

DO YOU NEED FLOOD INSURANCE FOR YOUR HOME OR BUSINESS?

By Basil Housewright, Jr.

My answer is a resounding, **YES**. We are about to enter the spring season, which can bring torrential down pours. **I want to remind you your Homeowners or Business Owners Insurance Policy does not provide coverage for flood damages from rising waters.** Please do not get a false sense of security if you were not affected by the recent local flooding. The entire Gulf Coast area is susceptible to flooding due to its proximity to the coast and the many bayous and streams in the area. Any one of the many Tropical Storms or Hurricanes we experience could cause flooding to any home or business located in the Houston Metro area. Per the Federal Emergency Management Agency's National Flood Insurance Program data, over \$27 billion were paid in insured flood losses in the US in the last 10 years. Keep in mind this does not consider the cost for uninsured losses. Renters and tenants of commercial buildings need flood insurance also to cover their contents.

If you currently do not have Flood Insurance for your home or business if you own the building, you are probably in flood zone "X, C or B". Your insurance agency should be able to assist you in verifying this information for your particular home or business. These are the preferred risk flood zones. Do not mistake this to mean you will never flood, as these areas are only lower risk flood zones. Be aware most of the homes, which have flooded previously in the Houston Metro area, are also in the "X, C and B" zones. The National Flood Insurance Program allows package policies to be sold to homeowners for their primary residence in these areas at prices as follows (tenant occupied homes and commercial building rates are higher but still affordable):

<u>Dwelling</u>	<u>Contents</u>	<u>Annual Premium</u>	<u>Dwelling</u>	<u>Contents</u>	<u>Annual Premium</u>
\$ 20,000	\$ 8,000	\$129.00	\$125,000	\$50,000	\$294.00
\$ 30,000	\$12,000	\$160.00	\$150,000	\$60,000	\$313.00
\$ 50,000	\$20,000	\$211.00	\$200,000	\$80,000	\$343.00
\$ 75,000	\$30,000	\$247.00	\$250,000	\$100,000	\$365.00
\$100,000	\$40,000	\$274.00			

Standard Program flood insurance policies are available in various limits up to \$250,000 on your dwelling and \$100,000 on your contents of your home or \$500,000 on your commercial building and \$500,000 on your business contents. If you require additional coverage a Flood Insurance Excess Policy can be purchased to provide additional coverages above this \$250,000-\$500,000/\$100,000-\$500,000 base policy limit. Be aware the insurance to replacement cost value is also an issue with flood insurance as it is with homeowners and property insurance. If you purchase a policy but do not have adequate limits you may incur co-insurance penalties in addition to your deductible in the event of a loss. Make sure you receive proper consultation from your insurance agency in regard to which limits are adequate for your particular situation.

Most companies allow your annual flood insurance premium to be charged on major credit or debit cards. If you have an escrow account for your homeowners insurance and taxes, upon request your Mortgage Company will typically include the flood insurance premium in your escrow account for subsequent renewals, but typically require the homeowner to pay the first year's premium. Don't hesitate in the purchase of this coverage. There is a 30-day wait period before this coverage goes into effect for existing property owners. It may go into effect immediately if purchased at time of closing on a new property or certain other special conditions.

Many think if they do not have flood insurance and they receive flood damage the Government Disaster Program will take care of their loss. The Government Disaster Program consists of low interest loans, which you will have to repay. If you still have reservations about buying flood insurance, look at it this way, \$365.00 (an average for most neighborhoods) would be \$30.42 per month. If you suffer a loss and do not have flood insurance what would the monthly cost be to pay off the Government Disaster Loan you take out to recover? Just the interest would be more than \$30.42 a month.

Flood Facts: Floods are the most common of all natural disasters. You don't have to live near water to be at risk of flooding. Almost one-third of flood claims come from low to moderate risk areas. If your home is in a high risk area, you have a one in four chance of being flooded in a 30-year period, and your home is four more times likely to be damaged by flooding than fire. Federal disaster assistance is only available if the President declares a disaster, and less than 50% of all floods are declared disasters. Federal disaster loans must be repaid with interest. The interest costs alone average more than average annual flood insurance premiums. All primary flood insurance in the United States is backed by the federal government through the National Flood Insurance Program (NFIP). Flood insurance pays regardless of whether a disaster is declared. Your mortgage payments don't stop, even if your home is destroyed by a flood. **Flood insurance is affordable. Uninsured flood losses are not.**

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