

# Flood Insurance and the NFIP

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Flooding is the most common, and most expensive, natural disaster in the United States. Just 1 inch of water pooled in a single-story, 1,000 square-foot home can cause close to \$11,000 worth of damage; 1 foot of water in a 2,500 square-foot single-story home can cause more than \$29,000 in damage.

## Why buy flood insurance?

- Mississippi sits at the lower end of one of the world's largest river basins, the Mississippi River basin, which funnels water from 41 percent of the continental United States. Add spring rains and melting snow from the north, and flooding is likely. It's said in Southern states along the Gulf Coast, "if it rains, it could flood."
- With flood danger a continual threat and potential repairs financially devastating, flood insurance can help you recover faster and more fully.
- Flooding from Hurricane Zeta in 2020 resulted in 835 flood insurance claims being filed by Mississippi homeowners, business owners and renters who have flood insurance. Some Mississippians who suffered losses and damage from the hurricane did not have flood insurance.

## Standard homeowner's insurance policies do not cover floods

- It's wise to consider flood insurance even if you are not required to purchase it.
  - Even if you live outside a high-risk flood zone, called a Special Flood Hazard Area, buying flood insurance is a wise decision. Statistics show that people who live outside high-risk areas file more than 25 percent of flood claims nationwide.
  - While flood zones are specific geographic areas where there is a higher statistical probability of a flood occurring, floods do occur outside those zones. For example, over the last five years, Mississippi has exceeded that statistical probability, putting more homes and properties at risk than expected. Look up your address in the [FEMA Flood Map Service Center](#) to learn if you live, work or travel in areas that are prone to flooding.



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- FEMA calculations show that just 3 inches of floodwater in a home likely will require replacing drywall, baseboards, carpets, furniture and other necessary repairs.
- If you don't have flood insurance, your likely out-of-pocket cost for 3 inches of water (based on a 1,000 square foot, single-story home) is estimated at about \$12,000. For 6 inches of water, estimated loss jumps to an estimated approximate cost of \$21,000.
- 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. The estimated cost of these repairs? \$30,000.

### How does flood insurance work?

- If your community participates in the National Flood Insurance Program, or 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 Mississippi and other states recently impacted by hurricanes, the National Flood Insurance Program streamlined the claims process, enabling policyholders to receive advance payments to jump-start their rebuilding.
- Policyholders were able to get advance payments up to \$5,000 without an adjuster visit or additional documentation. Some received advance payments of up to \$20,000 if they had 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 is available only until Sept. 1, 2021, and can be purchased for as little as \$100 per year.

### When should I buy a policy?

- There is a waiting period so you may want to buy flood insurance sooner, rather than waiting.
- The National Flood Insurance Program 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.

- For more information, visit [Flood Insurance Cost Terms](#).

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

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

**To find out if your community participates in the National Flood Insurance Program, Visit:** <https://www.fema.gov/flood-insurance/work-with-nfip/community-status-book>

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

- Yes. If you live in a community that participates in the National Flood Insurance Program and you are a renter, you can get flood insurance to cover the contents of your home, apartment or business at a rented location.

### **How much does a policy cost?**

- Your insurance agent can talk with you about cost of coverage for your property. There are ways to lower your cost, and your insurance agent can discuss your options.
- National Flood Insurance Program policyholders can choose their amount of coverage. The maximum for residential structures for a family of one-to-four is \$250,000 in building coverage and \$100,000 in contents coverage. For residential structures of five 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 the National Flood Insurance Program if my building or contents are damaged by a flood?**



- There are some misconceptions about the amount a policyholder will receive after 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 by the flood.

### **Where can I buy flood insurance?**

- [You can buy flood insurance by contacting your insurance company or agent.](#)
- For referrals of insurance carriers that provide National Flood Insurance Program policies, call **800-427-4661** or visit [FloodSmart.gov](https://www.floodsmart.gov).

