

[Insurance Commissioner warns companies not to use "governmental action" exclusion to deny claims related to the Howard Hanson Dam](#)

Local News

Posted by: David Haviland

Posted on : October 20, 2009 at 4:40 am

Olympia, Wash. — In response to concerns raised by some insurance brokers, Insurance Commissioner Mike Kreidler is telling insurers not to use a common policy exclusion for "governmental actions" to deny claims if water releases from the Howard Hanson Dam flood parts of the Green River Valley.

"I strongly urge all companies to refrain from taking such a position," Kreidler said in [a letter](#) sent to about 200 commercial insurers.

In this case, he said, such language doesn't apply.

Many insurers use standardized policy language from the Insurance Service Organization. Such policies typically exclude "seizure or destruction of property by order of governmental authority."

In the Green River Valley situation, the Army Corps of Engineers has said that it may have to release more water than usual from the Howard Hanson Dam, due to structural weaknesses discovered in the earthen dam. After heavy rains, the water released from the dam could cause flooding in the valley below the dam.

"I do not believe that a government order to release water to protect the dam constitutes the type of "destruction of property by order of governmental authority" included in many insurers' commercial flood policies," Kreidler said.

For one thing, he said, the key cause of such flooding would be the heavy rainfall. Also, the government would be ordering the release of more water, rather than ordering the "seizure or destruction" of particular property.

Some companies use different policy language. Kreidler is asking those companies to contact his office immediately to discuss the policy language and how it would be applied to this situation.

He's also asking all companies to reassure customers about their coverage.

"People buy insurance to protect their families and businesses from exactly this kind of risk," said Kreidler. "The people who live and work there need to know that their insurance companies stand behind them."

IMPORTANT NOTE: There is no such exclusion in policies from the National Flood Insurance Program, which is the first stop for most homeowners and businesses seeking flood coverage. But since the NFIP covers a maximum of \$500,000 for a building and \$500,000 for contents, many businesses below the Howard Hanson Dam have been seeking additional coverage from private insurance companies.