

Flood Insurance Information for Minnesotans



Minnesota floods in recent years have left too many uninsured victims suffering severe financial losses primarily because they did not believe it would ever happen to them — and because they did not have the insurance coverage they thought they had.

In order to clear up common misconceptions about flood insurance, the Minnesota Department of Commerce, Insurance Division offers the following important information.

Three truths about flood insurance:

1. A standard homeowner's insurance policy does not provide flood coverage.
2. You cannot depend on disaster assistance. You only get assistance when the President declares a disaster. Since less than 50 percent of floods are declared disasters, most flood victims are on their own. Also, the word out of Washington is that FEMA cannot continue to cover expensive disaster losses across the country.
3. Paying for flood insurance is less expensive than paying back a disaster loan. Most disaster aid comes in the form of loans, which must be paid back. The average loan payment on a \$50,000 disaster loan is \$240 per month (\$2,880 per year) for 30 years compared to a \$100,000 flood insurance premium which is about \$400 per year (\$33 per month).

Frequently asked questions about flood insurance:

Q: Is flood insurance available to everyone?

A: If your community participates in the National Flood Insurance Program (most Minnesota communities do), you can purchase flood insurance. To find out, ask your city mayor or administrator, or go to FEMA's "Community Status Book" at www.fema.gov/cis/MN.pdf.

Q: Why should I buy flood insurance if I live in a low-risk zone?

A: Even if you live in an area that is not flood prone, it is advisable to have flood insurance. Between 20 and 25 percent of flood claims come from outside high risk areas. The NFIP's Preferred Risk policy, which costs just over \$100 per year, is designed for residential properties located in low to moderate flood risk zones.

Q: Where do I buy flood insurance?

A: You can buy flood insurance from any licensed property insurance agent. Agents selling insurance in Minnesota must be licensed by the Department of Commerce. If an agent cannot verify he or she is licensed, do not buy from that person. Use the License Lookup Tool at <http://www.insurance.mn.gov> to confirm an agent's license status.

Q: How much does flood insurance cost?

A: The average cost for a flood insurance policy is \$500 per year. In low to moderate risk areas flood insurance can cost just a little over \$100 per year.

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Q: How does disaster assistance work?

A: Most forms of federal disaster assistance require a presidential declaration. Since less than 50% of flooding incidents are declared disasters, you cannot depend on federal and state government disaster assistance. In the majority of floods, victims are on their own.

The most typical form of disaster assistance is a loan that must be repaid with interest. The average payment on a disaster loan of \$50,000 is \$240 per month (\$2,880 per year) for 30 years. In some cases, government grants are also available and do not have to be repaid. The average individual and family one-time grant payment is less than \$2,500. In most cases flood insurance is more affordable and provides better benefits.

Q: What is a “flood?”

A: Most standard insurance policies do not contain a specific definition of flood in the contract. Those that do, commonly define it as a “general and temporary condition of partial or complete covering of normally dry land areas from the rapid accumulation or run-off of surface water.” The National Flood Insurance Program has a very specific definition of a flood that you should make sure you understand when you are buying flood insurance.

Q: Why isn’t a flood covered by most homeowner’s policies?

A: Homeowners’ insurance is intended to cover risks commonly shared by homeowners. Loss due to flooding has not traditionally been viewed as common to most homeowners.

Q: Can I buy flood insurance if I live in a high-risk area?

A: Yes. You can buy flood insurance no matter where you live, as long as your community participates in the NFIP. In fact, if you live in a high-risk area you will be required to purchase flood insurance in order to get a mortgage loan.

Q: Can I buy flood insurance immediately before or during a flood?

A: You can buy flood coverage at any time. However, there is a 30-day waiting period after you’ve applied and paid the premium before the policy is effective, with some exceptions. If the initial purchase of flood insurance is required as part of a loan, there is no waiting period. If the initial purchase of flood insurance is made during the 13-month period following the effective date of a revised flood map for a community, there is a one day waiting period. This only applies where the Flood Insurance Rate Map is revised to show the building to be in a newly designated flood area when it had not been in a flood area before.

