



YOUR PROTECTION

Morris & Reynolds Insurance Presents:

April 2013

FLOOD INSURANCE COVERAGE BASICS



Rain. Hurricanes. Overtopped levees. Outdated or clogged drainage systems. **Anywhere it rains, it can flood.** A flood is a general and temporary condition where two or more acres of normally dry land or two or more properties are inundated by water or mudflow.

Floods are America's most common natural disaster. From 2002 to 2011, flood insurance claims averaged more than \$2.9 billion per year. In high-risk areas, there is a 25% chance of flooding during a 30-year mortgage. **Losses from flooding are NOT covered under home and business insurance policies and require a separate flood insurance policy.**

CAUSES OF FLOODING

- **Hurricane and tropical storm** flooding can create far more damage than winds.
- **Nor'easters, or extra-tropical cyclones,** also cause flooding and storm surge.
- **Heavy rains, winter storms, and spring thaws** bring flooding to river basins.
- **Overburdened or clogged drain systems** lead to property damage both within and outside floodplains.
- **Construction** and development affect natural drainage and create flood risks.

Flood insurance is used to provide protection from **rising water**. The National Flood Insurance Program (NFIP) operates within the Federal Emergency Management Association, part of the Department of Homeland Security. NFIP sets all rates, rules, and regulations related to flood insurance and thus these do not differ by agent or insurance company.

Insurers, known as "Servicing Carriers", quote, write, and service flood insurance policies that NFIP financially back, but the insurers do not set the rates or rules.

If your property is in a high-risk flood area and you have obtained a mortgage through a federally regulated or insured lender, you are required to purchase a flood insurance policy. **Just a few inches of water from a flood can cause tens of thousands of dollars in damage. From 2007 to 2011, the average residential flood claim was nearly \$ 30,000.**



FLOOD INSURANCE COVERAGE:

Flood insurance is available to homeowners, renters, condo owners and renters as well as commercial business owners and tenants. Costs vary based on the amount of insurance purchased, what's being insured, and the location's flood risk. Some coverage features to consider include the following:

DEDUCTIBLE:

Flood deductibles apply separately to building and contents. There are several options to choose from and a higher deductible can slightly lower premiums but will reduce your claim payment in the event of a loss. Your lender may set a maximum for the deductible.

LENDER REQUIREMENTS

Homes and businesses with federally insured mortgage lenders in high-risk flood areas are required to have flood insurance. If your property is located in a moderate-to-low risk flood area then coverage is available at reduced rates and is suggested since flooding is excluded in property policies .

30 DAY WAITING PERIOD: There is typically a 30-day waiting period from date of purchase before a new flood policy can go into effect. Here are the only exceptions:

- When coverage is being purchased in connection with **making, increasing, extending or renewing a mortgage.**
- When a building has been newly designated in the SFHA and flood insurance is being purchased within the 13-month period **following a flood map revision.**
- When a **lender determining** that a loan that does not have flood insurance must have it.
- When an **increased amount of insurance** is selected on your renewal bill.

PRIMARY FLOOD INSURANCE LIMITS:

The Federal government, through the National Flood Insurance Program, sets all rates, rules and regulations as well as the maximum limits that are available for primary flood insurance.

The coverage limits vary based upon what you are insuring and can be summarized in the chart below:

EXPOSURE	MAXIMUM LIMIT
ONE TO FOUR-FAMILY DWELLING STRUCTURE	\$250,000.00
ONE TO FOUR-FAMILY HOME CONTENTS	\$100,000.00
OTHER RESIDENTIAL STRUCTURES	\$250,000.00
OTHER RESIDENTIAL CONTENTS	\$100,000.00
BUSINESS STRUCTURE	\$500,000.00
BUSINESS CONTENTS	\$500,000.00
RENTERS CONTENTS	\$100,000.00

Continued On Page Two...What's Coverage & Excluded Plus Flood Insurance Premiums



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HOMEOWNER'S FLOOD INSURANCE

MODERATE TO LOW RISK LOCATIONS:

Most homes in a moderate-to-low risk area are eligible for coverage at a **preferred rate**. Preferred Risk Policy premiums are the lowest premiums available through the NFIP, offering building and contents coverage. In fact, **building and contents coverage starts at just \$ 129.00 per year**.

