

Flood Insurance

If you own a home in a documented flood zone, there's a 26 percent chance of experiencing a flood over the course of a 30-year mortgage. And while they are more common in some areas, floods can happen anywhere. In fact, 35 percent of all flood insurance claims each year come from property outside of high-risk areas.

You should also know that flood damage is specifically excluded from all basic homeowner's policies. Fortunately, you can purchase a separate Federal Flood Insurance policy through one of many private insurance companies that write and service the policies for the government.

Flooding is the temporary inundation of normally dry land caused by the overflow of inland or tidal waters, the unusual or rapid accumulation or runoff of surface waters, or mudslides caused by flooding. Floods can result from storms, hurricanes, melting snow, dam or levee failure, or even inadequate drainage. According to the National Flood Insurance Program (NFIP), a wet situation is considered a flood if two adjacent properties are under water. In rural areas, at least two acres must be submerged.

Communities Get With the Program

More than 18,000 communities have cooperated with the federal government to establish stricter zoning and building measures to control flood damage. In return, those communities qualify for insurance protection through the NFIP. The program makes a Flood Insurance Rate Map (FIRM) that shows base flood elevations, risk zones and floodplain boundaries. The FIRM sets the insurance rates for buildings in the community. Flood zone information is available from local government, real estate professionals and insurance agents.

Your premium will depend on the level of risk associated with the location of your home. New flood maps utilize the following categories of Special Flood Hazard Areas or SFHAs:

- "V" zones are the most hazardous and most expensive areas to insure. They generally include the first row of beachfront properties, which are subject to wave action.
- "A" zones are usually near a lake, river, stream or other body of water, and are at risk of peril from rising waters
- "X" zones are less risky areas where flood insurance is not mandatory, and is less expensive. (These zones may be labeled "B" or "C" on older maps)
- "D" zones have not been studied, but flooding is possible and insurance is available.

Homeowners in a low- to moderate-risk zone may be eligible for a discounted preferred risk policy. And flood insurance should cost the same whether you buy it from an insurance agent or directly from the NFIP.

Types of Coverage

Unlike homeowner's insurance, flood protection is not designed to return a home to its pre-disaster state. It is meant to help flood victims avoid financial ruin.

Residential buildings may receive up to \$250,000 in coverage, while coverage for non-residential buildings is limited to \$500,000. A separate contents provision may be added, but coverage is limited to \$100,000 residential/ \$500,000 non-residential. There are separate deductibles for buildings and contents.

A "dwelling" policy covers single family and multi-family homes. Apartments and businesses require a "general property" policy. Condominium owners can purchase a "residential condominium building association policy."

Expect a standard 30-day waiting period for new policies, which means they must be purchased well before any flood warnings sound.

Next to fire, flooding is the most widespread natural disaster. Could a flood ruin you? That's the \$250,000 question to answer when deciding if you need flood insurance.