

Best Insurance Moves for March

Nerd Wallet

Spring is just around the bend, but that doesn't mean you're finished with rough weather. In fact, depending on where you live, snowmelt can create a new hazard — one that's not covered by standard homeowners insurance. That makes March an ideal time to look into flood insurance. Homeowners should understand that they are not covered for damage from flooding unless they have separate flood insurance. And only 5.5 million Americans had government-sponsored flood insurance in 2013, according to data from the Insurance Information Institute. Many homeowners elect to go without it, especially if they live outside established flood zones and their mortgage lender doesn't require flood coverage. But even homes that are not considered especially vulnerable could be damaged, especially in years of unusual weather conditions.

"Don't rely just on the maps to predict your flood vulnerability," says Amy Bach, executive director of United Policyholders, a San Francisco-based advocacy organization for insurance buyers.

Water can be among the most destructive forces in nature. The average claim filed under the National Flood Insurance Program was nearly \$42,000, based on figures from 2008 to 2012. Meanwhile, the average premium is around \$650 annually.

Here are some things you should know or do before buying a policy:

Compare quotes

You can buy a policy through the National Flood Insurance Program or through a private insurer. The NFIP has traditionally been a better value because of its subsidized rates, and it still is cheaper for most consumers, Bach says. But the coverage offered by public and private insurers is similar.

"We always say get two quotes," Bach says.

Keep exclusions in mind

Flood insurance closes a major gap in traditional homeowners insurance, but it has exclusions of its own. The National Association of Insurance Commissioners warns that flood insurance typically does not cover the contents of a home, only the structure, and basements have only limited coverage.

A standard flood policy covers structural elements including drywall, circuit breaker boxes, furnaces and foundational walls, says Marjorie Young, senior vice president of E.G. Bowman Insurance in New York.

Basement finishing materials are not covered. Homeowners can buy separate coverage for their personal property, but it requires an added premium.

Even if you buy a contents policy through the NFIP, you're covered only for actual cash value, Bach says. That means you'll be reimbursed for what a lost item was worth, not what it would cost to buy a new one. Sign up as soon as possible

If you live in a moderate- to low-risk area, you may not think you need flood insurance — until you have a flood. And at that point, it's too late. As with auto insurance, flood insurance doesn't cover events that occurred before you had a policy. In fact, most policies have a 30-day waiting period before coverage takes effect, according to the NAIC.

If you're concerned about spring floods, discuss flood insurance with an agent as soon as possible. Bach recommends using FloodSmart.gov's agent locator to find one who specializes in flood insurance.

Flood insurance may not be enough

Flooding isn't the only reason you might have water in your home. Debris can also overwhelm sewer systems and cause them to back up. If flooding isn't the technical cause, a separate sewer backup policy is the only way to be covered.

"Definitely add it if you can afford it," Bach says. "These days, it feels like insurers, instead of looking for ways to pay, are looking for ways to deny. ... Buying a sewage backup endorsement gives you an extra platform to argue for coverage if you have a water loss."

Even if you buy the best coverage you can afford, for most consumers, floods present a financial risk.

Unlike homeowners insurance policies, flood insurance policies don't cover temporary relocation or anything outside your home, such as fences and patio furniture. But because floods are the nation's most common natural disaster, it's worth discussing coverage with a licensed agent.

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