

THE ABCS OF FLOOD INSURANCE

IF A PICTURE is worth a thousand words, then the images of destruction from Hurricane Ivan in 2004 told a story that encapsulated the destructive nature of both high winds and flood surges. The Category 3 hurricane slammed into the Gulf Coast, causing an estimated \$13 billion in damages.

The images were echoed—and even worse—a year later when Hurricanes Katrina and Rita devastated coastal regions in Mississippi, Louisiana, and southeast Texas. Estimated damages: over \$81 billion.

Those pictures started to sell flood insurance. According to National Flood Insurance statistics, the number of policies in force in Texas grew from 455,078 in 2004 to 615,686 as of September 30, 2006. That included a 30 percent growth in the number of policies in force in just one year (Sept. 30, 2005-Sept. 30, 2006).

The insurance industry typically defines flood damage as rising water from any source coming from outside into your home or other structure. So if a pipe bursts in your home, that's probably covered. But if water from a tropical storm floods the first floor of your home, you're out of luck—unless you carry a separate flood insurance policy.

The federal Web site www.Floodsmart.gov describes flood insurance as covering "losses to your property caused by flooding. From structural and mechanical damages to flood debris cleanup and floor surfaces (like tile and carpeting), your investment is protected by a flood insurance policy." If you're looking for flood insurance, the good news is that the National Flood Insurance Program is federally backed, so everyone who can write a policy for a building and/or contents will charge an identical rate. That rate is calculated based on your address and whether you are located in a high-, moderate-, or low-risk zone.

Most people qualify for flood insurance coverage for less than a dollar a day. That's because most people don't live within the historic 100-year floodplain. The flood plain is the high-hazard flood area, which includes beachfront property, coastal lands, river beds, and

any other low-lying areas. According to insurance industry insiders, 40-50 percent of the structures that sustain flood damage are outside the 100-year flood plain—the very people who qualify for low-cost flood insurance. Floodsmart.gov offers a variety of tools to help individuals, local governments, and others understand the basics of flood insurance, estimate premiums, and locate agents in your area who can sell you a policy. Close to 100 different insurance companies will write policies for the federal program.

Water versus Wind

If you have windstorm insurance, that doesn't mean you don't also need flood insurance. Hurricanes, for example, typically cause both types of damage. The wind may blow out your windows and knock the top floor off your house, but the storm surge (flooding) may then inundate the first floor. None of the damage will be covered under a typical homeowner's policy. The damage caused directly by high winds will be covered under a windstorm policy—but not the damage from flooding.

A trained insurance adjuster can tell pretty quickly what damage is covered under which policy. Flooding almost always leaves a waterline; anything below that flood line is covered by flood insurance. Any damage above that line is either from wind or wind-driven water.

Putting a Flood Policy in Place

Because property insurance does not cover flood damage, it is important to purchase a supplemental flood policy. The maximum available coverage in the flood program for residences is \$250,000 per building; \$100,000 for the contents and \$500,000 per building and \$500,000 for contents for businesses. The National Flood Insurance Program does not allow for blanket coverage. This means that if you're a developer with 250 apartment buildings, you must purchase separate policies for each one. Similarly, if

you are a local government, you must purchase separate policies for every structure you wish to insure.

Getting coverage isn't hard as long as you live in a community that participates in the flood program and maintains a minimum level of floodplain management. If your community does not, then you cannot purchase flood insurance.

The National Flood Insurance Program has put in place a Community Rating System to benchmark community flood preparedness. There are 10 classes, and 18 activities, in the areas of:

- public information
- mapping and regulatory
- flood damage reduction
- flood preparedness

Depending on whether and by how much a community exceeds the minimum floodplain management standards, residents in that community become eligible for discounts on their flood insurance premium rates.

Any structure within the 100-year floodplain must be built to certain rules designed to mitigate the risk of windstorm and flood damages. (These are akin to earthquake standards for structures on the San Andreas fault.) To purchase flood insurance, you must present an elevation certificate that attests to the fact that the structure is above the flood base. If you do not have the original elevation certificate, then you must hire a surveyor to inspect the property and recertify it before you can purchase flood insurance. Please note: most cities and districts have staff members who can provide this service. An elevation survey may cost you a few hundred dollars or even a few thousand, but that cost is small compared with finding yourself with catastrophic losses the next time a hurricane tears through your community or a tropical storm dumps inches of rain so fast that your drainage systems can't keep up.

'Almost all property policies specifically exclude flood damage from the list of covered perils.'