

Water Rising? Look At Flood Insurance

Hurricane Season Alert

Proper coverage saves you from getting soaked by costly flood damages

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Hurricane Dolly slammed into Texas on Wednesday. Earlier this year, flooding in the Midwest pummeled thousands of homes. Damages are in the billions of dollars.

A year ago more than one-third — 35% — of all Americans mistakenly believed their homeowners' insurance policies cover repairs or replacement from flood.

Now only 27% have that misunderstanding, the Insurance Information Institute says. Still, that's a lot of people who will feel disappointed if flood disaster strikes.

Knowing that your homeowner's policy does not guard you from flood gives you time to decide in advance if you need more insurance.

Flooding is the leading natural disaster in the U.S., reports the Federal Emergency Management Administration. Flood losses averaged \$2.4 billion a year the past decade.

If you don't have the right coverage, costs of rebuilding come out of your own wallet.

Special insurance policies can provide protection. The danger isn't limited just to homes near an ocean or a river. "Last year, 20% to 25% of the nation's flood insurance claims came from low-to-moderate-risk areas," said David Maurstad, FEMA's federal insurance admini-

trator.

You can find your area's flood risk at floodsmart.gov. Provide your address and you'll learn whether you live in a high-risk area or a low-to-moderate-risk area.

You also will see contact information for agents who can sell you a flood insurance policy. Coverage is available through the National Flood Insurance Program, which is administered by the federal government. NFIP policies are sold by private insurance companies.

NFIP flood insurance can cover your home for up to \$250,000. Contents can be insured up to \$100,000.

Renters also can cover their belongings for as much as \$100,000. And owners of business property can get up to \$500,000 of insurance for the building and another \$500,000 for its contents.

Paying The Price

You can choose less coverage if you wish. The premiums you pay depend on the amount of insurance you select. Prices are standard from one insurance company to the next.

But prices are higher if your home is in a high-risk area. Those are places with at least a 1% chance of being flooded in any given year.

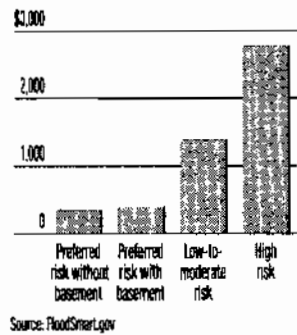
In high-risk areas you are required to have flood insurance if you want a home mortgage from a bank where deposits are insured by the Federal Deposit Insurance Corp.

Federally backed mortgages from the Federal Housing Administration or the Veterans Administration require that, too.

Flood insurance rules in those areas are set by individual lenders.

Flood Insurance Costs

Annual premiums for \$250,000 coverage on home and \$100,000 on contents, based on site risk



Some might ask that you have enough to cover the outstanding mortgage balance. Others want flood insurance to match your home's replacement value, up to the maximum allowed.

How much does NFIP coverage cost? Say you want the maximum \$250,000 of flood insurance on your home and \$100,000 on contents.

The standard premium is \$1,385 a year in a low-to-moderate-risk area, the NFIP says. In a high-risk area, that coverage would cost about twice as much: \$2,766 a year.

Those rates assume a \$500 deductible on a house without a basement. Premiums are higher if your house has a basement.

Deductibles up to \$5,000 are available for single-family homes. The higher the deductible, the lower your annual premium will be.

You also may qualify for a lower premium if your locality partici-

pates in NFIP's Community Rating System. This program rewards flood-control efforts.

The lowest premiums are available if you are a "preferred risk." Residential and commercial properties can qualify. You must be in a low-to-moderate-risk flood zone and have had minimal losses in the past.

No matter what type of policy you have, a severe flood may cause extensive damage. The cost to rebuild or replace your house could be greater than the \$250,000 maximum allowed by the NFIP. And your contents might be worth more than the \$100,000 ceiling on coverage.

So you may want to buy more flood insurance. Some insurers offer supplementary coverage. They include American International Group, Chubb and Fireman's Fund.

Add-Ons

You might buy a policy from the NFIP, with the maximum \$250,000 and \$100,000 coverage. Then you can add more insurance from a company that offers it.

Chubb also offers an outright replacement policy, which it says is more expensive than NFIP's but provides broader coverage, along with a \$15 million cap on insurance.

Insurers differ on whether you need their homeowner's policy in order to get supplemental flood insurance.

But settling claims may be easier if homeowner's and flood insurance come from one insurer.

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