

FLOOD INSURANCE

Nevada Consumer's Guide



State of Nevada
Department of Business and Industry
DIVISION OF INSURANCE

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FLOOD INSURANCE

FLOOD DANGER

Flooding is the No. 1 natural disaster that Nevadans face and it can occur at any time of year. In Nevada, the most common causes of flooding are heavy rains, flash floods, new land development that can change natural drainage and the spring thaw of winter snow. Additionally, other causes -- such as the 2008 levee breach in Fernley -- also can lead to unexpected and often rapid flooding.

One of the most common and most devastating myths is that homeowners' or commercial property insurance will cover loss or damage caused by flood. In fact, approximately one third of the homeowners surveyed recently by the National Association of Insurance Commissioners (NAIC) incorrectly believed that their homeowners' insurance policy would cover flood damage.

It is critical to check now and evaluate if you have the protection you need for your dwelling/building and belongings in case of flood.

WHAT IS FLOOD INSURANCE

Flood insurance coverage is offered through a federal program known as the National Flood Insurance Program (NFIP) administered by the Federal Emergency Management Agency (FEMA). It is available to owners and renters of homes, condominiums and commercial buildings. In the past few years, the NFIP has been temporarily extended several times by Congress for short durations; however Congress is expected to open discussions on possible reauthorization of this program on a non-temporary basis, including debate on possible financial reforms to the program.

A standard flood policy for a homeowners' residence can be written to insure structural damage up to a limit of \$250,000, including the furnace, water-heater, air-conditioner, floor surfaces and debris clean up. Homeowners may, for an additional premium, purchase contents coverage of up to \$100,000 for damage caused by a flood. Flood insurance policies for non-residential or commercial buildings may be purchased to provide coverage up to \$500,000 for the property and its contents. While the cost of NFIP policies is standardized, pricing may vary depending on the flood zone designation, the amount and type of coverage selected and the level of deductible.

Flood policies are generally written with a minimum deductible of \$500, but higher deductibles also are available. The deductible is generally applied separately to a structure and its contents, giving you the option to choose different deductible amounts for these coverages.

Just like claims covered under your homeowners' insurance policy, flood related claims are generally reimbursed on the basis of either Replacement Cost Value (RCV) or Actual Cash Value (ACV). The RCV is the cost to *replace* damaged property and is reimbursable to owners of single-family, primary residences insured to within 80 percent of the building's replacement cost. All other buildings and personal property (i.e. contents) are valued at ACV which is the RCV at the time of loss minus physical depreciation. Personal property is always valued using the ACV.

Contact your insurance agent or insurance company to confirm whether flood insurance is available to you and what it would cost. Ask your insurance agent or insurance company to fully explain any exclusions in your homeowners' or commercial property policy related to flood or water damage. While water damage itself may not be covered under your existing policy, loss or damage due to explosion, fire, theft or looting *caused by* water damage may be covered. Be sure to ask about restrictions in coverage when there are related causes of loss happening at the same time as a flood, such as rain, wind and weight of ice or snow, which may be covered by your policy, irrespective of other damage that may be excluded from coverage.

An appendix at the end of this guide provides a comparison of water-related perils covered under a standard homeowners' insurance policy and a standard flood insurance policy. A standard homeowners' policy generally provides coverage for various perils other than water damage.

It is important to plan ahead when purchasing flood insurance. A flood insurance policy usually will not become effective until **30 days** after purchase.

WHO MAY PURCHASE FLOOD INSURANCE

The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 mandate the purchase of flood insurance as a condition of federal or federally related financial assistance for purchase or construction of buildings in Special Flood Hazard Areas (SFHAs) of any community. This means that if you have secured a loan or a mortgage through a federally regulated or insured lender, and your property is in an SFHA zone, the lender will require the purchase of flood insurance for your property.

All residential and commercial owners or renters of insurable property (a building and/or its contents) in a community participating in the NFIP are eligible to purchase flood insurance through the program. Builders of buildings in the course of construction, condominium associations and owners of residential condominium units in participating communities also may purchase flood insurance.

If your community participates in the NFIP, you can purchase flood insurance regardless of whether or not a particular piece of property is located in a flood plain. To verify whether your community participates in NFIP, contact your local city or county planning office or your insurance company or agent.

FEMA routinely updates flood zones when new data shows changes to the areas of flood hazard. If the updates to flood maps result in the placement of your home or property in one of the SFHA flood zones, your lender (if any) is required to contact you and allow 45 days for you to purchase flood insurance. The same would apply if you wished to obtain federal or federally related financial assistance for construction of a property. If you fail to obtain the mandatory flood coverage, lenders may opt to purchase an independent policy providing flood coverage to protect their loan and may add the premium amount to your loan amount.

