

Flood Insurance Questions and Answers



Why buy flood insurance?

Flooding is a major hazard in the Chehalis Basin and can be very expensive for a flooded property owner or renter. While you may escape injury from a flood, your house or business will still be exposed to water damage. Just an inch of water over the first floor of an average-sized home can cause \$25,000 in damage.

Most floods are not big enough to warrant a Federal Disaster Declaration. That means you're on your own to pay for the clean up and repairs. Unlike other hazards, such as fire and windstorms, flooding is generally not covered by a homeowners' policy. If you're concerned about flood damage to your building or contents or your flood insurance premium just went up, take a look at your alternatives.

What kinds of flood insurance are there?

Flood insurance is easy to get. There are two kinds: a policy backed by the National Flood Insurance Program (NFIP) and a policy managed entirely by a private insurance company, such as Lloyds of London. Both are sold through local property insurance agents and both must meet certain requirements of the Washington State Insurance Commissioner. Until recently, only NFIP policies were available for homes and renters, but over the last few years, the private industry has come out with more products for residential properties and there are now over 200 companies offering flood policies.

Flood insurance is your choice, with one exception: Federal law requires a policy if your building secures a loan or mortgage and it's in the mapped Special Flood Hazard Area. You can check a map at FEMA's Map Service Center: msc.fema.gov/portal/home

Which is cheaper?

Note that private policies in our area are found to be generally less expensive than an NFIP policy. This is partly because the NFIP has to fund floodplain mapping and other government expenses, and the private policies are freer to cancel or raise the premium if the property proves to be a bad flood risk. In short, private flood insurance companies have more flexibility in rating and non-renewals, while the NFIP is regulated by the federal government.

Which is right for me?

See the next page for a comparison of the two options. Go over these questions with your insurance agent before you decide which kind of flood insurance to buy.



Note that you can choose a combination of both NFIP and private insurance. For example, some people want more coverage on their structure than the maximum available under the NFIP (\$250,000 for a single family home). They get an NFIP policy for that much structural coverage and a private policy for the difference (often the private policy has a \$250,000 deductible).

Information about NFIP and private insurance coverage is current as of November 2022, but is subject to change over time.

No matter which option you chose, review the costs, coverage, and limitations carefully with your insurance agent for the latest information.



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Questions to Ask About Flood Insurance

Feature	National Flood Insurance Program	Private Policies
Is flood insurance available everywhere?	Most cities and counties participate in the NFIP.	Individual companies can choose to not sell in certain areas.
What is covered?	The structure and contents in a structure can be covered under separate policies. Contents coverage can be purchased without having structural coverage.	Generally the same, but need to check with the specific company.
What is not covered?	Vehicles, items outside the building, detached garages, money, contents in a basement, other items listed in the policy.	Varies by company.
Can renters get a policy on their property?	Yes, contents coverage is available even if the building is not insured.	Varies by company.
Does the property have to be in or out of a floodplain?	No, NFIP insurance is available for all buildings in participating communities.	Individual companies can choose to not sell in certain areas.
Does a policy meet the requirements for a loan or mortgage on a building in the floodplain?	Yes.	Most do, but check any specific company with the lender.
What's the maximum coverage available?	For 1 to 4 family residences: \$250,000 for structural coverage, \$100,000 for contents coverage. Higher for other buildings.	Varies by company.
How much coverage do I have to buy?	If required for a loan or mortgage, structural coverage must be at least the balance owed or the maximum structural coverage available, whichever is lower.	The same, unless the company requires a certain minimum amount.
What is replacement cost loss settlement coverage?	Coverage that will replace a damaged item, such as a water heater, with a new one. Without replacement cost coverage, a claim will pay the depreciated value of the item. The NFIP calculates the amount needed for this coverage.	Varies by company.
Is there a waiting period before coverage is effective?	30 days, unless a policy is needed to close on a loan.	Varies by company but usually less.
How much does it cost?	The cost is set by the NFIP. All agencies must charge the same premiums.	Varies by company.
Can premiums be increased?	Subject to a max increase of 18% each year (single family owner-occupied homes) or 25% (other properties, including second homes, rentals, and businesses).	Yes.
Can a policy be cancelled?	Yes, for limited reasons, such as fraud, lack of payment, duplicate policies, building sold, etc.	Yes. Some companies have not renewed policies after a large claim, but they must follow state cancellation and non renewal requirements .



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