

Do You Need Flood Insurance?

Buying a home can be a confusing time, especially if it's your first time. Appraisers, inspections, closing costs and more can leave your head spinning.

One thing that's going to come up time and again is your property insurance policy. You may be surprised to learn that, with most homeowners insurance policies, floods are not covered.

THE NATIONAL FLOOD INSURANCE PROGRAM

Your regular policy won't cover flood insurance. Instead, if you are required to have flood insurance by your lender or if you elect to cover your property on your own (more on that later), your insurer will most likely sell you a policy from the National Flood Insurance Program, or NFIP.

The NFIP started in 1968 with two goals, to reduce flood damage and protect property owners. Over the years since it started, the program has paid out billions in claims and also has helped the owners of flooding-prone



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REAL ESTATE 101

Flood Zones

Flood zones are geographic areas that FEMA defines according to levels of flood risk. Flood zones starting with A are high risk and those starting with V are high risk in coastal areas. Most lenders require flood insurance on properties in Zones A and V. Zones B, X and C are moderate to low risk areas and flood insurance is available, but may not be required.

properties relocate to safer ground. In 2012, the Biggert-Waters Flood Insurance Reform Act authorizes the NFIP to create a national flood mapping program and implements changes to the program to guarantee fiscal

soundness just seven years after Hurricane Katrina ran up a \$17 billion NFIP bill and the same year Hurricane Sandy caused more than \$8 billion in claims.

In 2014, another piece of legislation placed limits on

flood insurance rate hikes, even as larger and more costlier storms run up astronomical claims.

HOW IT WORKS

Through the NFIP, you can get insurance on a property in

a flood plain that traditional insurers may not cover. A similar property not found to be in a flood zone by that extensive mapping program we talked about earlier is very inexpensive to insure, meaning that those payments cover the losses on properties more prone to flooding.

After 50 years of the NFIP, the program is working to close that insurance gap and guarantee all Americans flood coverage no matter where they live. The program also helps local communities manage floodplains and reduce the built environment's exposure to flooding. The program's maps now cover 100% of the nation's populated areas, meaning that when you buy your next home, you can see exactly what your risk of flooding is.

That risk, often expressed as a flood zone, may mean you're going to be a part of the NFIP whether you want to or not. Some lenders require properties in certain flood zones carry NFIP coverage to keep a loan. It's also important to note that the program re-evaluates its maps every so often. Properties that once didn't have to carry flood insurance may be rezoned depending on certain changes in the community, including climate change and rising sea levels.



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HOMEWISSE GLOSSARY

Nehemiah: An FHA insured government loan that helps low income home buyers with down payment assistance. SOURCE: MLS.com

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