

Flood Insurance: Good Investment and a Chance to Weather a Disaster

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LITTLE ROCK, Ark. – Would you invest \$400 for a chance to get back up to \$250,000? How about \$1,000 or \$2,000? Still sound like a good deal?

Putting it another way, would you risk losing your \$250,000 home in a flood because you didn't buy a preferred or standard risk National Flood Insurance Program policy usually costing from \$400-\$2,000 a year? Just a few inches of water can cause thousands of dollars in damage to walls, floors, furniture, carpets and appliances.

Everyone lives in a potential flood zone. You do not have to live near water. Floods can also be caused by melting snow, hurricanes, water backups from overloaded sewage systems, or broken water mains.

For example, in January of 2008, an irrigation canal built in 1906 breached and flooded 400 homes in the middle of the Nevada desert not far from Reno. Many of the residents of the small town of Fernley learned of the canal's existence the hard way.

Flood insurance can help you avoid the financial consequences of these events.

Some people are under the impression that FEMA will come in after a flood and fix everything. That isn't what Congress designed FEMA to do. FEMA gives grants to provide essential repairs and replace essential items such as a water heater to make your house safe for occupancy.

The average grant from FEMA is less than \$5,000. FEMA doesn't replace your big screen TV, buy dishwashers and home entertainment equipment, or cover ceiling stains from roof leaks. FEMA may assist in repairing a disaster-damaged subfloor if it is not structurally sound, but flooring on its own may not affect habitability. FEMA may pay to replace a broken window, but does not cover blinds and drapes.



FEMA assistance comes after FEMA, state and local officials assess damage from storms. If there is enough damage, the state will ask the President to issue a Major Presidential Disaster Declaration. If approved, this opens the federal pocketbook to fund FEMA's disaster assistance, which may include SBA low-interest disaster loans for businesses of all sizes, homeowners, renters and most private nonprofit organizations.

This process may take weeks from the storm event, but flood insurance policyholders don't have to wait and can file claims for damage right away.

Policy limits for homeowners are up to \$250,000 for the structure; for homeowners and renters, up to \$100,000 for contents. Policies are available to condominium associations and unit owners, renters and business owners. Businesses can get up to \$500,000 in coverage for structures and an equal amount for contents.

In Arkansas, National Flood Insurance Program policyholders were able to file claims beginning April 25, well in advance of the June 15 disaster declaration. NFIP immediately began making advance partial payments based on identified areas of damage and insurance adjuster estimates. For both pre- and post-declaration periods, advance payments now total more than \$2.4 million, with more than \$23 million paid out on 494 claims.

Some people believe in flood insurance, but start and stop it. Flood insurance has to be in place 30 days before a flood strikes, so policyholders hoping they can guess when that will be are taking a big risk. Weather can change quickly and insurance companies report they are seeing more frequent claims stemming from a variety of weather types.

Most homeowner insurance policies don't cover flooding. Flood insurance kicks in when two or more acres of normally dry land, or two or more properties, (at least one of which is your property), are flooded.

Flood insurance premiums in moderate and low-risk areas may be only a few hundred dollars. A quarter of flood insurance claims come from consumers who live in those low-risk areas.

More than 85 private companies offer flood insurance backed by the federal government. Residents have to live in a community participating in the NFIP and



maintaining floodplain ordinances regulating building in flood-hazard areas.

A FEMA Helpline is available for potential policyholders and those with policies to get answers to questions about flood insurance. Call **800-621-3362** and select **Option 2**. Multilingual operators are available. Persons who are deaf, hard of hearing or have a speech disability and use a **TTY** may call **800-462-7585**. Users of the **711** or VRS (Video Relay Service), call **800-621-3362**.

For updates on the Arkansas response and recovery, follow the Arkansas Department of Emergency Management (@AR_Emergencies) on Twitter and Facebook and adem.arkansas.gov. Additional information is available at fema.gov/disaster/4318.

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FEMA's mission is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.



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