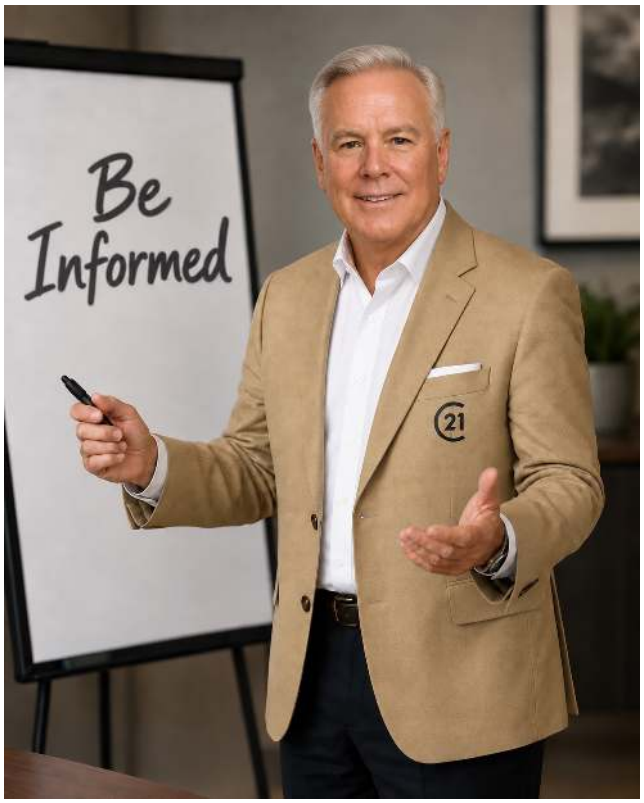
MISC

# Flood Insurance

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NATIONAL ASSOCIATION OF REALTORS®

# CONSUMER GUIDE: FLOOD INSURANCE

Flooding is the most common and costly natural disaster in the United States. Even a few inches of water can cause devastating damage. A licensed insurance agent can advise you on purchasing the right flood insurance to protect your assets. Here's what you need to know:

**Does my homeowners insurance cover flood damage?** Most homeowners insurance policies do not cover flood damage. While federal disaster assistance may be available to you when a flood occurs, it may be limited and is not guaranteed. The best way to ensure your assets are protected is to purchase flood insurance.

**What is flood insurance?** Flood insurance covers a property for damage caused by flooding, including from incidents such as heavy or prolonged rain, melting snow, coastal storm surges, blocked storm drainage systems, or levee dam failure.

**Is flood insurance required?** If you own a home or business in a "high-risk" flood area—any area with a 1% or higher chance of experiencing a flood each year, as defined by the Federal Emergency Management Agency ("FEMA")—and have a federally backed mortgage, your lender will require you to have flood insurance. However, even where your lender does not require flood insurance, it does not mean your home is not at risk. According to FEMA, wherever it rains, it can flood. Consult an insurance agent for guidance on your specific circumstances.

**How much does flood insurance cost?** The average cost of flood insurance is about $1,000 per year, according to FEMA. However, the cost can vary widely depending on many property-specific factors and the flood risk for each individual property. Your premium is also influenced by your deductible, or the portion of a claim that you must pay out of pocket.

**What are my options for purchasing flood insurance?** Depending on where you live, you have two options:

- **The National Flood Insurance Program ("NFIP")**: The NFIP, managed by FEMA, offers flood insurance to property owners, renters, and businesses in participating communities. In return for access to flood insurance, participating communities agree to adopt and implement local floodplain management regulations that help protect lives and properties from flooding. For residential dwellings, NFIP policies offer coverage up to $250,000 for building repairs and up to $100,000 for personal property; non-residential properties are covered up to $500,000 for building repairs and $500,000 for damaged contents. Check your community's status on FEMA's website to determine if you are eligible. You can also get an NFIP rate quote online here.
- **Private Insurance:** Private flood insurance is provided by private companies rather than the federal government. Private insurers may charge comparable rates but offer more coverage than the NFIP, such as higher protection limits, policy enhancements, and payments for temporary living expenses if you are displaced. You can also supplement an NFIP policy with private insurance to extend your coverage further.

**How long does it take for my policy to take effect?** Typically, there is a 30-day waiting period from the date of purchase until an NFIP policy goes into effect. There are exceptions if you purchase flood insurance in connection with a mortgage loan. Private flood insurance can vary.

***Practices may vary based on state and local law. Consult your real estate professional and/or an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.***

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