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Flood insurance

5 Tips: How to get reimbursed for flood damage.

By [Gerri Willis](#), CNNMoney.com contributing columnist

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NEW YORK (CNNMoney.com) - New England is still wringing out after the area's worst flooding in 70 years. But don't breathe easy just yet. It's not only flooded riverbanks you have to worry about. Another devastating hurricane season is predicted this year.

In today's 5 Tips we're going to tell you what you need to know about flood insurance.

1. Figure out your risk

Right now the Federal Emergency Management Agency is redrawing and updating some community risk maps, so to figure out what your flood risk is. Call the National Flood Insurance Program at 800-358-9616.

According to a recent study by the RAND Corporation, only about half of homeowners living in some of the most flood-prone areas of the United States buy federal flood insurance. And this leaves millions of families at risk for severe financial losses when floods strike.



2. Know your rights

The National Flood Insurance program is in trouble. The program is swamped by \$25 billion in claims from Katrina and two other hurricanes last fall and there are still claims coming in. And that's more than it's made in its 38-year history.

FEMA estimates it has enough money until mid-June of this year to pay claims. After that, the program hopes to increase its borrowing limit from the government.

So why should you invest in a flood insurance program that's basically bankrupt? Not only is the NFIP the only game in town, but it can borrow money from the U.S. Treasury to pay claims. And as a consumer, if you buy flood insurance, you have a legal right to get paid.

3. Know your coverage limits

Flood insurance covers damage from rising ground water, not things like a broken pipe or a leaky bathtub. You'll be able to insure your home up to \$250,000 and its contents up to \$100,000. If you're a renter, you can cover your belongings up to \$100,000.

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It does cover your home's foundation. There are some items in your basement that are covered, like your plumbing, your water heater, your furnace and your circuit breakers. But flood insurance does not cover improvements you have done to your basement, including finished walls, floors or carpeting. Flood insurance does not reimburse you for expenses if you are forced to temporarily relocate. Flood insurance doesn't cover walkways, decks, driveways or patios.

4. Get the bottom line

The average deductible ranges from \$250 to \$500, according to Madelyn Flannagan of the Independent Insurance Agents and Brokers of America. The average premium is about \$350 a year, but if you live in a low to moderate flood risk zone, you'll be able to get premiums for much cheaper. Homeowners will be able to pay \$112 a year for coverage and renters can buy coverage for about \$40 a year.

On the other hand, if you want more coverage, you can get extra flooding insurance through private companies like American International Group, which lets policyholders insure their property up to its full value. Premiums start at \$1,200 for \$1 million in coverage in an excess flood policy, but could vary widely. Check out www.aig.com. Chubb Insurance also offers excess flood insurance. Go to www.chubb.com for more information

5. Be a smart shopper

Since flood insurance premiums are set by the government, it really doesn't matter where you get buy the coverage. You can go to the same insurer who insures your home if you want.

You should compare insurance companies based on their service. Ask how quickly claims are solved. And don't delay. The policy doesn't take effect until 30 days after you first purchase your insurance. So, if the weather forecast announces a flood alert for your area and you run to purchase coverage, it's already too late. You will not be insured if you buy a policy a few days before a flood.

Gerri Willis is a personal finance editor for CNN Business News and the host for Open House. Send your questions, your comments and your own ideas to us at 5tips@cnn.com. ■

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