New policies do not cover a “loss in progress” and you cannot increase the amount of insurance coverage you have during a loss in progress.

Q: How do I know what flood zone I live in?

A: Check with your city administrator. You can also view the FEMA flood map for your area at www.msc.fema.gov. You can search by address.

Q: What does it mean to live in a 100-year flood plain?

A: A 100-year flood plain is an area where the risk of water rising above the base flood elevation is 1 percent a year. It does NOT mean that flooding will occur every 100 years, as is a common misconception.

Q: Can I buy flood insurance if my property has been flooded in the past?

A: You are still eligible to purchase flood insurance if your home, apartment or business has been flooded in prior years, provided that your community is participating in the NFIP.

Q: Is flood insurance only for homeowners?

A: No. Flood insurance is available to protect homes, condominiums, apartments and non-residential buildings, including commercial buildings. A maximum of \$250,000 of building coverage is available for a single-family residence or a condominium unit. The limit for contents coverage on all residential buildings is \$100,000, which is also available to renters. Commercial structures can be insured to a limit of \$500,000 for the building and \$500,000 for the contents.

Q: What types of property may be insured?

A: Almost all walled and roofed buildings that are principally above ground. In most cases, this includes mobile homes anchored to permanent foundations.

Q: What kind of property are not insurable?

A: Property that is principally below ground. Most contents and finishing materials in a basement or an enclosure below the lowest floor above ground level. There are specific requirements as to what is and is not covered in basements.

Q: How do insurers define “basement”?

A: The NFIP definition of a basement includes any part of a building where all sides of the floor are located below ground level. Even though a room may have windows and be used as living quarters, it is still considered to be a basement if the floor is below ground level on all sides.

Q: What coverage is available for basements?

A: Coverage is provided for foundation elements including posts or other support systems. Coverage is also available for utility connections, mechanical equipment necessary for the building, such as furnace, hot water heater, clothes washer and dryer, food freezer, air conditioner, electrical junction, etc. Items such as paneling, carpeting, furniture, etc. are not covered. The individual policy should contain a complete list of elements and equipment covered. It's important to note that some items are included under building coverage and others are covered by content coverage. It is advisable to purchase both building and contents coverage for the broadest protection.

Q: Are losses from water seepage, sewer backup or hydrostatic pressure covered by flood insurance?

A: These losses are covered under a flood insurance policy only if they occur in conjunction with a general and temporary condition of flooding in the area. Surface flood waters must be the cause of the sewer backup, seepage or hydrostatic pressure that results in a loss. The loss must have occurred no later than 72 hours after the flood has receded and the policyholders' coverage must be at least 80 percent of replacement cost or the maximum amount of insurance available under NFIP in order to be covered under the policy. Consumers may wish to consider purchasing a sewer backup rider on their homeowners insurance policy to cover sewer backup that is not associated with flooding.

Q: Is wind-driven rain considered flooding?

A: No. Rain entering through wind-damaged windows, doors or a hole in a wall or roof, resulting in standing water or puddles, is considered windstorm damage, not flood damage. Most homeowners policies provide coverage for wind related damage.

Q: Does flood insurance cover any of the costs of preparing for a flood?

A: Yes. Most flood insurance policies reimburse you for actions you take to prevent flood damage. For example, when flooding is imminent, costs for moving insured contents to a safe location are reimbursed up to \$500 with no deductible. Other costs, such as for sandbags, plastic sheeting and lumber, pumps, fill for temporary levees, and wood to save the building can be reimbursed up to a limit of \$750 with no deductible.

Important Contact Information

National Flood Insurance Program

1-888-379-9531
www.floodsmart.gov

Minnesota Department of Commerce, Consumer Response Team

651-296-2488 (Twin Cities metro)
800-657-3602 (outside Twin Cities metro)
www.insurance.mn.gov

Minnesota Department of Commerce, Licensing Division

651-296-6319 (Twin Cities metro)
800-658-3978 (outside Twin Cities metro)
www.insurance.mn.gov