

IS FLOOD INSURANCE RIGHT FOR YOU?

Even small floods can cause devastating losses. According to the National Flood Insurance Program (NFIP), a mere one inch of flood water in a 2000 square foot home can cause almost \$21,000 in damage. And, as the flood level goes up, so does the damage.

While most consumers insure against the potential impacts of fire, windstorm, theft, and other causes of loss to their property, they often neglect to consider flood damage even though flood is the most common cause of natural disasters in the United States according to the Federal Emergency Management Agency (FEMA).

This is the perfect time to consider if flood coverage is appropriate for you and your family. Flood coverage is important as homeowners and tenant policies do not cover damage from flooding. A 5-year reauthorization of the National Flood Insurance Program (NFIP) was signed into law recently so it is available for purchase. Here are some questions for you to consider:

WHAT IS THE NATIONAL FLOOD INSURANCE PROGRAM (NFIP)?

The National Flood Insurance Program was created in 1968 as a governmental insurance program to allow consumers to obtain insurance for losses caused by flood. The Federal Emergency Management Agency (FEMA) is responsible for overseeing the program.

AM I ELIGIBLE FOR FLOOD INSURANCE?

You have to live in a community that participates in the NFIP to qualify for National Flood Insurance. Find out if your community participates in the NFIP and the kinds of NFIP resources available in your community via the NFIP website (www.floodsmart.gov).

DO I HAVE TO BUY FLOOD INSURANCE?

Often, you do. If you live in a flood prone area, your lender will require it. If you own your home without a mortgage, you do not have to buy flood coverage, but it is wise to purchase it if your property is at risk. If you are not sure if you are at risk, contact your insurance agent who handles your homeowners insurance and they can tell you if you are in a flood zone. Also, you can check directly with the NFIP via their website (www.floodsmart.gov). At the NFIP website, you can actually insert your address and the tool will list your risk level. Finally, don't assume that you are not in a flood zone because you were not in one when you acquired your property. What is designated as a flood zone can and does change over time.

WHAT TYPES OF COVERAGE ARE AVAILABLE THROUGH THE NFIP?

You may buy up to \$250,000 in dwelling coverage and \$100,000 in coverage for your home's contents. If that is not enough coverage, some insurance carriers offer policies that provide coverage above the NFIP limits. Again, visit with your insurance agent about coverage above the NFIP limits. Be aware that flood coverage does not cover additional living expenses ("ALE") or business interruption expenses that may be incurred while your home is being repaired. The new law requires the NFIP to study the feasibility of expanding coverage to include living and business-interruption expenses but there is no assurance that these expenses will ever be covered by the program.

HOW MUCH DOES FLOOD COVERAGE COST?

Flood coverage can be surprisingly affordable. Of course, much depends on where your home is located and the level of coverage you buy. Also, your home's specific attributes and the deductible amount you choose will be important. Those who live in moderate to low risk areas qualify for a very low cost preferred risk policy that can cost as little as \$129 per year. The floodsmart.gov site has a tool that allows you to estimate the range of possible premiums along with names of agents in your area who can help you get coverage.

WHAT OTHER CHANGES HAVE BEEN MADE TO THE FLOOD PROGRAM?

On July 6, 2012, the President signed into law the NFIP reauthorization (also referred to as the Biggert-Waters Flood Insurance Reform Act of 2012) as part of the Transportation Bill, H.R. 4348. The 5-year extension contains significant reform measures addressing the financial solvency of the program. Significant provisions of the new law include:

1. Reauthorizing the NFIP through September 2017 (sec. 100203);
2. Establishing a formula for NFIP and wind insurers to pay where property damage cannot be attributed to wind or water (sec. 100253);
3. Eliminating rate subsidies on severe repetitive loss properties that have made repeated claims on the program (sec. 100205);
4. Improving the accuracy of floodplain maps by establishing a technical council of experts to review and set the standards (sec. 100216);
5. Establishing an independent appeals board for homeowners and communities to resolve their flood map disputes with FEMA (sec. 100218);

6. Requiring FEMA, at the request of a State Insurance Commissioner, to take part in state sponsored non-binding mediation to resolve claim disputes (sec. 100223);
7. Reimbursing homeowner's appeal expenses when successfully challenging a flood map (sec. 100246);
8. Requiring lenders to terminate the flood insurance it "force places" and issue refunds to homeowners who already have their own coverage (sec. 100244);
9. Studies expanding coverage to include living and business-interruption expenses (sec. 100233); and
10. Studies the availability and affordability of property insurance for natural disasters (in addition to floods), which could justify a broader federal insurance program (sec. 100247).

DO YOU HAVE MORE QUESTIONS?

Please check our website at www.opic.state.tx.us or give us a call at 877-611-6742. Also, see the NFIP site at www.floodsmart.gov and/or call your insurance agent for more information.