Even if your property does not fall within a designated high-risk flood zone, there are still risks. According to FEMA, the chance of a flood occurring in low to moderate flood hazard areas is 25 percent. Similarly, FEMA reports that approximately one in every three NFIP claims come from outside the designated high-risk flood areas.

Few Nevadans in lower hazard areas purchase flood insurance through the NFIP, which offers a “preferred-risk policy” for low- to moderate- risk areas at a reasonable annual premium. The eligibility rules for preferred-risk policies now include more coverage options for residential condominium units, other residential properties (such as apartment buildings and assisted living facilities) and other non-residential or commercial properties (such as small businesses, churches, schools, etc.). Owners of such properties, who were previously only eligible for contents coverage, are now eligible to insure the building as well.

The Division recommends that Nevada residents consider purchasing flood insurance on a voluntary basis. If coverage is purchased after a property is re-mapped into a high-risk flood area, the lender may mandate the purchase of this coverage, and the annual premium will be based upon the high-risk rating of the property. However, if coverage is purchased before the re-mapping occurs, the annual premium will be adjusted at a reduced “grandfathered” price since the policy already was in place.

IS MY PROPERTY IN A FLOOD ZONE

You can check your flood zone by visiting the NFIP’s web site at: www.floodsmart.gov and entering your address.

As part of the floodplain management program, FEMA designates communities into flood zones based upon the annual chance of flooding. Special flood hazard areas (SFHAs) are high-risk flood areas and include zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, V1-30, VE, and V. Moderate- to low-flood hazard areas include zones B, C or X. An area designated with the letter “D” refers to areas where FEMA has not yet conducted a flood-hazard analysis but flood risk still exists.

FEMA and the National Oceanic and Atmospheric Administration (NOAA) have recently created an interactive “flood impact map” (www.floodsmart.gov/noaa) that features localized, searchable data about past flood events in their area and the amount of damage (in dollars) caused by these events in recent years.

WHERE ELSE MAY I PURCHASE FLOOD INSURANCE

The uncertainty regarding a long-term extension to NFIP allows for the possibility that NFIP may temporarily become unavailable in the future. If NFIP becomes unavailable, consumers whose mortgage lenders require flood insurance may not be able to secure flood insurance through NFIP. If this happens, you have other options for obtaining flood insurance in Nevada; however, the Division urges you to first contact your lender to see if the lender will grant an extension to allow you to obtain coverage from NFIP once it becomes available again. Frequently asked questions on this topic are available on the Division's Web site at <http://doi.nv.gov/consumer.aspx>.

Within the admitted (licensed) marketplace, some insurance companies may be able to offer flood coverage as a stand-alone product or through a "Natural Disaster Policy" (generally covering various types of disasters including flood). As such, the Division recommends that consumers in such a predicament contact their homeowners' or commercial risk insurance company or agent to inquire about the availability of flood insurance through their insurance company.

We have a healthy and competitive insurance marketplace in Nevada and we encourage consumers to shop around if the coverage they desire is not available with a particular insurance company. However, the Division strongly recommends that consumers verify that the selected insurance company or agent is duly licensed in Nevada by visiting the Division's Web site, doi.nv.gov, and using the "License Look-up Tool."

Consumers also may contact an independent agent that has access to programs such as the Homeowners Catastrophe Insurance Trust (HCIT), which was established to provide coverage for major perils including flood and landslides. The Nevada Independent Insurance Agents staff may assist you with locating a licensed independent agent in your community.

Nevada Independent Insurance Agents

www.niia.org
(775) 882-1366

Alternately, consumers may contact a licensed surplus lines broker for placement within the non-admitted market. Licensed surplus lines brokers also have access to natural disaster policies including flood coverage. A list of licensed surplus lines brokers is available through the Nevada Surplus Lines Association (NSLA).

Nevada Surplus Lines Association

www.nsla.org
(775) 826-7898
(888) 334-4577

IF YOU HAVE FLOOD DAMAGE

If your home, apartment or business has suffered damage, call the insurance company or insurance agent who handles your flood insurance policy right away to file a claim. However, be advised that filing an unnecessary water damage claim for accidental water discharge which is generally covered under a homeowners' insurance policy may result in higher deductible, increased premiums or cancellation of the homeowners' policy.

Even if you do not have a flood insurance policy, in the event of a catastrophic flood disaster, you may still want to file a claim with your homeowners' or commercial insurance company or insurance agent immediately. In case a flood area is declared a major federal disaster, a proof of rejection of your flood-related claim from your homeowners' or commercial property insurance company may be required as part of determining eligibility for federal aid. In the event a claim that was originally denied is changed to an accepted claim at a later date, you will be required to reimburse any financial assistance or funding received from FEMA, not to exceed your claim settlement.

