

## PARK SEPTIC SYSTEMS: 5 KEY THINGS TO KNOW ABOUT RISK AND INSURANCE



When contemplating the purchase of a mobile home park that has septic systems, it's important to understand how septic systems affect your insurance premiums and liability, as well as the probability of having to replace the system. Here's five key things you should know while you evaluate a park with septic systems:

- 1) Your park insurance usually does not cover septic system damage / problems. As septic systems are almost completely underground, they aren't susceptible to perils covered by most property insurance policies such as wind, hail, and fire. Flooding can damage septic systems but you generally can't purchase flood coverage on a septic system;
- 2) Simple septic system failure is NOT covered by insurance;
- 3) Pollution caused losses aren't covered by General Liability insurance policies. Most states legally define sewage as "pollution" and thus contamination claims aren't covered. However, water/sewage back up damage may be covered (ex. Sewage backs up into 30 tenant owned homes resulting in 30 floors having to be replaced at \$7,000 each);



- 4) You can usually purchase “Pollution Insurance”, but it’s generally so expensive (\$5,000 to \$10,000 minimum per year) that it’s not a feasible option for a park owner. Uninsured pollution losses aren’t unheard of, but they are rare; and
- 5) Park specialty insurance companies that give you the best insurance value usually charge a little more for a park with a septic system vs one without one.



History suggests that the biggest risk of owning a park with septic systems is the failure of the systems themselves. That potential problem is both expensive and largely uninsurable. Therefore, careful inspection of the system plus sales price considerations prior to purchase and a set aside of capital for potential future problems after the acquisition are the best methods of managing this risk.

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