

The Minnesota Department of Commerce urges consumers to review flood insurance needs

Written by

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As winter conditions turn to spring melting, the Minnesota Department of Commerce is reminding Minnesota homeowners to determine if they may need flood insurance coverage. Flood damage is not covered under a standard homeowner's policy.

"Homeowners should closely monitor spring flood forecasts as Minnesota emerges from last fall's moderate to severe drought, to protect themselves from flooding's potential dangers and risks of property damage," said Commerce Commissioner Mike Rothman. "We want to make sure that Minnesotans know that there is a limited time to review updated flood maps to assess whether to purchase flood insurance. Homeowners should act quickly – flood insurance takes 30 days to go into effect."

The Commerce Department provides information for consumers who are considering flood insurance to safeguard their homes:

- The standard homeowners' insurance policy does NOT cover flood damage. Flood insurance is a special policy that is backed by the National Flood Insurance Program (NFIP). Check with your insurance company to see if they offer coverage.
- Check with area floodplain maps to figure out if your property falls on a 100-year floodplain, a 500-year floodplain or neither.
- However you do not have to be in a floodplain to purchase flood insurance.
- Anyone can buy flood insurance as long as their community participates in the National Flood Insurance Program.
- Flood insurance becomes effective 30 days after it is purchased. It is never a good idea to wait to purchase insurance until you absolutely need it. The rule of thumb in situations such as flooding is it is better to be safe than sorry. There are recent examples of property flooding on the 29th day after purchasing insurance.
- Floodplains are not the only areas at risk for flooding. Twenty to 25 percent of all Minnesota flood claims come from outside areas designated as high risk.
- In the majority of floods, uninsured victims may have to use their own resources to rebuild or recover. Until the President declares a flood a disaster, disaster assistance is unavailable. Less than 50 percent of all floods are declared disasters. Disaster assistance is typically offered in the form of a loan which must be paid back.
- The average flood insurance premium is \$400 per year depending on where you live and the coverage you choose. It could be higher, but in low- to moderate-risk areas, coverage can be purchased for just over \$100.
- Homeowners can buy up to \$250,000 worth of structural coverage. Businesses can buy up to \$500,000 of coverage. There is separate coverage for contents: up to \$100,000 for residential and \$500,000 for non-residential, so renters can purchase flood insurance too.

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- Standard flood insurance does NOT typically cover basement improvements or personal contents in basements. It does, however, cover the structural elements and essential equipment normally located in basements, such as a furnace, water heater, washer and dryer. Talk to your insurance agent about specific coverage available for basements.
- Flood insurance is available in all communities that participate in the National Flood Insurance Program. Most Minnesota communities participate. To find out if your community participates in the program, visit the FEMA website.
- All claims and expenses of the NFIP program are funded by insurance premiums, not tax dollars.

Business owners should also be aware of the recent changes to flood insurance rates that start in 2013 due to the National Flood Insurance Reform Act of 2012. Among other changes, rates for properties in special flood hazard areas will increase. Subsidies for certain types of non-primary residences and business properties, or properties that have experience flood damage will end.

Purchasing flood insurance: contact your local insurance agent or insurance company to find out what types of offers they have for purchasing flood insurance.

For more information about flood insurance, contact the Federal Emergency Management Agency (FEMA), Federal Insurance Administration, Washington DC. 20472. Information is also available on the National Flood Insurance Programs website at www.FloodSmart.gov. For information about filing claims, or to report trouble applying for flood insurance, call the national information line at 1-888-379-9531.

The Commerce Department's website contains a Disaster Information Center containing information for consumers and businesses to help prepare for the worst and make informed insurance decisions after a catastrophic loss. If you are experiencing problems with an insurance company or would like to report any fraudulent activity, contact the Minnesota Department of Commerce Consumer Response Team at 800-657-3602 or 651-296-2488 or consumer.protection@state.mn.us.

For information additional information about flood insurance, flood preparation, safety, cleanup and more, visit the Minnesota Department of Natural Resources flood safety and cleanup webpage.