

Do I Need Flood Insurance?

Real Simple

A megastorm has struck your house, leaving a pile of waterlogged wreckage in its wake. But you're covered financially because you have homeowner's insurance, right? Wrong. Although most homeowner's and rental policies reimburse for damage caused by wind or fire, these policies generally exclude losses from floods, like those caused by superstorm Sandy last year. So should you invest in flood insurance?

Who needs it?

Anyone with a federally backed mortgage (currently about 9 out of 10 new mortgages) who buys a home in a government-designated flood zone must obtain flood insurance. (Lenders should tell you if your home falls into that category.) But even if you're not legally mandated to get this insurance, which is typically provided by the federal government and sold by local agents, it may be a good idea.

Amy Bach, the executive director of United Policyholders, a nonprofit consumer-advocacy group based in San Francisco, recommends that people who live within a mile or two of a body of water, even a small lake, get flood insurance, which currently costs an average of \$600 a year. Because if you're hit by a flood, says Bach, you could be out thousands of dollars.

Not sure whether your area is flood-prone? Go to the website of the National Flood Insurance Program (floodsmart.gov), enter your address into the Risk Profile tool, and in seconds the site will tell you whether your home is at low, moderate, or high risk.

How to Choose a Policy

Federal flood coverage can be obtained from local insurance agents. (Find one at floodsmart.gov.) Unfortunately, these policies max out at \$250,000 for your home and \$100,000 for its contents, with no reimbursement offered for decks, porches, or anything else outside. Still, imperfect coverage is probably better than none, if disaster strikes and you find yourself underwater in more ways than one.