

Flood Insurance Myths and Truths

If your home is damaged in a flood, are you covered?

That depends on the value of your home, the level of water damage and whether you have flood insurance.

Regular homeowner's insurance policies don't cover flood water damage. And policies through the National Flood Insurance Program (NFIP) top out at \$350,000 for your home and goods. So you may need supplemental coverage if your home and possessions total more than that.

But, while people tend to associate floods with a total loss, the average flood claim for U.S. homeowners is about \$30,000, according to the NFIP.

Here are six (6) myths that persist about flood insurance – and the truth you should know.

MYTHS

1. Myth-You must live in the flood plain:

- Not true. If you live in a flood plain, your mortgage company will likely require you to buy flood insurance. But you can purchase it even if you don't live within a flood zone.
- "Almost anybody can get flood insurance who wants flood insurance," says Chris Hackett, director of personal lines for the Property Casualty Insurers Association of America. It's cheaper if you don't live inside a flood plain.
- The price of insurance through the federal flood insurance program is based on standardized rates and depends on the home's value and whether or not it's in a flood plain, says Don Griffin, vice president of personal lines for the Property Casualty Insurers Association of America.
- The average price for flood insurance is about \$600 annually, Hackett says.
- If you rent your home or live in a condo, you can buy flood insurance for just your possessions.
- If you want flood insurance, it pays to think ahead. There is a thirty (30)-day waiting period between when you buy the coverage and when it kicks in.

2. Myth-Flood Insurance is for high risk areas only:

- Merle Scheiber's dream home wasn't in a flood plain, and he didn't have flood insurance.
- Just after completing a three-year renovation project for his 1,800 square foot log cabin style home, flooding put it underwater for almost four months. Now he is working on an entirely different kind of renovation project.
- He is in the process of taking it apart by himself and putting it back together.
- He advocates that homeowners, even those who do not live in designated flood plains to weigh the dangers and their options and seriously consider buying flood insurance.
- One (1) in four (4) flood claims is for a home that isn't in a flood plain.

3. **Myth-Flood insurance covers everything:**

- Not necessarily. When it comes to the physical structure of your house, federal flood insurance policies top out at \$250,000. If you have a \$300,000 house that's a total loss because of a flood, the most you can recoup through the program is \$250,000 to cover the structure itself.
- For your personal possessions, the cap is \$100,000 under the federal program.
- Those limits are something people should keep in mind before purchasing a high-value home in an area that's susceptible to flooding.
- If you already have insurance through the federal program, then you can buy "excess flood insurance" through a private carrier that would cover claims above the national limits.
- While the federal flood insurance pays to rebuild the structure, it only pays the current value on your possessions. It doesn't cover anything in the basement, other than your heating and air-conditioning systems.
- It doesn't cover your living expenses if you have to relocate while your home is being repaired.

4. **Myth-My homeowners policy covers floods:**

- "Unfortunately many people are under the impression that their standard homeowner's policy covers flood damage.
- The umbrella policies won't cover flood damage.
- The standard homeowner's policy doesn't cover earthquakes or floods. A homeowner wanting coverage for either one of those disasters would need to purchase a specific policy of both of the disasters.
- People should realize that their home is usually their most expensive investments and they should get the necessary insurance to protect it.

5. **Myth-Water damage is water damage:**

- When it comes to your insurance all water damage is not the same.
- If there is a storm and your roof comes off and the rain comes through and damages your house that would be covered under you homeowner's policy not flood insurance.
- Some homeowner's policies offer an optional "Water backup endorsement" that covers damage from water backing up into your home from causes such as a broken sump pump.

6. **Myth-Flood Maps don't change:**

- Most flood plains, and flood plain maps, change over time. People need to realize that just because you were not in a flood plain when you brought your house a few years ago does not mean you are not now in a flood plain.
- There are a few ways you can find out about your flood risks and if you are in a flood plain.
 - Floodsmart.gov: This is a good site in which you can find out many aspects of flooding, flood prevention, and flood preparation.
 - Your agent: When it comes to researching whether your home or business is in a flood plain, you want someone knowledgeable to research the question for you. The person for Roselle Park is Mark Pasquali.
 - Mr. Pasquali is the DPW Superintendent and the FEMA CRS (Community Rating System) representative. Mark can be reached Monday thru Friday from 7:00AM – 3:00PM at 908-245-7676.
 - Mr. Pasquali can show you, on a map, if you are in a flood plain and supply you with pertinent information for the protection of your home and family.

