

Insurance Coverage for Damaged or Destroyed Septic Systems

Many properties throughout the United States use a septic system to handle the wastewater generated by sinks and toilets. Septic systems can get damaged due to tree roots or flushed items that cause a clog, or a sudden and accidental event such as a wildfire.

When a wildfire or other event damages or destroys part or all of a septic system, the entire system needs to be inspected and assessed by professionals who are qualified to scope and price the materials and labor required to repair or replace and restore it to its pre-loss condition. By “scope” we mean measure, quantify and describe on paper or in a digital document. By “price” we mean estimate the cost.

If the property owner has home, condo or business insurance and submits an insurance claim for funds to repair or replace the septic system, disputes can arise over coverage and payments. It’s common for people whose properties require costly repairs to encounter insurance denials and settlement offers that are below the cost of needed repairs. This publication provides an overview of issues and arguments, and strategies for getting an insurer to honor its obligation to restore damaged components of a dwelling to pre-loss, livable condition.

A dispute example: During a wildfire, parts of a home’s septic system were crushed by heavy equipment that was used in fighting the fire. The insurance company’s adjuster paid for above-ground repairs but denied payment for the underground damage based on wording in the policy that said; “property not covered...includes underground pipes, flues or drains.” The property owner argued that the entire septic system is part of the dwelling, essential to its use, and its parts can’t be separated. As of this writing, the dispute is still pending.

Common sources of disputes

- Language in the insurance policy that limits or excludes coverage such as:

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1. The policy restricts coverage for a leach field (also known as leach bed, filter bed, or percolation bed), or for sewer or leach lines
 2. The policy expressly excludes the sewer line or system
 3. The policyholder rejected a rider or endorsement that would have covered the loss
- An adjuster or other professional mis-diagnoses the damage, misinterprets the policy or underestimates the damage, scope or cost of repairs
 - The cost of the repairs is below an applicable deductible in the insurance policy
 - The policy limits that apply to “Appurtenant Structures” or “Dwelling” may already have been paid in full and the insurance company is placing the septic system in one of those two categories.
 - The property owner or demolition contractor did not use “due diligence” in trying to protect the septic system during demolition to the Dwelling and/or Appurtenant Structures

Resolving disputes

Getting an independent professional who routinely installs and repair septic systems to evaluate the situation, scope and price the repairs is a critical first step to getting a fair outcome. Visit your state’s library at www.uphelp.org/state-by-state to learn your rights and get contact info for government and professional help.

Here are some arguments you may be able to use to get your insurer to pay your claim fairly:

- 1) All components of the septic system are covered under the “Dwelling” category.**
- 2) One can’t work or live in a building without a wastewater system.**
- 3) The system is covered under the “Other Structures” category.**
- 4) There is a sewer or drain backup or sewer line rider/endorsement in the policy that covers the damage.**
- 5) There is a sump pump coverage rider/endorsement in the policy that covers the damage.**
- 6) The exclusion or limitation the insurer is relying on is:**

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Ambiguous

Doesn't apply

Results in coverage being illusory if applied as the insurer is saying it should be applied

7) You and/or a contractor used all means possible to protect the septic system during the demolition process.

If your insurer will only pay for the above ground portion of your septic system as part of your building coverage, you can argue that a partial payment indicates that the insurer recognizes that a septic system is part of the dwelling. Therefore, payment should be provided to repair the entire system, not just portions that were above ground.

Another way to push back against a denial based on ambiguous policy language is to refer to outside expertise. For example, the US Environmental Protection Agency recommends that homeowners [refer to their home's building permit and design plans to find their septic system](#)—if it's in the design plans, it is *prima facie* part of the dwelling. You can provide documentation that a [typical septic system](#) does not include separate flues and drains, so any damage should be considered part of the dwelling claim. You can also contact a representative from a septic system company or an engineer with sewer design experience and ask them to submit information that states that there are not any underground pipes, flues or drains involved in a septic system.

If you're not able to resolve a dispute on your own, hiring an experienced public adjuster or attorney can be the key to getting a full and fair claim settlement. Where an insurer is relying on complicated policy language to support a claim denial, Using United Policyholders' "Find Help" directory is a good place to start for finding professional claim help.

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