

## **Flood Insurance 101**

- What is flood insurance?
- What does flood insurance cover?
  - How is flood insurance priced?
  - Do I need flood insurance?
- How do I buy flood insurance?

### ***What is flood insurance?***

Homeowners insurance doesn't cover damage from flooding, only flood insurance fills this gap. The National Flood Insurance Program (NFIP) is the provider of most flood insurance policies; it is a division of FEMA.

You can also purchase flood insurance through private insurance agents. Please evaluate these policies carefully, their coverage is different than NFIP policies, i.e. temporary housing assistance. Private insurance policy holders are not eligible for FEMA grants for home elevations, buyouts or Increased Cost of Compliance (ICC) funds for flood mitigation measures.

### ***What does flood insurance cover?***

There are two main flood insurance coverage types:

**Building Property:** Covers your home from roof to foundation, including anything integrally attached to your house (like cabinets). Rule of thumb: it covers everything that remains in your house when you move. Most detached structures are not included, you'll need a separate policy for them. Sometimes detached garages can be included.

Two types of reimbursements:

- **Replacement cost value (RCV):** allows you to be reimbursed for the *cost of replacing* your lost property, without depreciation factored in. Primary dwellings are usually RCV.
- **Actual cash value (ACV):** less preferable since it reimburses you for the *depreciated value* of your property at the time of loss. Vacation homes are usually ACV.

Example: Five year-old cabinets. RCV gives you the entire amount needed to buy new cabinets. ACV will subtract 5 years depreciation from the value of your cabinets – you will need to make up this difference in value to buy the new cabinets

Please note: Flood insurance doesn't usually cover mold/mildew damage or outdoor property damage, i.e. a pool.

**Personal Contents:** Protects household items including furniture, appliances and clothing. It doesn't cover money, paper valuables, precious metals or cars (covered by auto insurance). Reimbursement will give you ACV.

Residential NFIP policies have a maximum coverage of \$250,000 for buildings and \$100,000 for personal property. Private insurance has a wider range of options in coverage amounts.

**Increased Cost of Compliance (ICC)** coverage can be part of an NFIP policy, it provides up to \$30,000 to help cover the cost of mitigation measures that will reduce future flood risk, see [details here](#).

## ***How is flood insurance priced?***

All flood insurance policy premiums are based on flood risk. FEMA sets the premium for NFIP policies based on your home's elevation; their quote is final, there is no negotiating. A private insurer sets rates based on a variety of building details (elevation, age, number of floors, square footage, proximity to river, etc.) – you can shop around for the best price.

Pequannock pro-actively participates in the NFIP's [Community Rating System](#) and has made flood mitigation measures a top priority. Due to these efforts, Pequannock is a Class 5 CRS Community, which results in floodplain residents receiving a *25% discount on flood insurance!*

For the most accurate flood insurance rate, obtain an Elevation Certificate (EC) and send it to your flood insurance carrier - especially if you think your current premium is too high. An EC compares the elevation of your home to how high flood waters get during a 'base flood' in your neighborhood. [Check here](#) to see if we have an EC on file for your property already. If not, you can hire a surveyor to produce one – they range in price from \$400-\$750. Forming a neighborhood group will bring this cost down.

## ***Do I need flood insurance?***

Anyone can purchase flood insurance, even if you don't live in the floodplain. In fact, nationwide over 20% of flood claims are *outside* the floodplain - it is often a good idea, even for low flood risk homes.

If your home deemed to be a high flood high risk, you must purchase flood insurance in order to receive a federally-backed home loan or federal financial assistance. To determine a property's flood risk, see [Pequannock's Flood Hazards](#).

**Important Note:** Only *Building Property* flood insurance is *required*. The purchase of Personal Contents flood insurance is entirely voluntary.

## ***How do I buy flood insurance?***

A local flood insurance agent can help you purchase a policy. Oftentimes this is your current insurance agent; if not, ask them for a referral. [Here are details](#) on the National Flood Insurance Program, including local agents. FEMA's list of companies that write flood insurance can be found [here](#).

**Important Note:** NFIP flood insurance policies have a *30 day waiting period* before taking effect, private insurance companies' policies do not. Please consider purchasing flood insurance well in advance of any potential flood events.

If you have additional questions, please contact Pequannock's Flood Resilience Officer via our [online form](#), or call 973-835-5700 x164. We can evaluate your current insurance policy, elevation certificate, and physical characteristics of your home. We may also be able to suggest mitigation measures to lower your insurance premiums.