Truths

1. Truth- Find out what you need to know:

- Before your insurance agent provides you with a quote, he or she may ask you for an Elevation Certificate – (a certificate that verifies the elevation of your house compared to the ground, especially of your property is in a high-risk area). Buildings that are Post-FIRM, require the use of an elevation certificate for rating/ Property owners always reserve the right to purchase an elevation certificate, which may potentially reduce their flood insurance premium. Please contact a licensed insurance agent for further information.
- It's also valuable to talk with your real estate agent about market and home conditions. By doing so, you'll be able to make better decisions for your business.

2. Flood Information 101:

- By now, you probably know that only flood insurance covers flood damage, but you probably don't know all of the details. Here are a few of the more frequent terms:
 - 1) Insurance Agent:
 - Flood insurance can only be purchased through an insurance agent; you cannot buy it directly from the federal government. If your local insurance agent is unfamiliar with the National Flood Insurance Program (NFIP) you can:
 - Find an agent serving your area.
 - Contact the NFIP at (888)379-9531 to request an agent referral.
 - 2) Coverage:
 - As with any other type of insurance, it's important to know what your policy does and doesn't cover. For example, damage caused by a sewer backup is only covered by flood insurance if it's a direct result of flooding. The damage is not covered if the backup is caused by some other problem.
 - 3) Deductible:
 - Deductibles apply separately to building and contents with different amounts to choose from. Like other insurance plans, a higher deductible will lower the premium you pay, but will also reduce your claim payment. Your mortgage lender can also set a maximum amount for your deductible.
 - 4) Mandatory Requirements:
 - Homes and businesses with mortgages from federally regulated or insured lenders in high-risk flood areas are required to have flood insurance. While flood insurance is not federally required if you live in a moderate-to-low risk flood area, it is still available and strongly recommended.
 - 5) Rates:
 - The NFIP, a federal program, offers flood insurance, which can be purchased through most lending insurance companies. Rates are set and do not differ from company to company or agent to agent. These rates depend on several factors including the date and type of construction of your home, along with your area's level of risk. All premiums include a Federal Policy Fee and ICC premium.

6) 30-Day Waiting Period

- Typically, there's a 30-day waiting period from the date of purchase before your policy goes into effect. Here are the only exceptions:
 - If your lender requires flood insurance in connection with the making, increasing, extending, or renewing of your loan.
 - If an additional amount of insurance is required as a result of a map revision.
 - If flood insurance is required as a result of a lender determining that a loan that does not have flood insurance coverage should be protected by flood insurance.
 - If an additional amount of insurance is being obtained in connection with the renewal of a policy.
 - If a property is affected by flooding on burned Federal land that is a result of, or is exacerbated by, post-wildfire conditions when the policy is purchased within 60 days of the fire containment date.

7) Payment:

- Payment must be made for the full year's premium, unless your agent or company provides that independently. The NFIP accepts check and credit card payments (i.e. American Express, Visa, MasterCard). Coverage will not be effective until full payment is received.

8) What's covered:

- Flood insurance policies cover physical damage to your property and possessions. You can use the following list as a general guide to what is and isn't covered:
 - **Building Property:**
 - ❖ The insured building and its foundation
 - ❖ 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 unfinished flooring
 - ❖ 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.
 - **Personal Contents Property:**
 - ❖ Personal belongings, such as clothing, furniture, and electronic equipment
 - ❖ Curtains
 - ❖ Portable and window air conditioners
 - ❖ Portable microwave ovens and portable dishwashers
 - ❖ Carpet that are not including in building coverage
 - ❖ Clothing washers and dryers

- ❖ Food freezers and food in them
- ❖ Certain valuable items such as original artwork and furs (up to \$2,500)

▪ **What's Not Covered:**

- ❖ 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 an insured building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs, and swimming pools
- ❖ Living expenses such as temporary housing
- ❖ Financial losses caused by business interruption or loss of use of insured property
- ❖ Most self-propelled vehicles such as cars, including their parts.

