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NOAH WAY OUT

A Smart Guide to Flood Insurance
and it's Financial Impact



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INTRODUCTION

A Flood Insurance Overview

It's estimated that 90% of all natural disasters in the United States involve flooding in one way or another. Many homeowners aren't aware, but homeowners insurance doesn't cover flooding. This fact has led many homeowners to realize that finding the right flood insurance may be the difference between recovery and financial turmoil.



Why should you think about purchasing flood insurance?

By far and away, floods are the most common natural disaster in the United States. Millions of homeowners every year are impacted by flooding – even those individuals who live in low risk zones. To ensure that you are protected in the event of a flood, it is essential to purchase flood insurance. From protecting your property to providing peace of mind, flood insurance can be a valuable investment for homeowners and renters alike. So, if you live in an area at risk for flooding, read on to learn why flood insurance should be a priority on your list of financial protections.

1. The Importance of Flood Insurance

It is becoming increasingly common for homeowners to purchase flood insurance even if their home isn't located in a high risk zone. Even if the location of your home doesn't have a history of flooding, you may still want to consider adopting a policy.

Let's take a deeper look at some of the facts surrounding flooding and why flood insurance may help:

- Throughout the life of a 30 year mortgage, you are 27 times more likely to experience a flood loss than a fire.
- It's estimated that only 1 inch of water can cause upwards of \$25,000 in damages.
- More than 25% of flood claims are attributed to locations outside of high risk zones.
- Floods account for the most common natural disaster in the United States, causing billions of dollars of damages each year.



Definition of Flooding

Before we dive into the flood risks you may be exposed to and the solutions to those risks, it's important to first define what "flooding" is, from an insurance standpoint.

The National Flood Insurance Program (NFIP) defines flooding as a general and temporary condition where two or more properties, or two or more contiguous acres of normally dry land, are inundated by water or mudflow.



Floods can occur from a variety of sources, such as heavy rainfall, melting snow, coastal storm surge, or overflow of rivers and other bodies of water. From an insurance perspective, floods are considered to be a specific type of natural disaster that can cause significant damage to homes, businesses, and personal property.

- Flood insurance will help cover damages incurred in the following situations:
- An overflow of inland or tidal waters.
- Unusual, rapid accumulation or runoff surface water from any source.
- Mudflow – which is defined by the NFIP as, “A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth (mud) is carried by a current of water.”
- The collapse of land along the shore of a lake, pond, or other body of water as a result of erosion.

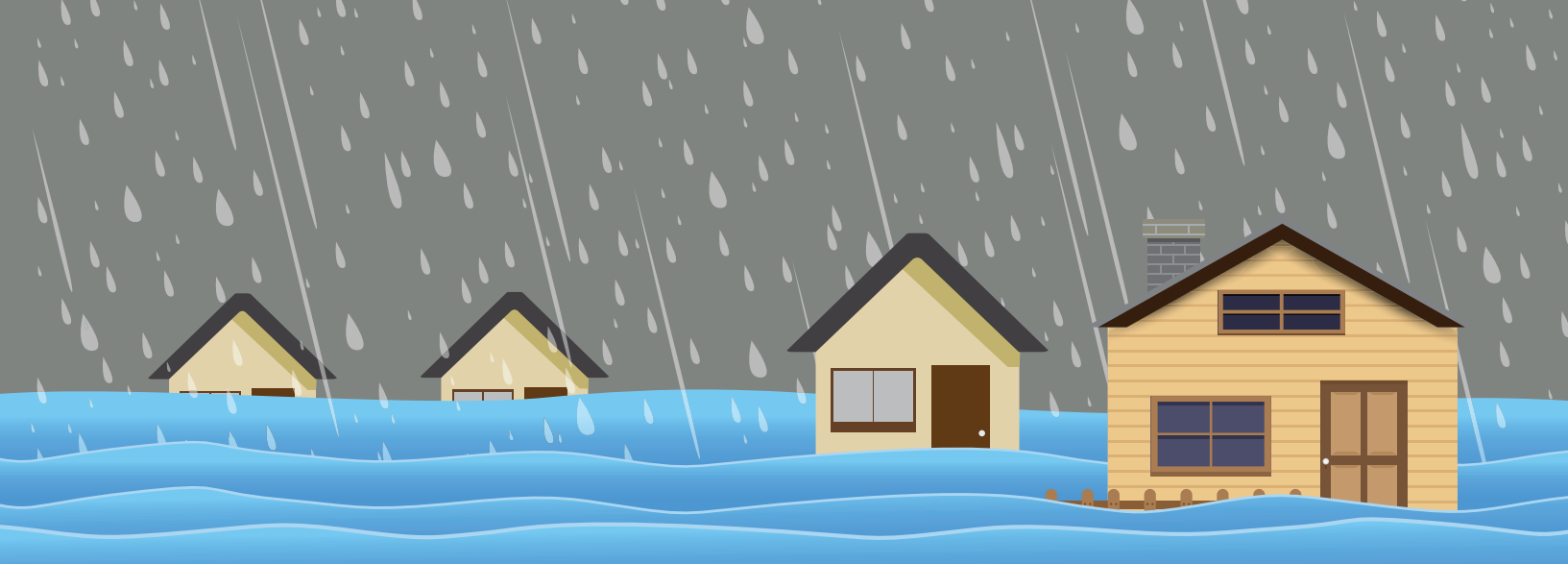
2. Flood Risks to Homeowners

Your home is exposed to a number of risks from natural disasters, none of which are more prominent than flood risks. The flood risk associated with your home will be determined by a set of factors, including the location, zoning, and weather patterns.

