



FLOOD INSURANCE COVERAGE

Flooding is the leading cause of property loss from natural disasters in Kentucky. In the United States there are about 11 million buildings located in designated flood hazard areas, yet less than 23 percent are insured against floods.

Kentucky residents and business owners may purchase flood insurance to cover flood damage and can collect for flood damage even without a natural disaster being declared. Most insurance agents offer the coverage, or it can be purchased directly from the National Flood Insurance Program (NFIP).

Since losses from water damage can be so devastating, anytime you are considering buying a home you should get a written statement verifying that the house has had no problems related to water or flooding. This would provide you with some legal protection if a problem were to occur later.

Flood insurance is available in communities that adopt and enforce sound flood plain management practices. To find out whether your community is participating in the flood insurance program, contact your local government, or call the flood insurance program's toll-free hotline, 1-800-427-4661.

Benefits of flood insurance coverage include:

- Eligibility for secured financing to buy, build or improve structures in special flood hazard area. Lending institutions that are federally regulated or insured require flood

insurance coverage before they grant secured financing.

- Protection against being uninsured in the event of a flood. Standard homeowners insurance policies do not compensate for flood damage.
- Reduced risk of flooding. Buildings substantially damaged by flood, if rebuilt to new flood insurance construction standards, have less risk of damage from flooding and are eligible for flood insurance coverage at a reduced rate.

People who receive some forms of federal flood disaster assistance (FEMA) are required to purchase flood insurance if they live in a Special Flood Hazard Area (SFHA). Federal law now requires people who receive SBA disaster loans or an Individual and Family Grant to purchase and maintain flood insurance as a condition for receiving assistance. If they don't, repeat victims may be ineligible for assistance in the future.

Flood insurance coverage is available for residential and non-residential buildings, as well as for the contents. Homeowners who carry flood insurance are covered for any flood-related damage to the ground level or upper floors of their homes. Flood damage to personal belongings is covered only if the policyholder purchases contents coverage.

If you have a home-based business, a separate policy is necessary to cover structural or contents damage to your business. Flood insurance is available through any licensed property and casualty

insurance agent. There is a 30-day waiting period from the date of application before the policy becomes effective, but a policy can be bought at any time, even during a flood.

Coverage for flood-caused damage to basements is limited to structural elements and basic items used to service the building such as furnaces, water heaters and utility connections. Most insurance companies also offer sump pump insurance protection in case the machine quits or the electricity goes out.

Some insurance companies already cover damage from water and sewage back-up in their policies, while others allow you to add

an endorsement for this coverage for a small additional premium.

Flood insurance is also cost-effective. Most flood victims who apply for assistance from FEMA to repair their homes and businesses receive it in the form of low-interest loans administered by the U.S. Small Business Administration. Premiums for flood insurance are far less than the payments for a disaster loan. The average monthly payment for a \$75,000 SBA loan is \$360, while the average annual flood insurance policy premium is \$326 a year for \$106,000 in coverage.

Regular Program Flood Insurance Coverage

Building Coverage	Basic Insurance Limits	Additional Insurance Limits	Total Insurance Available
Single Family Dwelling	\$50,000	\$200,000	\$250,000
2-4 Family Dwelling	\$50,000	\$200,000	\$250,000
Other Residential	\$135,000	\$115,000	\$250,000
Non-Residential or Small Business	\$135,000	\$365,000	\$500,000

Contents Coverage	Basic Insurance Limits	Additional Insurance Limits	Total Insurance Available
Residential	\$15,000	\$85,000	\$100,000
Non-Residential or Small Business	\$115,000	\$385,000	\$500,000

Notes: The purchase of flood insurance is mandatory as a condition of receipt of federal or federally-related financial assistance for acquisition and/or construction of buildings in Special Flood Hazard Areas of any participating community. Those communities notified as flood-prone which do not apply for participation in the National Flood Insurance Program within 1 year of notification are ineligible for federal or federally-related financial assistance for acquisition, construction, reconstruction of insurable buildings in the FHA. Conventional loans are available in the FHA of non-participating communities for these purposes at the lender's risk.

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