

Flood Insurance Secrets That Most Agents Won't Tell You and Most People Don't Find Out Until It's Too Late!

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In this report, you will discover...

- **What a flood really is. You may be surprised!**
- **What types of property can be covered by flood insurance**
- **What types of property are NOT covered by flood insurance**
- **Three important facts about flood insurance that you must know**

Flood insurance is one of the most misunderstood coverage's around. Most people think it's covered under your home insurance, but this isn't the case. Even the term Flood is often misused. I have listed the definition of the term below and included some sobering statistics right from the Federal Flood agency itself.

Another fact is that all flood policies are underwritten by the Federal Government through the National Flood Insurance Plan (NFIP). It is only when a person needs more than the \$250,000.00 max building coverage or \$100,000 max property coverage that the NFIP provides that private insurers get involved.

First, here is the definition of a Flood: A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is the policyholder's property) from one of the following:

- Overflow of inland or tidal waters
- Unusual and rapid accumulation or runoff of surface waters from any source
- Mudflow
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above

Now let's look at a few statistics from the Federal Flood office to see just how much potential you have for a flood claim.

- Floods and flash floods happen in all 50 states.
- Homeowners insurance **Does Not Cover** flood damage.
- Just an inch of water can cause costly damage to your property.
- Flash floods often bring walls of water 10 to 20 feet high.
- A car can easily be carried away by just two feet of floodwater.

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- Hurricanes, winter storms and snowmelt are common (but often overlooked) causes of flooding.
- New land development can increase flood risk, especially if the construction changes natural runoff paths.
- Your home has a 26% chance of being damaged by a flood during the course of a 30-year mortgage, compared to a 9% chance of fire.
- Last year, one-third of all claims paid by the NFIP were for policies in low-risk communities. WOW!
- The average annual U.S. flood losses in the past 10 years (1994-2004) were more than \$2.4 billion.

Since it looks like virtually everyone is in some danger of being hit by a flood, how do we protect you from this potential disaster? Let's look at the two most important issues in flood insurance coverage.

What is and What is not covered by your standard flood policy.

What types of property may be insured against flood loss?

Almost every type of walled and roofed building that is principally above ground and not entirely over water may be insured if it is in a participating community. In most cases, this includes manufactured (i.e., mobile) homes that are anchored to permanent foundations and travel trailers without wheels that are anchored to permanent foundations and are regulated under the community's floodplain management and building ordinances or laws. (However, this does not include converted buses or vans.) Contents of insurable walled and roofed buildings also may be insured under separate coverage.

Then once we determine if your structure is eligible for coverage, here is what is 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.

Here are some of the items covered under the (optional, meaning you must select it) Personal Property 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 coverage (see above).
- Clothes washers and dryers.
- Food freezers and the food in them.
- Certain valuable items such as original artwork and furs (up to \$2,500).

What kinds of property are Not Insurable under the National Flood program?

Buildings entirely over water or principally below ground, gas and liquid storage tanks, animals, birds, fish, aircraft, wharves, piers, bulkheads, growing crops, shrubbery, land, livestock, roads, machinery or equipment in the open, and most motor vehicles are not insurable. Most contents and finishing materials located in a basement or in enclosures below the lowest elevated floor of an elevated building constructed after the FIRM became effective are not covered. Information on the insurability of any special property may be obtained by contacting our office.

Here are a few other things that aren't covered by either the building Property or Personal Property coverage:

- Damage by moisture, mildew, or mold that could have been avoided by the 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.
- Financial losses caused by business interruption or loss of use of insured property.
- Most self-propelled vehicles such as cars, including their parts.

Three Important Facts About Your Flood Policy

1. Contents coverage must be purchased separately. As I said above this is optional coverage you must select to have included on your policy. Your lender doesn't care about this but you should.

2. It is not a valued policy. A valued policy pays the limit of liability in the event of a total loss. For example: Your home is totally destroyed by a fire and it costs \$150,000 to rebuild. If your homeowner's insurance policy is a valued policy with a \$200,000 limit

of liability on the building, you would receive \$200,000. Flood insurance pays just the replacement cost or ACV of actual damages, up to the policy limit.

3. It is not a guaranteed replacement cost policy.

A guaranteed replacement cost policy pays the cost to rebuild your home regardless of

the limit of liability. For example: Your home is totally destroyed by a fire and it costs \$200,000 to rebuild. If your homeowner's insurance policy is a guaranteed replacement cost policy with a \$150,000 limit of liability on the building, you would receive \$200,000. Flood insurance does not pay more than the policy limit.

I thought I would also include a few of the most commonly asked questions we get about flood insurance.

If my home is flooded, won't federal disaster assistance pay for my damages?

No. Federal disaster assistance often comes in the form of a low interest loan to help cover flood damage, not compensation for your losses. Even then, those loans are only available if the president formally declares a disaster.

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

If you live in a community that participates in the NFIP, you can get flood insurance to cover the contents of your home or business.

I live in a low-risk flood zone. Do I really need flood insurance?

Most likely, yes. It's a good idea to buy flood insurance even if you live in a low - or moderate-risk area. Almost 25 percent of all flood insurance claims come from areas with low-to-moderate flood risk. You may qualify for the Preferred Risk Policy (a lower-cost flood insurance policy) that provides contents coverage beginning at \$39 per year and building plus contents coverage beginning at \$119 a year

Why does my mortgage lender require me to buy flood insurance?

Under federal law, the purchase of flood insurance is mandatory for all federal or federally related financial assistance for the acquisition and/or construction of buildings in high-risk flood areas (Special Flood Hazard Areas or SFHAs).

What if I disagree with my lender's determination that I am in the flood zone?

Property owners may not contest the requirement if the lending institution has established the requirements as a part of its own standard lending practices. However, if a lending institution is requiring the insurance to meet mandatory flood insurance purchase requirements, the property owner and lender may jointly request that FEMA review the lending institution's determination. This request must be submitted within 45 days of the date the lending institution notified the property owner that a building or manufactured home is in the SFHA and flood insurance is required. In response, FEMA will issue a Letter of Determination Review (LODR). The LODR does not result in an amendment or revision to the NFIP map. It is only a finding as to whether the building or manufactured home is in the SFHA shown on the NFIP map. The LODR remains in effect until the NFIP map panel affecting the subject building or manufactured home is revised.

How are flood insurance rates determined?

A number of factors are considered in determining the premium for flood insurance

coverage. They include the amount of coverage purchased; location; age of the building; building occupancy; design of the building; and, for buildings in SFHAs, elevation of the building in relation to the Base Flood Elevation (BFE). Buildings eligible for special low-cost coverage at a pre-determined, reduced premium rate are single-family, one- to four-family dwellings, and non-residential buildings located in moderate-risk Zones B, C, and X. For these exceptions, certain loss limitations exist.

How do I get this process started...

As you can see quite a few factors go into finding the right flood policy to protect you and your family. That is where we come in as professional agents, we can help you find the best policy to suit your needs and get that protection into place.

If you are ready to get a policy in place or even just to get a quote, all you need to do is simply call us and we will handle the rest.

Generally within a day we have all the data back we need to complete your quote and get coverage in place. One key item to remember is unless this is for a new home purchase the program has a 30 day waiting period (with few exceptions), so don't wait until the water is at your door to call us.

Call our Protection Team at KHT Insurance today! Getting the right coverage is as easy as answering a few simple questions.

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