

FLOODS AND FIRES: WHAT INSURERS PAY

An analysis of fire- and water-related insurance claims looks at payouts to affluent homeowners in the country's ritziest neighborhoods



JD Montgomery wanted a home near the water, not one underwater.

Early one morning in 2012, he woke up to discover the first floor of his Newport Coast, Calif., home covered in several inches of water—the result of a burst pipe under the kitchen sink. The flood led to a six-figure insurance claim and an 11-week hotel stay for Mr. Montgomery, his wife, and their four children.

A six-figure payout is no surprise in coastal California, one of the most expensive real-estate markets in the country. In 2014, the average loss per claim was 82% higher in the country's 100 priciest ZIP Codes compared with overall claims in their respective states, according to the Comprehensive Loss Underwriting Exchange (CLUE), a database of insurance-claims information maintained by Lex-

		Number of claims	Total payout	Average payout
WATER	Priciest ZIPs	11,113	\$180,297,893	\$16,224
	States overall	516,841	\$4,118,697,704	\$7,929
FIRE	Priciest ZIPs	717	\$85,627,165	\$119,424
	States overall	48,357	\$2,885,602,486	\$59,673

Note: Water-related claims do not include those caused by weather. States covered by priciest ZIP Codes: Ariz., Calif., Conn., Fla., Ill., Mass., N.J., N.Y., S.C., Wash.

Sources: Comprehensive Loss Underwriting Exchange and Zillow.com

isNexis Risk Solutions, a data and analytics provider.

For the analysis, Spread Sheet first looked at the 100 postal codes with the highest median home values, based on data from real-estate website Zillow. Then CLUE extracted insurance-claim totals from these ZIP Codes and compared them to statewide claim amounts.

In pricey ZIP Codes, water damage like burst pipes, over-

flowing washing machines and faulty faucets (as opposed to weather-related damage) accounted for 35.1% of all insurance claims filed in 2014. The average payment to these high-end homeowners was \$16,224 in 2014, according to CLUE. In the states where these ZIP Codes are, the percentage of overall claims that were water related is similar: 31.2%. But the average payout was less than

half as large, at \$7,929.

Separately, fire-related damage accounted for only 2.3% of the claims filed in pricey areas. But these claims had the highest payouts, an average \$119,424 per claim. That is 120% higher than the average amount paid out to all homeowners in their corresponding states, the CLUE data show.

Insurance experts say expensive homes aren't just big-



ger: They're filled with costly, custom fixtures and furnishings, some of which costs more to replace than install.

After his plumbing mishap, Mr. Montgomery, a 49-year-old adviser to family offices, replaced his French limestone floors with hand-chiseled stone and commissioned a new silk rug after an attempt to restore the water-damaged rug failed.

Another big-ticket item is re-

location costs, because insurers typically find equivalent lodging for homeowners in areas where real estate is already expensive, says Gary Stephen of PURE, a White Plains, N.Y.-based insurer that focuses on the high-net-worth marketplace.

"We spend quite a bit of time trying to find a home that would most closely replicate the lifestyle that the [homeowners] enjoyed prior to the loss," he says.