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Fact Sheet

Should I Buy Flood Insurance?

Flooding from Hurricane Michael resulted in more than 4,000 flood insurance claims being filed by Florida homeowners, business owners and renters who have flood insurance. Some Floridians who experienced losses did not have flood insurance.

Why do I need flood insurance?

Standard homeowner's insurance policies do not cover floods. So, it's wise to consider flood insurance even if you are not required to purchase it.

- Even if you live outside a high-risk flood zone, called a *Special Flood Hazard Area*, it's a wise decision to buy flood insurance. In fact, statistics show that people who live outside high-risk areas file more than 25 percent of flood claims nationwide.
- It's often said that wherever it rains, it can flood. So, while flood zones are specific geographic areas where there is a higher statistical probability of a flood occurring; floods do occur elsewhere. For example, Florida, over the last five years, has exceeded that statistical probability, putting more homes and properties at risk than expected.
- FEMA calculations show that just three inches of floodwater in a home likely will require replacing drywall, baseboards, carpets, furniture and other necessary repairs. If you don't have flood insurance, your likely out-of-pocket cost (based on a 1500 square foot, one floor home) is estimated at approximately \$15,000. For six inches of water, estimated loss jumps to an estimated approximately \$23,000.
- Obviously, the deeper the floodwater, the more it will likely cost – 18 inches or more of water could mean repairs to the electrical system and the heating and cooling system. It also means replacing doors, appliances and cabinetry. The estimated cost of these repairs? \$30,000.

How does flood insurance work?

- If your community participates in the National Flood Insurance Program (NFIP), as a homeowner or a business, both building and contents coverage can be included in your policy. Renters can get coverage for contents only. Policies issued by the NFIP pay even if a federal disaster is not declared.
- In Florida and other states recently impacted by hurricanes, the NFIP streamlined the claims process, enabling policyholders to receive advance payments to jump-start their rebuilding.

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Policyholders were able to get advance payments up to \$5,000 without an adjuster visit or additional documentation. Some received advance payments of up to \$20,000 if they had photos/video evidence and receipts or a contractor's estimate.

- A Preferred Risk Policy (a lower-cost flood insurance policy) provides both building and contents coverage for properties in moderate-to-low risk areas. This policy can be purchased for as little as \$325 per year.

When should I buy a policy? As soon as possible. There's a waiting period.

- NFIP cannot pay a claim if you don't have a policy in effect when damage occurs. A new insurance policy from NFIP becomes effective 30 days after you buy it, unless the purchase is associated with the origination, renewal or extension of a federally backed loan on property in a high-risk area.

Even if I'm not in a flood hazard area, can I purchase flood insurance?

- Yes, if your community participates in NFIP. You are eligible to purchase a flood policy with the same coverage you would receive if you lived in a high-risk area.

Can I get flood insurance if I'm renting a property?

- Yes. If you live in a community that participates in NFIP and you are a renter, you can get flood insurance to cover the contents of your home, apartment or business at a rented location.

How much does a policy cost? Your insurance agent can talk with you about cost of coverage for your property. There are ways to lower your cost and your insurance agent can discuss your options.

- NFIP policy holders can choose their amount of coverage. The maximum for 1-4 family residential structures is \$250,000 in building coverage and \$100,000 in contents coverage. For residential structures of 5 or more units, the maximum is \$500,000 in building coverage and \$100,000 in contents coverage.
- The maximum for businesses is \$500,000 in building coverage and \$500,000 in contents coverage.

How much will I get from NFIP after my building or contents are damaged by a flood?

There are some misconceptions about the amount a policyholder will receive following flood-caused damage. While a policy may state it covers losses up to a certain amount:

- The amount paid to the policyholder on a homeowner's flood insurance policy will cover only the cost of actual damage caused by the flood.
- The amount paid on contents will cover only actual losses caused by the flood.
- The amount paid to businesses covered for structure and contents will be only for actual losses by the flood.

Where can I buy flood insurance?

- You can buy flood insurance by contacting your insurance company or agent.
- For an agent referral call 800-427-4661 or visit FloodSmart.gov.