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Need Flood Insurance? New Website Helps Homeowners Find Affordable Options

Mike Megoulas has lived in a Dauphin County township for more than a decade and never thought twice about flood insurance. In October 2012, however, he received a letter from his mortgage company notifying him that his house was in a flood zone.

Flooding at Megoulas's house has been rare. For instance, there was the time in 2011 when Tropical Storms Ivan and Lee hit the county and left several inches of water in his basement.

"When I bought my house," he says, "I never even knew I was in a flood zone — and now I need flood insurance."

Plugging a financial drain

Many homeowners in Pennsylvania and elsewhere are finding themselves in a similar situation.

"For most Pennsylvanians trying to buy individual flood insurance coverage, especially for their homes, the National Flood Insurance Program (NFIP) run by the federal government was thought to be the only option," state Insurance Commissioner Teresa Miller says. "However, now that Congress is mandating that federal subsidies end for NFIP coverage and that premiums be



Eventually, a little rain is going to fall into your life. Be prepared. A new web site hosted by the Pennsylvania Insurance Department can help homeowners in high- and low-risk flood zones find affordable insurance.

based on the property's actual risk, costs for this coverage are rising and may become difficult for many homeowners to afford.

"In addition, redrawn Federal Emergency Management Agency (FEMA) maps are placing many properties in flood zones that had not been there before. That's why my office is committed to finding ways to help consumers identify lower-cost coverage."

The agency, for instance, has created a new one-stop shop at www.insurance.pa.gov, where homeowners and renters can find information about available insurance. (*Note: To access the page, click on "Flood" under "Top Pages."*)

For decades, Miller says, the National Flood Insurance Program kept its premiums artificially low, but an unprecedented number of claims following Hurricane Katrina sent the program into billions of dollars of debt.

The result? Large premium increases.

The good news for Pennsylvania consumers is that these rapidly rising NFIP premiums are making flood insurance more attractive for private market insurers, which are in many cases offering coverage at substantially lower costs.

Just ask homeowner Mike Megoulas.

"In 2012, my property was remapped into a flood zone, and I was told I had to buy flood insurance to keep my mortgage," he says. "NFIP insurance would have cost me \$2,700 a year, but

I was able to find private coverage for only \$718 annually."

Pinpointing insurance options

Most private-market residential flood insurance in Pennsylvania is sold by "surplus-line" insurers, which are licensed in other states or countries and offer the higher-risk coverage that other companies tend to shy away from.

The state Insurance Department's new one-stop online shop has links for these and other insurers providing flood coverage. In addition, the page has a link to the NFIP and lists the coverage written by each licensed insurer. For example, some insurers only offer contents coverage for renters, while others offer coverage for both the dwelling and its contents, for homeowners.

"My goal is to make sure Pennsylvanians can find good coverage at affordable prices, and this one-stop website will help homeowners and renters be able to do this," Miller says.

Recently, Miller testified before a congressional subcommittee in support of proposed federal legislation that would facilitate the entry of additional carriers into the private flood insurance market and provide consumers with additional options. The proposal would also require mortgage companies to accept qualified private insurance in addition to NFIP policies. ♦

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Flood Facts

- In the past 5 years, all 50 states have experienced floods or flash floods.
- Homeowners' insurance does not cover flood damage.
- If you live in a Special Flood Hazard Area (SFHA) or high-risk area and have a federally backed mortgage, your mortgage lender requires you to have flood insurance.
- Just a few inches of water from a flood can cause tens of thousands of dollars in damage.
- Flash floods often bring walls of water 10 to 15 feet high.
- A car can easily be carried away by just 2 feet of rushing water.
- Hurricanes, winter storms, and snow-melt are common — but often overlooked — causes of flooding.
- New land development can increase flood risk, especially if the construction changes natural runoff paths.
- Federal disaster assistance is usually a loan that must be paid back with interest.

For a \$50,000 loan at 4-percent interest, your monthly payment would be around \$240 a month (\$2,880 a year) for 30 years. Compare that to a \$100,000 flood insurance premium, which is about \$400 a year (\$33 a month).

- A preferred risk policy provides both building and contents coverage for properties in moderate- to low-risk areas for one low price.
- You are eligible to purchase flood insurance as long as your community participates in the National Flood Insurance Program.
- In most cases, it takes 30 days after purchase for a policy to take effect so it's important to buy insurance before the storm approaches and the floodwaters start to rise.
- In a high-risk area, your home is more likely to be damaged by flood than by fire.

Note: Information courtesy of floodsmart.gov