

# Common Questions about Flood Insurance

## **What is flood insurance?**

The NFIP (National Flood Insurance Program) provides federally underwritten insurance for physical losses suffered as a result of

- the overflow of inland and tidal waters;
- the unusual and rapid accumulation of runoff of surface waters from any surface;
- sewer backup due to flooding;
- freezing of flood waters;
- mudslides.

## **How do I know if I need it?**

The necessity for flood insurance is determined by factors such as the elevation of your land, the elevation of your house, and the history of rising waters in your area (as displayed by federal flood maps). Since different zones have different base flood elevations as well as varying susceptibility to flooding, be sure to ask your insurance agent which factors apply to your individual property.

## **When can I be required to buy it?**

Flood insurance is only required by a party with an insurable interest, primarily lenders. You must have flood insurance on any property located in a special hazard flood area that has a federally backed mortgage, such as VA, FHA, or Farmer's Home. You may be required to have flood insurance by any other lending institution as a condition of your loan if the property is located in a special hazard flood area. Some lenders require flood insurance even if the property is significantly higher than base flood; the determination is up to the lender.

An individual offering owner financing may also require flood insurance as a condition of the loan.

## **Can I buy flood insurance even if it is not required?**

Absolutely, if you are in an eligible community with flood zones. The great majority of the Outer Banks has been determined by FEMA (Federal Emergency Management Agency) to be eligible for federal flood insurance because of our management policies and construction standards.

The exceptions are a few areas designated in the "Coastal Barrier Resource Act" where there was very little construction. Flood insurance is not available through NFIP for properties built after October 1983 in certain areas north of Ocean Hill in Currituck County. Your insurance agent will have maps designating the ineligible areas.

## **Is there a maximum amount?**

Yes. Maximum coverage for a single family dwelling is \$250,000 on the building and \$60,000 on the furnishings. You may purchase supplementary private policies for additional flood coverage.

## **How are premiums established?**

The federal government determines the rates, and they should not vary between agents or companies. Rates depend on the base flood elevation and the flood zone as determined by FEMA. In certain areas, a ground level utility room will make a difference in the rate and may determine whether or not the entire property is eligible. Since so many factors are involved, be sure to give your insurance agent detailed information on the individual property so he or she can determine the applicable rate.

If you are going to build, get the appropriate information before you build.

## **What does it cover?**

Coverage for the structure includes the building. It also includes fixtures, machinery, and equipment forming a part of and servicing the building as long as they are enclosed within the insured building.

Furnaces, water heaters, clothes washers and dryers, food freezers, and heat pumps in the basement or in a ground level utility room are covered if enclosed within the insured building.

Clean-up is covered.

cont.

**Does it provide replacement value?**

Replacement cost is automatic if the property is owner occupied. All second homes and businesses get actual cash value (replacement cost minus depreciation, as determined by the adjuster).

Coverage for utility rooms depends on the year of construction. Coverage varies from property to property. Check with your agent to see how this applies to you.

**Does flood insurance cover furniture and contents?**

If the property is owner occupied, all contents in the main living area are covered at replacement value within the insured limit. If the property is not owner occupied, these contents are covered at actual cash value (replacement cost minus depreciation, as determined by the adjuster.)

Limited coverage is available on furnishings in a utility room only for new construction. Check with your agent to see how this applies to you.

**Does it cover outbuildings?**

At the time of the loss and at your option, you may apply 10% of your total building coverage toward detached garages or carports at the described location. Keep in mind that if you decide to exercise this option, the rest of your building coverage will be reduced proportionately.

**What if part of my house is insurable and part of it isn't? Can I just insure the upper portion of the house?**

The house is looked at in its entirety. If the lowest level is below base flood or doesn't meet other underwriting requirements, the entire property will not qualify for flood insurance.

If you plan to enclose the downstairs after the purchase and after the issuance of your flood insurance policy, determine ahead of time that the enclosure will qualify. If it doesn't and if you finish the addition or enclosure without notifying your flood insurance agent, you may not be eligible to collect any money at all in case of a loss.

**What if my property doesn't qualify for federal flood insurance? What are my options?**

There may be some private companies that provide flood insurance. Research your options carefully to be sure you select a reputable and stable company. Unlike the federal program, however, private companies are not required to renew their policies automatically.

**What things are not covered in a flood insurance policy?**

- septic systems or wells
- any part of the heating or cooling system that is outside the house
- underground equipment, such as sprinkler systems
- contents in the open, such as yard furniture or bicycles
- recreational vehicles, such as mopeds or trailers
- automobiles, motorcycles, or other motorized equipment
- property of others
- driveways or site improvements
- landscaping
- land

For more specific information on how this information applies to a particular property, please contact your insurance agent. This summary is intended to be a general guideline only. As with any insurance policy, I recommend you review it periodically with your insurance agent to make sure your coverage is adequate and your property is in compliance.

**Courtesy of Beach Realty & Construction**