

Flood Insurance 101

City of Manhattan, Kansas



What is flood insurance?

Flood insurance is offered to property owners through the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency (FEMA). Flood insurance is used to cover damages caused by flooding for residential and non-residential buildings and property.



For properties located in high risk areas identified on FEMA's Flood Insurance Rate Map as Zone A or A₁, building coverage and personal property coverage are separate insurance policies. Both insurance policies are available through the NFIP but will need to be purchased individually. For properties located in moderate to low risk areas, identified as Zone B, C, or X; a Preferred Risk Policy (PRP) is available through the NFIP and can provide coverage for both the building and its contents in one policy.

Floods

are the
natural disaster
in the U.S.



Typically flood insurance policies are not value policies. This means that the policy will not pay the amount of coverage your policy offers; only the Actual Cash Value (ACV) of the assessed damages. It is also not a guaranteed replacement cost policy; this means if damages exceed the policy coverage amount then you will not be granted additional funds exceeding your policy limit. Flood damages can be valued based upon the Replacement Cost Value (RCV), which is the cost to replace the damaged item(s) without depreciation, or the Actual Cash Value (ACV), which is the RCV value minus the depreciation value. All policies vary slightly, it is important to ask your flood insurance provider the details of your policy.

What factors affect my flood insurance policy?

Flood insurance coverage and rates can vary based on the insurance company and the policy. There are many other factors that affect the cost of flood insurance including:

- FEMA Flood Zone
- Building Type
- Year of Construction
- Building Occupancy
- Number of Floors
- Base Flood Elevation
- Desired Deductible
- Amount of Coverage
- Location of Contents

Municipalities or mortgage lenders may require flood insurance for a property if it is located within a flood hazard area. It may be possible to decrease your insurance deductible by retrofitting your building to protect from flood damages. It is important to note that many flood insurance policies will not cover or have limited coverage for contents that are located below the lowest elevated floor or in basements.



September 3, 2018 Wildcat Creek Flood

What does flood insurance cover?

Flood insurance covers physical damage to your building or personal property directly caused by flooding. Below is a list of items generally covered with a building or personal property policy.

Building Coverage

- Building Foundation
- Electrical System
- Plumbing System
- Furnace
- Water Heater
- Heat Pump
- Sump Pump
- Permanent Appliances (refrigerator, cooking stove, dishwasher)
- Permanently Installed Carpeting
- Window Blinds
- Permanent Features (bookcase, cabinets, paneling)
- Detached Garage (up to 10% of property coverage)
- Staircase
- Fuel Tanks and Contents
- Solar Energy Equipment
- Debris Removal

To protect your personal property, you will need a Contents Coverage policy. This policy can be purchased along with the building coverage policy. It is important to maintain an inventory of household items and valuables for an insurance claim.

Personal Property Coverage

- Clothing
- Furniture
- Electronic Equipment
- Curtains
- Portable and Window Air Conditioners
- Portable Microwave Ovens and Dishwashers
- Carpeting (not covered with building coverage)
- Laundry Washers and Dryers
- Food Freezers and Contents
- Select Valuables (up to \$2,500)

Items Not Covered with Flood Insurance

- Moisture, Mildew, or Mold Damage
- Damage Caused by Earth Movement
- Financial Loss Due to Business Interruption
- Outside Property (landscaping, decks, fences, etc)
- Currency, Precious Metals, or Valuable Papers
- Automobiles
- Living Expenses (temporary housing)
- Most Personal Property Below Lowest Elevated Floor and in Basements

Why is flood insurance necessary?

Flooding is the most common natural disaster in the United States, affecting every state. Federal disaster assistance funds are not available to properties affected by flooding unless a Presidential Disaster Declaration is made, which is not common. If a Presidential Disaster Declaration is made, then the federal government can offer financial assistance in the form of low-interest loans that must be repaid. The only form of financial assistance that occurs within a disaster declaration is low-interest, small business loans. This means, if you do not have flood insurance, you will pay for flood damages out of pocket. The only way to protect yourself from the financial impacts of flooding is through flood insurance. The average flood insurance claim is \$30,000 and does not have to be repaid.



1 inch of flood water
=
\$21,000 in property
damage
(2,000 square foot home)

25%

of NFIP flood insurance claims are from properties outside of high-risk flood zones.

How do I get flood insurance?

Flood insurance can be purchased for any property. Your property can be insured even if it is located within a floodplain, a high risk flood zone, a low to moderate risk flood zone, or outside of a floodplain or risk zone. You can even obtain flood insurance if your property has been previously flooded.

Flood insurance can be purchased through private insurance agencies. There is typically a 30-day waiting period for a flood insurance policy to take effect on a property. It is important to remember that flood insurance policies do not automatically renew, so it is important to ensure there is not a lapse in coverage by renewing your policy at the appropriate time. You can visit www.floodsmart.gov to better understand your options.