



State of Vermont

CONSUMER ADVISORY

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Got Flood insurance?

A natural disaster can be a harsh lesson in preparedness, and one thing Vermonters often learn too late is that a standard homeowner's insurance policy does NOT cover damage from flooding. Even flood insurance itself does not cover all the losses you might assume it does, but it can still be a financial "lifesaver" nonetheless.

Why buy flood insurance? Because you may be more at risk than you think.

In recent years, flooding has hit many Vermonters who thought they lived in an area with only a low to moderate flood risk. Recent figures show that about 25% of all flood insurance claims came from people who did NOT live in areas previously considered at high risk. Many Vermont homeowners and businesses who suffered damage were not insured against losses connected with flooding. Either they thought they didn't need flood insurance, or they didn't realize they weren't covered.

Standard insurance excludes losses from flooding

A standard homeowners policy excludes flood coverage, and states that "water damage" to the dwelling and property is not covered. The standard scope of water damage is: "flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind."

How to get flood insurance:

You must purchase flood insurance separately from your regular homeowner's policy, through the National Flood Insurance Program (NFIP), a federal agency. You can obtain it through a local insurance agent that places the risk directly with NFIP, or through a local insurance agent that places the insurance with a "Write Your Own" company. For a business, a Commercial Insurer fills an administrative role for the NFIP, but Commercial Insurers do not underwrite or provide the coverage.

To check information on National Flood Insurance Program online, go to http://www.fema.gov/pdf/nfip/summary_cov.pdf. You may want to act soon. If you did not purchase flood insurance at the time you purchased your property, in some cases **it may take 30 days before your coverage begins.**

Beware of Basement Issues:

Note that flood insurance generally covers your home's structure and contents up to

policy limits, but does not cover most contents of a basement other than utilities such as a furnace, hot water heater, or washer and dryer. Personal items or inventory stored in the basement generally are NOT covered by flood insurance. If you have a finished basement, the flooring, walls and ceilings also are NOT covered.

Commercial policies or homeowner policies may cover water damage if, for example, rain seeped through the roof or a water pipe breaks. But water seeping through the foundation isn't covered.

Homeowners and business owners can also buy what's called "sewer backup insurance" that covers damage when the line backs up because of an obstruction such as tree roots. (If the cause of sewer backup is general flooding, there may be coverage through flood insurance, depending on the circumstances, but not under sewer back up insurance.)

Your town must participate

Not all Vermont towns participate in the National Flood Insurance Program. If you live in a town that does not participate, you cannot purchase flood insurance. To find out if your town participates, check with your town clerk. As of November 2007, only 46 Vermont Communities were not in the NFIP.

How the NFIP defines "flood"

The National Flood Insurance Program defines "flood" as follows:

"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:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source;
- Mudflow."

Are you required to have flood insurance?

Flood insurance is required only when a property is located in Zone A, described as "Special Flood Hazard Area" by FEMA, and the property is mortgaged. Federally regulated or insured lending institutions must determine if the structure is located in a SFHA and must provide written notice to the property owner requiring flood insurance.

Flood insurance is also available for properties located outside of the Zone "A" or "Special Flood Hazard Area" through the NFIP. This type of coverage can be obtained through your local insurance agent provided that your community is a participant in the NFIP

If you live in a high risk area, coverage will be more expensive, and if you have a mortgage, your bank will require you to have flood insurance.