Understanding Flood Zones

Flood zones are geographic areas that FEMA has defined according to varying levels of flood risk. These zones are typically displayed on Flood Insurance Rate Maps (FIRMs) and help homeowners and communities understand their flood risk. Flood zones can change over time due to a variety of factors such as weather patterns, development, and erosion. It is recommended to check your flood zone status every year to stay informed on any changes that may have occurred. Moderate to low risk flood areas are designated with the letters B, C, and X on FEMA flood maps. In these areas, the risk of being flooded is reduced, but not completely eliminated. Most commonly, the flood zone designation for these areas is X or X 500. Properties in these zones are not required to have flood insurance, but it is a good idea to still obtain coverage as flooding can sometimes occur, especially during extreme weather events.

High-risk flood areas begin with the letters A or V on FEMA flood maps, with the most common designation being AE. These areas have a much higher likelihood of flooding and may be located near bodies of water, such as rivers or oceans. Homeowners in these areas are typically required to have flood insurance as a condition of their mortgage, but it is still recommended for all homeowners to obtain coverage regardless of the requirement. Regardless of your property's flood risk, it is highly recommended that homeowners purchase flood insurance to protect themselves from the financial losses that can result from flood damage. Flood insurance can provide coverage for both structural damage and personal property loss caused by floods.



Factors that Increase Flood Risk

As you might expect, the most important factor in determining your home's flood risk is location. It's important to consult with your team about what zone your home is classified under before moving forward with a flood insurance policy. Alongside your home's location, there is a collection of other factors that can also impact your home's flood risk.

- **Proximity to water bodies:** Living near a river, lake, or ocean can increase the risk of flooding.
- **Heavy rainfall:** Areas with high levels of precipitation or sudden and heavy rainfall can increase the risk of flash flooding.
- **Changes in land use:** The construction of buildings, roads, and other structures can alter the natural flow of water and increase flood risk.
- **Aging infrastructure:** Deteriorating or outdated infrastructure, such as levees, dams, and drainage systems, can increase the risk of flooding.
- **Soil type:** Certain soil types, such as clay soils, have a low permeability, which means they absorb water slowly and can increase the risk of flooding.
- **Poor water management:** Improper water management practices, such as lack of maintenance of drainage systems or improper stormwater management, can increase flood risk.

3. Everything You Need to Know about Flood Insurance

As a homeowner, you'll have a few different options at your disposal when it comes to flood insurance. The first option is through FEMA. Flood insurance through FEMA is distributed through the NFIP program.

Your second option would be to go through the private insurance market. You'll be able to purchase either insurance option through your insurance company. However, there are some fundamental coverage differences between the two insurance options that are important to know before you make a decision.

| Flood Insurance Coverage | |
|--|--|
| Coverage Details through NFIP: <ul style="list-style-type: none">• \$250,000 maximum on structure• \$100,000 maximum on contents• Elevation certificate is required• 30 day waiting period | Coverage Details with Private Market Flood Insurance: <ul style="list-style-type: none">• \$2,000,000 maximum on structure• \$500,000 maximum on contents• No elevation certificate is required• 10 day waiting period |

** It should be noted that if you require more than \$250,000 of coverage on the structure of your home, an insurance policy through the NFIP will not be an option. The good news is there are several insurance options available for homes that require more coverage through the private market.

Insurance Costs

Flood insurance costs can vary widely depending on several factors, including the flood zone where the property is located, the value of the property, its size, and other factors. If a property is not in a high-risk zone, the annual cost of flood insurance may be around \$500, but this can still vary depending on certain factors.

On the other hand, if a property is located in a high-risk flood zone, the cost of flood insurance can be significantly higher. This is why it is essential to know the flood zone of a property before submitting a contract. In high-risk areas, the cost of flood insurance can be several thousand dollars per year, depending on the value and size of the property.



Financial Impact of Flood Insurance

The financial impact of a flood loss can be devastating, especially if you do not carry flood insurance. In 2022, Waverly, TN, experienced a massive flood loss. Most of the homes affected were in a low-risk area and did not have flood insurance coverage. In such cases, affected homeowners must get involved with FEMA to secure a loan. However, it is important to note that the loan must be paid back, adding to the already heavy financial burden.

