



FEMA

Disaster News

January 18, 2008
DR-1734-WA-049

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DON'T GET CAUGHT WITHOUT FLOOD INSURANCE

Lacey, Wash. – Experience teaches, but only if we pay attention. Recent events in Washington have underscored the value of a flood insurance policy underwritten by the National Flood Insurance Program (NFIP).

Most homeowners insurance policies do not cover flooding. To alleviate the financial devastation caused by flooding, Congress created the National Flood Insurance Program in 1968. The NFIP, overseen by the Federal Emergency Management Agency (FEMA), enables homeowners, business owners and renters to purchase federally backed flood insurance. Flood insurance is easy to obtain and is sold by most insurance agents.

You do not need to live in a flood plain to buy NFIP insurance.

Homeowners and business owners are eligible to purchase flood insurance if their community is among the more than 20,000 communities participating in the NFIP. Participating communities agree to adopt and enforce floodplain management ordinances to reduce future flood damage. Mortgage lenders may require prospective home buyers to purchase flood insurance if the home is located in a floodplain.

The average premium for a yearly flood insurance policy is around \$450. It takes 30 days after purchase for a policy to take effect. The waiting period is waived if the consumer is obtaining, increasing, extending or renewing a federally backed loan for the property.

To find an insurance agent who handles flood insurance, visit www.floodsmart.gov or call toll-free **1-888-435-6637**.

As an example, let's see how the numbers work for neighbors with and without flood insurance:

Two homeowners bought nearby homes and had everything in common except flood insurance. For 10 years, the owner with NFIP paid \$1,600 per year total for flood insurance and homeowner's insurance, while the owner without NFIP saved money by purchasing only a standard homeowner's policy. Both houses were worth \$200,000 before a river of mud destroyed them.

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Here's the accounting:

Insurance Coverage for 10 Years	With NFIP	Without NFIP
Annual homeowner's insurance premium	\$1,000	\$1,000
Annual flood insurance premium	\$600	\$0
Total premiums paid in 10 years	\$16,000	\$10,000
Loss Experienced this Year		
Damages from flooding	\$200,000	\$200,000
Less insurance payout after deductible	\$198,500	\$0
Net expense vs. loss	\$1,500	\$200,000
Plus 10 years of premiums	\$16,000	\$10,000
Total out-of-pocket cost to rebuild	\$17,500	\$210,000

Today, the owner with NFIP remains financially stable even after the house was destroyed. Should the owners choose to rebuild on the same lot, they can do so on an elevated foundation which will place their home's first floor at or above the 100-year floodplain. The new house will be a safe, modernized, more valuable version of their original house, with their only out-of-pocket costs being \$16,000 already paid for 10 years of premiums plus the \$1,500 total deductible. They may also use their insurance benefits to buy or build somewhere else.

The family without flood insurance has fewer options. The owners without NFIP collected a fraction of the value of their house for the damage covered by homeowners insurance. Although they saved \$6,000 in 10 years by not buying flood insurance, they're out \$210,000 after the loss of their home. And for this family, there could be the costly matter of clearing their lot of the debris of their home.

FEMA coordinates the federal government's role in preparing for, preventing, mitigating the effects of, responding to, and recovering from all domestic disasters, whether natural or man-made, including acts of terror.

SBA is the federal government's primary source of money for the long-term rebuilding of disaster-damaged private property. SBA helps homeowners, renters, businesses of all sizes, and private non-profit organizations fund repairs or rebuilding efforts, and cover the cost of replacing lost or disaster-damaged personal property. These disaster loans cover uninsured and uncompensated losses and do not duplicate benefits of other agencies or organizations.

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Editors: for more information on the Washington disaster recovery, visit www.fema.gov or www.wadisasternews.com.