

Flood Insurance Shopping Tips

Standard home insurance policies specifically exclude coverage for damage caused by flooding. If you live in an area that's officially considered to be at risk for flood damage and don't own the home outright (you have a mortgage), the mortgage company will require you to buy and maintain flood insurance. If you own your home and don't have a mortgage, it's your choice whether or not to buy it.

The following are answers to frequently asked questions on this topic:

My property is in a high-risk flood zone and my mortgage company requires that I purchase flood coverage. What are my options for buying it?

While flood coverage is usually excluded from most private homeowners insurance policies, the federal National Flood Insurance Program (NFIP) has offered affordable flood insurance for more than 50 years. However, some private insurance companies (such as Lloyds of London) are now offering flood insurance as an alternative to the NFIP. Whether backed by the NFIP or a private insurance company, flood insurance is critical to protecting your home. If you opt for a private flood policy, it's important that they be financially strong. Research well before you make your decision. Here is an [example of a Private Flood insurance Policy](#).

What are my options for insuring my property against the risk of flood through a private company instead of with the NFIP?

Flood insurance can be purchased through an insurance agency or directly from the NFIP (www.floodsmart.gov). If you live in a high-risk flood area it's harder to find a private alternative to the NFIP. Like all professionals, some insurance agents are more knowledgeable than others and it's important to find one that sells flood insurance frequently and is up to speed on current options. The NFIP made changes to their rating rules in October, 2021 through their "[Risk Rating 2.0](#)." update. These changes impact how and what current and future policyholders will be charged.

Be prepared to ask questions and do some additional research to verify what's available. Two important things to keep in mind when discussing flood insurance with your insurance agent: First, ask specifically

for a comparison between the cost of an NFIP vs. private flood insurance for your property, and second, be aware that rates and coverages for private flood insurance will vary between companies and by the type of building that is being quoted. While private flood policies *may* offer better coverage, they also may contain exclusions and limits that make them inferior to an NFIP policy. That's why we recommend that you obtain quotes for both and compare what they do and don't cover as best you can.

Is private flood insurance available in every state?

Yes, some form of private flood insurance is available in every state. There are over 150 companies offering private flood insurance nationwide, so odds are at least a few are operating in your state. Your local agent should have access to at least one NFIP alternative for you to consider.

Does my mortgage company have to accept a private flood policy?

Yes. As of July 1, 2019, federal regulations require banks to accept private flood policies as long as the coverage offered is as broad or broader than that afforded by an NFIP policy. These federal regulations provide the minimum terms and coverages a flood insurance policy must provide for a lender to accept it. Confirm with your mortgage company before finalizing the insurance purchase. Note: FHA lending still does not accept private flood insurance, although this will change in the future.

How do I know if I have the appropriate type and amount of coverage?

Ideally your policy limits should be adequate to insure your assets to their replacement value in the event of a total loss. However, the maximum you can insure your home for through the NFIP is \$250k, (\$100k for contents). Private flood policies can cover more than that maximum, but may not be affordable. Your insurance agent should be able to offer you guidance. Ask to see the policy before you finalize and review limits or exclusions with the agent or company representative. Note: Your mortgage company may need to see the full policy, so encourage your agent to cooperate with them to ensure a smoother process.

If I currently have an NFIP policy in force, is there a risk to leaving the NFIP?

Yes. If you leave the NFIP for a period of time you will no longer be eligible for certain discounts. An informed insurance agent should be able to explain this and help you evaluate your best option.

What is the waiting period before my flood insurance goes into effect?

The normal waiting period for NFIP policies is 30 days. For private flood products this can vary, with typical waiting periods ranging from no wait to up to 14 days. Both private and NFIP products waive their respective waiting periods whenever a loan closing is involved.

Is there a down side to getting a few flood insurance quotes?

No. Use the Internet and/or word of mouth to find an agent who “speaks flood” and get at least one quote. Visit [floodsmart.gov](https://www.floodsmart.gov) to get an NFIP quote. To research private insurance companies that are selling flood options, visit www.naic.org/consumer/flood-insurance (National Association of Insurance Commissioners).

Is there anything I can do to save money on the cost of flood insurance?

Yes.

- Elevate your home and get a certificate.
(<https://agents.floodsmart.gov/write-policy/elevation-certificates>)
- Install flood proofing vents/make related home improvements.
(<https://smartvent.com/resources/faq#Q7>)

United Policyholders thanks volunteer Joe “Flood” Rossi for contributing to the information in this consumer publication.