For primary flood insurance on a single family home the maximum available limit is \$ 250,000.00 on the Dwelling and \$ 100,000.00 for Contents. Even though flood insurance in non-high hazard areas is not federally required, **nearly 25% of all NFIP flood claims occur in such places each year**.

HIGH RISK LOCATIONS:

If you live in a high-risk area, a standard policy offers separate building and contents coverage. The **Dwelling Form** provides insurance for buildings with one to four units, including single-family condominium units and townhouses. As noted above, primary flood insurance on a single family home has a maximum available limit of \$ 250,000.00 on the Dwelling and \$ 100,000.00 for Contents.

CONDO UNITS FLOOD INSURANCE

If you rent or own your condo unit it is wise to buy flood insurance on the building (if you own your unit) and contents. Most condo owners or renters in moderate-to-low risk areas are eligible for a preferred rate by combining building and contents coverage for one low price. Residential premiums start as low as \$55 per year for contents-only coverage. If you don't qualify for a Preferred policy, a standard-rated policy is the solution.

THE RESIDENTIAL CONDOMINIUM BUILDING ASSOCIATION POLICY (RCBAP)

The Residential Condominium Building Association Policy of the Standard Flood Insurance Policy insures residential Associations buildings. An RCBAP is a cost effective manner to insure an Associations' building coverage and, if desired, commonly owned contents.

COMMERCIAL FLOOD INSURANCE

The **General Property Form** provides insurance for *other* types of residential and commercial buildings. Building and contents coverage is available in both cases. For more information about commercial flood insurance please ask us for a copy of our newsletter entitled **Commercial Flood Insurance Basics**.

WHAT A FLOOD POLICY COVERS:

BUILDING

- The insured building and its foundation
- Electrical and plumbing systems
- Central air conditioning equipment, furnaces and water heaters
- Permanently installed carpeting over unfinished flooring
- Permanently installed paneling, wallboard, bookcases and cabinets
- Window blinds
- Detached garage (up to 10% building limit); detached buildings (other than garage) require a separate policy
- Debris removal

PERSONAL (CONTENTS) PROPERTY

- Personal possessions such as clothing, furniture and electronic equipment
- Curtains
- Portable & window air conditioners, microwave ovens & dishwashers
- Carpets not included in building coverage
- Clothing washers and dryers
- Food freezers and the food in them
- Certain valuable items such as original artwork and furs (up to \$2,500)

TYPICAL FLOOD POLICY EXCLUSIONS:

- Damage by moisture, mildew or mold that could be avoided by the owner.
- Currency, precious metals and valuable papers such as stock certificates.
- Property and belongings outside of an insured building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs and pools.
- Living expenses for temporary housing.

BASEMENTS & AREAS BELOW THE LOWEST ELEVATED FLOOR

Coverage is limited in basements and areas below the lowest elevated floor, depending on the flood zone and date of construction. These areas include (A) Basements, (B) Crawl spaces under an elevated building, (C) Enclosed areas under buildings elevated on full-story foundation walls, often called "walkout basements" and (D) Enclosed areas under elevated buildings.

EXCESS FLOOD INSURANCE

In addition to the basic coverage and limits regulated by NFIP there is a global market for excess flood insurance available to obtain higher limits for those properties that need them. When your risk of a flood loss is greater than the maximum limits available from NFIP please contact us for excess flood insurance to best protect your property.

MORRIS & REYNOLDS INSURANCE



The Reynolds family has been in the insurance profession since 1910 and has operated its Independent Agency, Morris & Reynolds

Insurance, since 1950. Now in its third generation of family ownership, Morris & Reynolds offers trusted choices from the world's leading insurers for all forms of coverage, as well as innovative care and service from a passionate, award-winning TEAM of professional people, the finest people in insurance. Please contact us at **305.238.1000** or at **morrisandreynolds.com** with your questions.



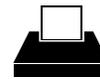
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