Here are a few statistics regarding the financial impact of flood insurance:

- The NFIP reports that the total insurance claims paid out from 1978 to 2020 amounted to over \$54 billion.
- A study conducted by the National Institute of Building Sciences found that for every \$1 spent on flood mitigation, there is a potential savings of \$6 in future damages.
- A report by the Congressional Budget Office found that uninsured losses from floods in the United States averaged around \$2.4 billion per year between 2005 and 2014.

These statistics highlight the importance of obtaining flood insurance coverage to protect yourself from potential financial losses due to flood damage. While the cost of flood insurance premiums may seem high, they can provide significant financial protection in the event of a flood.

Obtaining flood insurance is an easy and affordable way to protect yourself against such financial losses. Flood insurance is generally easy to obtain and affordable, especially if your property is not in a high-risk flood zone. It is a small premium to pay for your peace of mind, knowing that your property is protected from flood damage and its associated financial consequences.

Waiting Periods for Flood Insurance

If you are purchasing a new home, it is essential to consider the potential risk of flooding and obtain flood insurance coverage. However, it is important to note that flood insurance policies typically have waiting periods before coverage becomes effective.

If you do not purchase flood insurance prior to closing on a new home, you must ensure that you understand the waiting period requirements for your policy. Typically, the waiting period for flood insurance policies is 30 days, meaning that coverage does not become effective until 30 days after the policy has been purchased.

However, if you are closing on a loan to purchase the home, the waiting period may be waived. This is because lenders require flood insurance coverage to protect their investment in the property, and the waiting period could leave the property vulnerable to flood damage during this time.



It is essential to understand the waiting period requirements for your flood insurance policy and to plan accordingly. Waiting periods can leave you vulnerable to financial losses due to flood damage, and it is important to take steps to protect yourself and your property. If you are unsure about the waiting period for your policy, be sure to consult with your insurance provider for more information.

CONCLUSION

A Flood Insurance Recap

Flood insurance is a crucial component of protecting your property and finances against the devastating effects of flooding. Whether you live in a high-risk flood zone or a moderate-to-low risk area, flood insurance can provide financial protection against losses due to flood damage.

Understanding your flood risk is the first step in determining the type and level of flood insurance coverage that you need. Flood zones are determined by FEMA and are based on a variety of factors, including weather patterns, development, and erosion. If you live in a high-risk flood zone, you will likely need to purchase more comprehensive flood insurance coverage to protect your property and finances.



However, even if you live in a moderate-to-low risk flood zone, you should still consider purchasing flood insurance coverage. While the risk of flooding may be lower, it is not entirely removed, and even a small amount of flood damage can be costly to repair.

The cost of flood insurance varies depending on several factors, including the zone you live in, the value of your home, and other factors. If you live in a high-risk flood zone, flood insurance can be more expensive. With that being said, your insurance company will be able to provide you with a plan that meets all of your safety and financial requirements. While the cost of flood insurance premiums may seem high, they can provide significant financial protection in the event of a flood.

Are you wondering what flood zone your home is in?

You can find out more about your home's flood zoning through <https://msc.fema.gov/portal>



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If you have any more questions regarding flood insurance for your home, feel free to reach out anytime. Together, we'll find the best policy for your unique circumstance.

About the Author

Jason Conner is an accomplished entrepreneur, veteran, and family man from Los Angeles, California. After serving eight years in the active duty Army, Jason relocated to Tennessee in 2003 to begin a new chapter in his life. Following a successful career with a major insurance firm, Jason decided to start his own insurance company. In 2022, he founded Conner Insurance Group, which is located in the heart of Murfreesboro, Tennessee. As the CEO of the company, Jason is dedicated to providing exceptional service to his clients and building a strong team of professionals. Outside of work, Jason enjoys spending time with his family. He and his wife, Hollie, have two sons, Ethan and Owen, and two boxers named AJ and Creed. Jason is also an avid traveler, cook, and golfer, and he always makes time for his hobbies despite his busy schedule.

RESOURCES

- National Flood Insurance Program (NFIP): <https://www.fema.gov/national-flood-insurance-program>
- Federal Emergency Management Agency (FEMA): <https://www.fema.gov/>
- Insurance Information Institute: <https://www.iii.org/article/flood-insurance>
- Centers for Disease Control and Prevention (CDC): <https://www.cdc.gov/disasters/floods/floodsafety.html>
- American Red Cross: <https://www.redcross.org/get-help/how-to-prepare-for-emergencies/types-of-emergencies/flood.html>
- Statista Statistics Bureau: <https://www.statista.com/statistics/237420/economic-damage-caused-by-floods-and-flash-floods-in-the-us/>
- FloodSmart (U.S. Government Flood Information Site): <https://www.floodsmart.gov/all-about-flood-maps>
- Neptune Flood (Flood Insurance Provider): www.neptuneflood.com