



# FLOOD

Here is what you need to know!

## FLOOD INSURANCE

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First, to be clear on Flood exposure, flood refers to water coming into your home from the outside. This is not the same as a plumbing leak. This is important because flood is specifically “excluded” from coverage under all home insurance policies.

If you have exposure to water from the outside, whether from heavy rain or rising surface water, your single option to protect your home against the damage is a Flood Insurance policy issued by the National Flood Insurance Program (NFIP)

A policy issued thru the NFIP or an NFIP servicing insurance company is basic coverage with the following limits

**Dwelling- \$250,000**

**Contents- \$100,000**

Be advised that these limits are designed to protect homes against flood damage on first floor and above. The only protection afforded for basement is coverage for your mechanicals, such as furnace and hot water heater. Additionally, NFIP coverage is based upon Actual Cash Value (ACV) recovery and depreciation is applied to the final settlement of a claim.

Flood insurance cost is driven by the flood zone issued by the Federal Emergency Management Association (FEMA). The more exposed you are to Flood, the more extreme the flood zone and then the higher the rates.

**Zones V, VE** are the most high-risk Zones

**Zones A, AE AH, AO** are high risk

**Zones B X** are Low risk

If you secure the purchase of your home with a mortgage, your mortgage company will require Flood Insurance if your is in a designated flood zone determined FEMA mapping.

An important point on a new home purchase for a property in a Flood zone. If the seller has an existing Flood policy, you can “assume” the policy from the seller. This is vitally important because of the new 2.0 Rating program installed in the fall of 2021 comes which significantly higher rates for a buyer if they cannot assume the seller’s policy.

If your purchase or ownership is outside of a FEMA flood zone, and you are concerned about the potential of Flood you can still purchase a Flood Insurance policy and the premiums will reflect the low risk.

A number of premium insurers will issue a Flood insurance policy if you are outside of a Flood zone, and typically the coverage is more robust than the NFIP coverage.

If your dwelling value, and or contents is more than the NFIP Flood limits, you can purchase “Excess Flood” insurance to provide more coverage. The Excess Flood is traditionally written by private (non NFIP) insurer and the premiums will resemble the rates of the basic coverage applied to the amount of coverage purchased.

It is very important to be fully informed on the NFIP program. This program has required a government bailout since inception, so essentially the program is insolvent. This insolvency puts the rates on an annual increase, where the only limit to increases is 18% as an annual cap. So be aware that if you require, or need flood insurance, over a 5-year period of ownership your rates will most likely double. That is an inflationary cost you should be aware of.

If you have questions on flood insurance reach out to Kyle to provide the critical intel you need. 203 637-6655 or [Kshepard@shepardingrp.com](mailto:Kshepard@shepardingrp.com)