

Flood Insurance: How It Works



Historically, flooding has brought damage and destruction to communities across the United States. In order to help alleviate the financial devastation caused by flooding, Congress created the National Flood Insurance Program (NFIP) in 1968. The NFIP, managed by the Federal Emergency Management Agency (FEMA), enables homeowners, business owners and renters in participating communities to purchase federally backed flood insurance. This insurance is designed to provide an insurance alternative to disaster assistance to meet the escalating costs of repairing flood damage to buildings and their contents.

NFIP PARTICIPATION AND PROTECTION

All properties are at risk for flooding. The NFIP is dedicated to making property owners aware of the need for flood insurance—not only among those who live and work in high-risk areas, but those also considered at moderate-to-low flood risk. Properties located outside of the high-risk areas are not exempt. Their risk, while reduced, is not removed.

FLOOD INSURANCE BASICS

Consumers need to know that most homeowners policies do not cover flooding. Flood insurance is available to homeowners, business owners and renters for both a building and its contents.

Homeowners can insure their home for up to \$250,000 and their contents for up to \$100,000. Renters can cover their belongings for up to \$100,000. Nonresidential property owners can insure a building and its contents for up to \$500,000 each. The average premium for a yearly flood insurance policy is less than \$570 per year.

FLOOD INSURANCE REQUIREMENTS

Residents who live in a high-risk area (or Special Flood Hazard Area) are required to purchase flood insurance if they have a mortgage from a federally regulated or insured lender, and they must carry the insurance for the life of the mortgage. Residents outside of high-risk areas can also

purchase flood insurance, and they may be eligible for a lower cost policy (called a Preferred Risk Policy). The NFIP encourages all residents to learn about their flood risk and to protect themselves with flood insurance.

HOW TO PURCHASE FLOOD INSURANCE

Flood insurance is sold and serviced by private insurance companies in nearly 21,000 communities nationwide. To purchase a policy, consumers are first encouraged to call their insurance agent. If they need to find an agent in their area, they can also visit FloodSmart.gov or call **1-800-427-2419**.

WAITING PERIOD

There is typically a 30-day waiting period when purchasing a new policy. If a policy is purchased in connection with a mortgage, the 30-day waiting period does not apply. At a set time period following the revision or update of a Flood Insurance Rate map, a one-day waiting period applies.

IMPORTANT FACTS

Property owners and renters **CAN** get flood insurance:

- If they live in a high-flood-risk area
- If they live in a moderate-to-low flood-risk area — and at lower cost (as little as \$129 a year)
- If their house has been flooded before
- If their mortgage company doesn't require it
- From their local insurance agent





WHAT'S INSURED UNDER BUILDING PROPERTY COVERAGE

- The insured building and its foundation
- The electrical and plumbing systems
- Central air-conditioning equipment, furnaces and water heaters
- Refrigerators, cooking stoves and built-in appliances such as dishwashers
- Permanently installed carpeting over an unfinished floor
- Permanently installed paneling, wallboard, bookcases and cabinets
- Window blinds
- Detached garages (up to 10 percent of building property coverage); detached buildings (other than garages) require a separate building property policy
- Debris removal

WHAT'S INSURED UNDER PERSONAL PROPERTY (CONTENTS ONLY COVERAGE)

- Personal belongings such as clothing, furniture and electronic equipment
- Curtains
- Portable and window air conditioners
- Portable microwave ovens and portable dishwashers
- Carpets not included in building property coverage (see above)
- Clothes washers and dryers (even in a basement)
- Food freezers and the food in them (even in a basement)
- Certain valuable items such as original artwork and furs (up to \$2,500)

WHAT'S NOT INSURED BY EITHER BUILDING PROPERTY OR PERSONAL PROPERTY COVERAGE

- Damage caused by moisture, mildew or mold that could have been avoided by the property owner
- Currency, precious metals and valuable papers such as stock certificates
- Property and belongings outside of a building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs and swimming pools
- Living expenses such as temporary housing
- Basement improvements like finished walls, floors or ceilings, or personal belongings that may be kept in a basement, such as furniture and other contents
- There are also some exceptions for coverage in areas below the lowest elevated floor of your home
- Enclosed areas under the first floor used for storage; the contents will not be covered by flood insurance