9) Be proactive when it comes to purchasing insurance. Ask your insurance agent the following questions:

- a. What flood zone is my business, home in?
- b. What is my property's flood risk?
- c. Is flood insurance mandatory for my property?
- d. Will the lender require it?
- e. Do I qualify for a Preferred Risk Policy?
- f. Does my community participate in the NFIP Community Rating System (CRS)?
- g. Does my community's CRS rating mean that I qualify for a CRS rating discount?
- h. What will and won't be covered in case of flood damage?
- i. How will my premium costs be affected if I get Building Only, Contents Only, or Building and Contents?
- j. How will my premium costs be affected if I choose a higher deductible?
- k. Are there additional expenses or fees I should be aware of?
- l. What is Replacement Cost Value and Actual Cash Value?
- m. If I have a claim, whom do I call?
- n. How will my policy be renewed?

3. **Flood Insurance for Basements and Areas Below the Lowest Elevated Floor:**

- Flood insurance covers your home's foundation elements and equipment that's necessary to support the structure for example: (furnace, water heaters, circuit breakers).
- It is important to note that some items in your basement are covered under building coverage (like a furnace, hot water heater and circuit breaker) and others are covered under contents coverage that must be purchased in addition to building coverage for example (your washer and dryer, or your freezer and the food in it).
- The NFIP encourages people to purchase both building and contents coverage. Flood insurance does not cover basement improvements, such as finished walls, floors, ceilings or personal belongings that may be kept in a basement.
- Coverage is limited in basements regardless of zone or date of construction. It's also limited in areas below the lowest elevated floor, depending on the flood zone and date of construction. These areas include:
 - Basements

- Crawlspace under an elevated building
- Enclosed areas beneath buildings elevated on full-story foundation walls that are sometimes referred to as “walkout basements”
- Enclosed areas under other types of elevated buildings.

4. **Does flood insurance cover flood damage caused by hurricanes, rivers, or tidal waters?**

- Yes, providing that, if confined to your property, the flood water covers at least two (2) acres. A general condition of flood also exists if two (2) properties are affected, one of which is yours.

5. **Is flood damage from wind-driven rain covered?**

- No. When rain enters through a wind-damaged window or door, or comes through a hole in a wall or roof, the NFIP considers the resulting puddles and damage to be windstorm-related, not flood-related.
- Flood insurance covers overflow of inland or tidal waters and unusual and rapid accumulation or runoff of surface waters from any source. However, the flood must be a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area of two or more properties (at least one of which is yours). Although flood insurance specifically exclude wind and hail damage, the good news is that most homeowners insurance provides such coverage.

6. **What is Increased Cost of Compliance (ICC) Coverage?**

- If a flood damages your property, you may be required by law to bring your home up to community and/or state floodplain management standards. If you have NFIP insurance, and your home has been declared substantially damaged by your community, ICC coverage is provided to cover up to \$30,000 of the cost to elevate, flood proof, demolish, or relocate your property. ICC coverage is in addition to the coverage you receive to repair flood damages; however, the total payout on a policy may not exceed \$250,000 for residential buildings, and \$500,000 for non-residential buildings.

7. **What is the Preferred Risk Policy (PRP)?**

- The Preferred Risk Policy offers multiple coverage combinations for both buildings and contents (or contents-only, for renters) that are located in moderate-to-low risk areas (B, C, and X Zones). Preferred Risk Policies are available for residential or non-residential buildings also located in these zones, and that meet eligibility requirements based on the building’s entire flood loss history.

8. **How much flood insurance coverage is available?**

- Flood coverage limits for a standard flood policy are:

Coverage Type	Coverage Limit
One to four-family structure	\$250,000
One to four-family home contents	\$100,000
Other residential structures	\$250,000
Other residential contents	\$100,000
Business structures	\$500,000
Business contents	\$500,000
Renter contents	\$100,000

