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Many Still Lack Flood Coverage As Hurricane Season Nears Its Peak

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? Less than a fifth of U.S. homeowners have a flood insurance policy that protects their property and personal belongings, even though more than four out of every five natural disasters nationwide involve flooding, according to theInsurance Information Institute[2] (I.I.I.).

Coverage for flood damage resulting from surface water, including storm surge caused by hurricanes, is *excluded* under standard homeowners and renters insurance policies; however flood coverage is available both from the National Flood Insurance Program[3] (NFIP) and from a few private insurance companies.

The National Oceanic and Atmospheric Administration [4] (NOAA) recently upgraded its Atlantic hurricane season forecast. NOAA said it envisioned 14-19 named storms between August 4, 2011, and November 30, 2011, up from the 12-18 named storms the federal agency projected in May 2011. NOAA also said the number of 2011 Atlantic hurricanes would likely be closer to 7-10 in number, rather than the 6-10 hurricanes the agency predicted would develop in May 2011.

During the first six months of 2011 alone, the federal government declared 28 major flood disasters. This put the U.S. well ahead of the pace set in 2010, when 50 federally declared major flood disasters occurred during the entire year.

?People tend to underestimate the risk of flooding,? said Jeanne M. Salvatore [5], senior vice president and consumer spokesperson for the I.I.I. ?But, in fact, 90 percent of all natural disasters in this country involve flooding. It is important to note that there is a 30-day waiting period for flood insurance to go into effect, so don?t delay purchasing this important financial protection.?

While the risk of flood damage is real, a 2011 poll by the I.I.I. found that only 14 percent of American homeowners had a flood insurance policy. The percentage of homeowners with flood insurance was highest in the South, at 19 percent. Thirteen percent of Midwestern homeowners had a flood insurance policy in 2011, along with 12 percent of homeowners in the West and 5 percent in the Northeast.

?A low risk from flooding does not mean there is no risk,? pointed out Salvatore. ?Even those who do not live in an area at high risk for flooding should talk to their agent or company representative about getting flood insurance. In fact,? Salvatore added, ?Since the inception of the NFIP, 25 to 30 percent of the NFIP?s paid losses were for damage in areas not officially designated as special flood hazard area at the time of the loss.?

Consumers can find out their risk of flood and the cost of a policy by going to the NFIP?s website: FloodSmart.gov [6].

The NFIP provides coverage for up to $250,000 for the structure of your home and $100,000 for your

personal possessions. The NFIP policy provides **replacement cost** coverage for the structure of your home, but only **actual cash value** coverage for your possessions. Replacement cost coverage pays to rebuild your home as it was before the damage. Actual cash value is replacement cost coverage minus depreciation so that the older your possessions are, the less you will get if they are damaged. The NFIP policy may also have limits on coverage for furniture and other belongings stored in a basement. Flood insurance is also readily available for renters.

If you need additional insurance protection over and above the amount of coverage in a basic flood insurance policy, excess flood insurance is available from some private insurers; it also provides coverage if you live in a community that does not participate in the National Flood Insurance Program. An excess flood insurance policy covers damage above the limits of the federal program on the same basis as the federal program?replacement cost for the structure and actual cash value for the contents. Some insurers have also introduced special insurance policies for high-value properties. These policies may provide enhancements to the traditional flood insurance policy.

There is a 30-day waiting period after applying for flood coverage and paying the premium before the policy goes into effect. The only exceptions to this rule are:

- If a homeowner purchases flood insurance in connection with making, increasing, extending or renewing a loan. In those cases, there is no waiting period.
- If a lender determines that a loan on a property that does not have flood insurance should be protected by flood insurance, there is no waiting period as long as the premium is presented at the completion of a loan application.
- If a homeowner purchases flood insurance during the 13-month waiting period following the effective date of a revised community flood map issued by FEMA, the agency with oversight over NFIP. There is a one-day waiting period for policyholders meeting that criterion.

In addition to hurricane related flooding, flood insurance covers the direct physical losses resulting from heavy or prolonged rain, melting snow, blocked storm drainage systems and levee dam failure.

Despite the very real risk of flooding, the average flood insurance policy in 2010 was only $594 per year for $220,577 worth of coverage, according to the I.I.I.?s Salvatore. And, the average amount of a flood insurance claim was $26,067 in 2010.

?Flood insurance is also easy to buy. It can be purchased from the same agent or company representative who sold you your home or renters insurance policy,? said Salvatore. ?So to file a flood insurance claim, you can simply get in touch with your insurance company.?

More information on how to file an insurance claim can be found here [7].

To prepare for a disaster, the I.I.I. suggests the following steps:

1. Contact your insurance agent to make sure that you have both the right amount and type of insurance protection, including flood insurance. The I.I.I. has a brochure on insurance for your house and personal possessions [8].
2. Make sure you have an up-to-date home inventory. This will help you purchase the right amount of insurance and will make the claims process faster and easier. The I.I.I. has free Web-based home inventory software at KnowYourStuff.org [9].
3. Take reasonable steps to make your home disaster-resistant. The I.I.I. has a video outlining five key steps for Making Your Home More Hurricane Resistant [10]. For detailed information on how to disaster-proof your home or business, go to the Insurance Institute for Business and Home Safety [11].
4. Have a disaster plan that includes your pets. You should know where you will go if you have to

evacuate and know what you need to take with you.

RELATED LINKS

- Facts & Statistics: Flood Insurance [12]
- Issues Update Paper: Flood Insurance [13]
- Video: Evacuation: The 10 Minute Challenge [14]
- Video: Making Your Home More Hurricane Resistant: Five Steps [15]
- Video: Disaster Planning with Pets [16]
- Audio: The I.I.I. Offers Five Tips for Hurricane Season [17]

FOR MORE INFORMATION ABOUT INSURANCE: www.iii.org [2]; PUBLICATIONS: iii store [18]AND amazon.com [19]
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