



## Natural Disaster Resource

# How Flood Insurance Works: *What All Homeowners and Business Owners Should Know*

Brent looked around his living room in disbelief. He didn't live in a coastal community, nor did he live near a river or even a creek. Yet here he was standing knee-deep in water in the middle of his house. His wife's boutique in town also was flooded. Even worse, he learned that their homeowners and business owner's policies didn't cover flood damage.

### Flood Insurance 101

Because of changing weather patterns, communities that rarely if ever have experienced severe flooding in the past could be at risk today. McEwen, Tennessee, for example, was pounded by a series of storms that dropped 17 inches of rain in 24 hours, a new record. The ensuing flash floods lead to catastrophic losses.

Today's homeowners and business owners should discuss flood coverage with their insurance advisor. It's important to make an informed decision about whether this coverage could be beneficial. Here is a high-level overview.



### **Standard homeowners and business owner's policies don't cover flood damage.**

Flood insurance must be purchased separately. In addition, flood policies don't take effect immediately. Normally there is a waiting period of between 10 and 30 days.

### **Flood damage and water damage aren't the same thing to insurance companies.**

FEMA's National Flood Insurance Program (NFIP), one source of flood insurance, defines flooding as "a general and temporary condition of partial or complete inundation of two or more acres of normally dry land or two or more properties (at least one of which belongs to you)." Flooding examples include storm surge, runoff from heavy rainfall and mudflows.

Water damage from things such as faulty appliances and leaky pipes, in contrast, is not considered flood damage, even if a home or business is flooded as a result. This type of water damage is covered by most homeowners and business owner's policies.

### **Sewer backup or sump pump failure coverage (also called "water backup coverage") isn't automatically covered as part of all homeowners or business owner's policies.**

An endorsement can be added to policies to provide coverage in case damage is caused by a sump pump overflow or failure, or a drain or sewer overflow or backup.



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### There are two sources of flood insurance: NFIP and private.

Just a few years ago, insurance carriers had to obtain all flood policies for their clients through a federal program (NFIP). Today, private policies offer a second option that may be less expensive. An insurance advisor can describe the pros and cons of each.

### Flood insurance availability and cost depend on location.

Insurers use tools such as flood zone maps and elevation certificates (a document describing a building's location and lowest elevation) to determine whether flood coverage is available and at what rates. Homes and businesses built in areas not generally at risk of flooding will receive better rates than those built in high-risk areas. Premiums vary greatly depending on location. Policies cover both building property (e.g., drywall, pipes, electrical) and, to a lesser extent, personal property (e.g., furniture, appliances, clothing).

### TALK TO YOUR INSURANCE ADVISOR



Always read and understand what is—and isn't—in your insurance policy before you are faced with an emergency. Your agent or carrier will be happy to answer any questions you have and provide a quote.

**[Click here for more resources to help you protect your home or business from risks associated with flood and other natural disasters.](#)**

*The above information does not constitute advice. Always contact your insurance broker or trusted advisor for insurance-related questions.*