It is important to remember that, if a flood area is declared a major federal disaster, the federal government will not pay for any repairs or other damages. Federal assistance is generally in the form of accessibility to low interest loans to allow you to re-build your home or business.

It is important to note that any damage to personal or commercial vehicles caused by a flood – even if the vehicle is parked in a garage -- is **not** covered under a homeowners' or commercial property policy. The comprehensive coverage provision of your automobile policy, also listed as the "other than collision" provision in some insurance contracts, generally provides coverage for damage to vehicles caused by disasters including flooding, subject to any applicable deductible.

SOME TIPS TO FACILITATE FLOOD CLAIMS SETTLEMENTS

- ✦ Before any disaster occurs, make sure to prepare a detailed inventory of your property. Take pictures and make video recordings where possible and try to save receipts of major items for documentation purposes. Having thorough written and visual records of your property in its pre-loss condition is likely to make it easier to demonstrate to your insurance company the nature and extent of the damage. As a precaution, store this information away from the insured premises.
- ✦ If your property has been damaged as a result of a flood, do whatever is necessary to prevent further damage, including boarding up your home to prevent looting.
- ✦ Obtain estimates covering repairs to structural damage. Prepare an inventory of damaged personal items. Include a description of each item and its value. Attach copies of bills, receipts and other documentation that substantiates your figures. In addition, keep careful records of any additional living expenses you incur if you have to find other accommodations while your house is being repaired.
- ✦ Once your insurance company has determined that your loss is covered, it probably will assign an adjuster to verify your claim and determine the amount of the loss. Most claims are settled promptly, but some may require investigation, often because of the extent of the loss or because the cause of loss is unclear.
- ✦ As with all types of insurance, the best advice is to understand your policy and be sure you have the proper coverage before an accident or disaster occurs. If you need help understanding what your policy covers, contact the Division of Insurance Consumer Services Section at (775) 687-4270 in Carson City or at (702) 486-4009 in Las Vegas.

QUICK LINKS

✦ Division of Insurance
doi.nv.gov

✦ NFIP Information Page
www.floodsmart.gov
Toll Free: 1-888-379-9531

✦ FEMA Flood Information Page
www.fema.gov/hazard/flood
Toll Free: 1-800-427-4661

✦ FEMA Disaster Assistance: 1-800-621-3362

CONTACT INFORMATION

As the ultimate consumer protection agency on insurance issues, the Nevada Division of Insurance exists to serve you. We can be a source of unbiased information and assistance to you.

While most insurers have policyholder service officers to handle your policy-related questions, we encourage consumers interested in further information on flood insurance coverage to contact the Division of Insurance:

Northern Nevada

State of Nevada
Department of Business & Industry
Division of Insurance
788 Fairview Drive, Suite 300
Carson City, Nevada 89701-5491
(775) 687-4270

Toll Free in Nevada:
(800) 992-0900

E-mail: csc@doi.state.nv.us

Southern Nevada

State of Nevada
Department of Business & Industry
Division of Insurance
2501 East Sahara Ave., Room 302
Las Vegas, Nevada 89104
(702) 486-4009

Toll Free in Nevada:
(800) 992-0900

E-mail: cnsmsv@doi.state.nv.us

Division of Insurance on the Web

doi.nv.gov

Appendix Comparison of Covered Water-Related Perils

Standard Homeowners' Insurance Policy

Covers	Excludes
<p>Direct loss by fire, explosion or theft resulting from any water-related peril.</p>	<ul style="list-style-type: none"> o Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind. o Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment (coverage may be purchased as a special endorsement); o Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure. o Escape, overflow or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system.

Standard Flood Insurance Policy

Covers	Excludes
<ul style="list-style-type: none"> o A flood, meaning “[a] general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from: <ul style="list-style-type: none"> ▪ Overflow of inland or tidal waters; ▪ Unusual and rapid accumulation or runoff of surface waters from any source; ▪ Mudflow; or ▪ Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.” o The pressure or weight of water if there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water. o Overflow of inland or tidal waters. The reasons for the overflow are not restricted. 	<ul style="list-style-type: none"> o Loss due to theft, fire, explosion, wind, or windstorm o Water or waterborne material that: <ul style="list-style-type: none"> ▪ Backs up through sewers or drains; ▪ Discharges or overflows from a sump, sump pump or related equipment; or ▪ Seeps or leaks on or through the covered property unless there is a flood in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or seepage of water. o The pressure or weight of water unless there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water. o Damage caused by moisture, mildew, or mold that could have been avoided by the property owner.