

## Flood Insurance<sup>1</sup>

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From 1998 through 2008, insured flood losses in Florida were almost \$2.3 billion. More than \$1.7 billion of these damages occurred from June – November in a single year—hurricane season 2004 (National Flood Insurance Program [NFIP], 2008). Typically, homeowner's insurance does not cover damages due to rising floodwater. For flood damage coverage, you need to purchase a separate flood insurance policy (Florida Department of Financial Services [FL DFS], 2008; NFIP, n.d.a). Flood insurance is available to homeowners, renters and business owners in communities participating in the NFIP. While flood insurance purchase is not mandatory for everyone, it is strongly recommended to have proper flood insurance regardless of the flood risk profile of the area.

### Flood Risk Profiles

Flood insurance qualifications and rates vary by the flood risk profile of any given area. The Federal Emergency Management Agency (FEMA) defines flood risk profiles of neighborhoods based on examination of flood risk studies, including statistical data for river flow, storm tides, rainfall and topographic surveys, and so on (NFIP, n.d.b). To illustrate the risk profiles, FEMA creates flood hazard maps, which are also called Flood Insurance Rate Maps.

According to the flood risk level, communities are defined as being in either a low-to-moderate flood zone (also referred to as a Non-Special Flood Hazard area, or NSFHA), or a high-risk flood zone (also called Special Flood Hazard Area, or SFHA). NFIP estimates that an SFHA home has a 26 percent chance of flood damage during the term of a 30-year mortgage (NFIP, n.d.c).

The Flood Disaster Protection Act of 1973 made flood insurance purchase mandatory for loan approval of a property in a high-risk flood zone. If you live in or plan to move into a high-risk area, you are required to purchase or maintain flood insurance to get a new loan or for the amount remaining on your current mortgage up to \$250,000 from federally regulated or insured lenders (NFIP, n.d.d).

However, living in a low-to-moderate risk flood area does not mean that there is no risk of flooding, nor does it necessarily mean that you do not need flood insurance. NFIP indicates that a quarter of flood insurance claims come from low-to-moderate risk areas (NFIP, n.d.c).

By using the property's street address, you can look up the flood-risk profile of a property and obtain a list of local flood insurance agents in the area at the NFIP Web site (<http://www.floodsmart.gov>). Note

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that FEMA selectively revises the flood hazard maps as communities grow and as risk assessment techniques evolve. Thus, the risk profile of your neighborhood may change over time.

## Community Participation in NFIP

To qualify for flood insurance purchase under NFIP, the property must be located in a community that participates in NFIP. Community participation in NFIP is voluntary. NFIP participating communities must adopt and enforce floodplain management standards to minimize future flood damage. These include standards of zoning, subdivision, or building requirements, as well as special-purpose ordinances (NFIP, n.d.e). To find NFIP participating communities in Florida, refer to a list provided by FEMA at <http://www.fema.gov/cis/FL.pdf>. If your community does not participate in the program, NFIP recommends you petition your local government to take the actions to qualify for participation.

## Flood Insurance Coverage

Flood insurance covers both residential and commercial buildings. It protects against losses to building structures and their contents that are caused by a flood, but does not protect against losses to the land surrounding them. To be considered a flood, the waters must cover at least two acres or affect at least two properties in the designated zone (NFIP, n.d.d).

For a residential property, a standard flood insurance policy covers up to \$250,000 for the building structure and up to \$100,000 for its contents. For a commercial property, limitations on standard flood insurance coverage are up to \$500,000 for the building structure and up to \$500,000 for its contents. For renter contents, the maximum coverage is \$100,000. You can consult a flood insurance agent near you to choose your insurance coverage.

## Flood Insurance Agent

You can find and purchase your flood insurance through insurance companies licensed by NFIP. A flood insurance agent will research and examine several variables including location, the age and design of the building, and occupancy from various

resources to find you a policy that best meets your needs.

Often your homeowner's insurance agent can assist you with your flood insurance purchase. You also can find licensed agents near you from the NFIP Web site (<http://www.floodsmart.gov>) or by calling NFIP toll-free at 1-888-379-9531 (TTY 1-800-427-5593) to ask for a referral.

Unlike other types of insurance policies where rates vary by insurance companies, flood insurance rates are set by NFIP. So no matter where you purchase your NFIP-sanctioned flood insurance, it costs the same for the same coverage.

## 30-Day Waiting Periods

When considering the purchase of flood insurance, you should plan ahead. Typically, there is a standard 30-day waiting period for a new flood insurance purchase (NFIP, n.d.a). That is, your new flood insurance policy does not take in effect until 30 days from date of purchase. There are some exceptions, however, where the 30-day waiting period does not apply, including the following:

- in case of the initial flood insurance purchase occurring in connection with the making, increasing, extension, or renewal of a loan in a high-risk zone by a regulated lender.
- in case of the initial flood insurance purchase occurring within one year of a flood hazard map change.

## Filing a Flood Insurance Claim

From the date of flood damage, you have 60 days to file a claim with your insurance company. NFIP advises following four steps to file a flood insurance claim (NFIP, n.d.f).

### Step 1: Contact your insurance company or agent immediately.

When you contact your insurance company or agent, have the following information ready:

- the name of your insurance company.

- your policy number.
- contact information to reach you (a telephone number and/or e-mail address where you can be reached at all times, or the contact information of a trusted person who can reach you when needed).

### **Step 2: Separate your damaged items from undamaged items.**

Avoid discarding damaged items before the adjuster sees them. If the items must be removed immediately because of health hazards or other critical reasons, take photographs and keep samples of the items to help substantiate your claim. Photograph and videotape everything to document your damages.

### **Step 3: Make a list of all damaged or lost items.**

Work with your insurance adjuster to itemize your claim and calculate detailed estimate for replacements or repairs of your damaged property.

### **Step 4: File your Proof of Loss statement within 60 days from the date of loss.**

Proof of Loss is a sworn statement of your official insurance claim. Your insurance adjuster will provide the form for Proof of Loss. You will need to include with this statement the detailed estimate for replacements or repairs that you and your insurance adjuster agreed upon in Step 3. It is your responsibility to sign the Proof of Loss and provide it to your insurance company within 60 days from the date of loss.

## **For More Information**

For more information on flood insurance policies and flood preparation and recovery, visit the NFIP Web site at <http://www.floodsmart.gov>. For flood information in general, visit the FEMA Web site at <http://www.fema.gov/hazard/flood/>.

For information on filing an insurance claim for water damages not by flood, refer to EDIS publications FCS3303/FY1082 *Water Damage and Homeowner's Insurance: (1) Insurance Claim* and

FCS3304/FY1083 *Water Damage and Homeowner's Insurance: (2) C.L.U.E.<sup>®</sup> Report*. These publications and more are available at <http://edis.ifas.ufl.edu>.

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