

# Fact Sheet: Why Should I Buy Flood Insurance?

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Flooding from March severe storms and straight-line winds resulted in more than 1,029 flood insurance claims being filed by Nebraska homeowners, business owners and renters. Thirty percent of these claims were to policyholders who do not live in a special flood hazard area.

Policyholders have been paid nearly \$32 million to repair their homes. But many Nebraskans who experienced losses did not have flood insurance and will have to find other resources in order to rebuild.

## Why Do I Need Flood Insurance?

Here are some important facts to keep in mind:

- Disaster assistance comes in two forms: a U.S. Small Business Administration loan, which must be paid back with interest, or a FEMA disaster grant, which is about \$5,000 on average per household.
- By comparison, the average flood insurance claim is nearly \$30,000 and does not have to be repaid.
- Homeowners and renter's insurance do not typically cover flood damage.
- In Nebraska, approximately 30 percent of flood claims come from properties outside high-risk flood zones.
- Flood damage is covered regardless of whether there is a Presidential Disaster Declaration in place.
- Wherever it rains, it can flood. While flood zones are specific geographic areas where there is a higher statistical probability of a flood occurring, floods often



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occur outside named flood zones.

- FEMA calculations show that one inch of water can cause \$25,000 worth of damage to your home.
- Obviously, the deeper the floodwater, the more it will likely cost – 18 inches or more of water could mean repairs to the electrical system and the heating and cooling system. It also means replacing doors, appliances and cabinetry.

How does flood insurance work?

- If your community participates in the National Flood Insurance Program (NFIP), as a homeowner or a business, both building and contents coverage can be included in your policy. Renters can get coverage for contents only. Policies issued by the NFIP pay even if a federal disaster is not declared.
- In Nebraska and other states recently impacted by storms and flooding, NFIP has streamlined the claims process, enabling policyholders to receive advance payments to jump-start their rebuilding. Last year, policyholders quickly received about 25 percent of their payments as an advance. Advance payments may provide:
  - up to \$5,000 without an adjuster visit or additional documentation; or
  - up to \$20,000 with photos/video evidence and receipts or a contractor's estimate.
- A Preferred Risk Policy (a lower-cost flood insurance policy) provides both building and contents coverage for properties in moderate-to-low risk areas. This policy can be purchased for as little as \$325 per year.

When should I buy a policy?

As soon as possible. There's generally a 30-day waiting period.



- NFIP cannot pay a claim if you don't have a policy in effect when damage occurs.
- A new insurance policy from NFIP becomes effective 30 days after you buy it, unless the purchase is associated with the origination, renewal or extension of a federally backed loan on property in a high-risk area.

Even if I'm not in a flood hazard area, can I purchase flood insurance?

- Yes, if your community participates in NFIP. You are eligible to purchase a flood policy with the same coverage you would receive if you lived in a high-risk area.

Can I get flood insurance if I'm renting a property?

- Yes. If you are a renter who lives in a community that participates in NFIP you can get flood insurance to cover the contents of your home, apartment or business.

How much does a policy cost?

- Your insurance agent can talk with you about cost of coverage for your property.
- NFIP policy holders can choose the amount of coverage.
- The maximum for 1-4 family residential structures is \$250,000 in building coverage and \$100,000 in contents coverage.
- For residential structures of 5 or more units, the maximum is \$500,000 in building coverage and \$100,000 in contents coverage.
- The maximum for businesses is \$500,000 in building coverage and \$500,000 in contents coverage.



How much will I get from NFIP after my building or contents are damaged by a flood?

There are some misconceptions about the amount a policyholder will receive following flood-caused damage. While a policy may state it covers losses up to a certain amount:

- The amount paid to the policyholder on a homeowner's flood insurance policy will cover only the cost of actual damage caused by the flood.
- The amount paid on contents will cover only actual losses caused by the flood.
- The amount paid to businesses covered for structure and contents will be only for actual losses caused by the flood.

Where can I buy flood insurance?

- You can buy flood insurance by contacting your insurance company or agent.
- For an agent referral call 800-427-4661 or visit [FloodSmart.gov](https://www.floodsmart.gov).

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