flood coverage with no lapse in coverage.
- The provision establishing that increases in limits are not applicable to loss that begins before or within 72 hours after the request for increased limits was revised to specify that this 72-hour waiting period does not apply to an increase that is made effective on the renewal of the policy.

The only difference between the 2007 and 2000 editions is a new entry at the top of the endorsement indicating that it can be used with the standard property policy.

As mentioned at the beginning of this discussion of the flood coverage endorsement in the commercial property program, ISO introduced commercial flood coverage as a separate coverage line in 2018, to support insurers who may be interested in writing private flood insurance. As part of that same initiative, ISO also introduced new underwriting rules and detailed rating information for use with the existing 2012 edition of the commercial property flood coverage endorsement. Use of the Flood Coverage Endorsement is addressed by *CLM* Division 5 Rule 76.