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PRIVATE FLOOD INSURANCE

A Complete Guide for Homeowners

NO HOME IS COMPLETELY SAFE FROM POTENTIAL FLOODING. FLOOD INSURANCE CAN BE THE DIFFERENCE BETWEEN RECOVERING AND BEING FINANCIALLY DEVASTATED. JUST ONE INCH OF WATER IN A HOME CAN COST MORE THAN \$25,000 IN DAMAGE—WHY RISK IT?



UNDERSTANDING NFIP (FEMA) FLOOD INSURANCE

If you live in a coastal state like Florida, [New York](#), New Jersey, Connecticut or California, you may wonder if you need [flood insurance](#) for your home. Even if flood insurance is not mandated by your mortgage company, it's a wise investment to protect your home and belongings.

Every home is at risk of flood damage. If it rains where you live, your home could flood. Since [homeowners insurance policies](#) do not cover damage from rising waters, **flood insurance is your best protection against this catastrophic event.**

Since 1968, the [National Flood Insurance Program](#) (NFIP) has paid out tens of billions of dollars in insurance claims. Superstorm Sandy, which hit New York, Long Island, and part of New Jersey in 2012, and Hurricane Harvey in Florida in 2017, resulted in the second largest payouts from the NFIP, each totaling \$8.8 billion. These events were second only to Hurricane Katrina, which led to \$16.3 billion in payouts in 2005.

In 1983, the NFIP began permitting private insurance agencies to write flood insurance through the NFIP, as part of the Write Your Own (WYO) program. These policies, available through 59 insurance agents across the country, are backed by the federal government, but underwritten and managed through private carriers.

Both NFIP and WYO policies carry coverage limits of \$250,000 for structures and \$100,000 for personal property.

If you're shopping around for flood insurance, your first thought may be to purchase a policy through NFIP or through a private insurance agency that participates in WYO.

But private flood insurance is a viable alternative. In fact, it may be the only option for high-value homes or individuals who want full replacement cost coverage on a home worth more than \$250,000.

If you live in a house worth more than \$250,000, as most of us here on Long Island do, you probably have questions about **private flood insurance** and how it can help you protect the home you've worked so hard for..



WHAT IS PRIVATE FLOOD INSURANCE?

Private flood insurance is an insurance policy written by a private carrier.

Private flood insurance is not backed by the federal government, so you want to be sure your carrier has the backing to support your claim, especially after a major storm event that could result in billions of dollars in payouts.

Previously, private flood insurance was only recommended for high-value homes that wouldn't be covered under an NFIP policy or homes that wanted additional coverage beyond the \$250,000 limit of NFIP policies.

Private flood insurance is now becoming more popular, with some carriers offering as much as 25% savings over **NFIP insurance**, shorter waiting periods, and faster claims payouts.

Just like NFIP flood insurance, private flood insurance covers your home against damage that occurs as a result of rising waters, which is not covered by conventional home insurance.

WHAT IS THE DIFFERENCE BETWEEN NFIP (FEMA) AND PRIVATE FLOOD INSURANCE?

Beyond the obvious difference, homeowners will see several variations between NFIP and private flood insurance.

Some private flood insurance carriers permit coverage limits up to \$2 million for a home and \$500,000 for its contents. If you have special collections, such as wine, firearms, or fine art, a private insurer can offer even higher coverage limits for these items. Private flood insurance also pays living expenses if you can't stay in your home during the restoration and renovation process.

You may also find that a private insurer will pay your claims faster, especially following a storm like Hurricane Katrina or Superstorm Sandy.

IS PRIVATE FLOOD INSURANCE CHEAPER THAN FEDERAL FLOOD INSURANCE POLICIES?

With so many advantages to private flood insurance, including greater coverage limits, you might expect a policy to cost more. After all, NFIP policies are subsidized by the federal government.

But 77 percent of Florida homeowners could get a better deal on flood insurance through a private carrier, according to ValuePenguin. Likewise, 69 percent of homeowners in Louisiana and 92 percent in Texas could pay smaller premiums. But the same study also reported that some homeowners could pay as much as two times the cost of an NFIP policy with private flood insurance, so it's important to shop around and explore your options.

Today's technology can better calculate the risk of flooding in specific areas, which could result in reduced premiums for homeowners in lower-risk flood zones.

DO BANKS AND MORTGAGE LENDERS ACCEPT PRIVATE FLOOD INSURANCE?

Private flood insurance only started to grow in popularity since 2014. Until recently, many banks and mortgage lenders would not accept private flood insurance for homes located in specific flood hazard areas. The lender wanted to be sure the insurance company would be able to pay in the event of a claim.

In 2012, the Biggert-Waters Act allowed lenders to accept private flood insurance policies if the policy met certain criteria for coverage but did not require it.

In July 2019, [a new rule will go into effect as part of the Biggert-Waters Act](#), that requires lenders, including federal agency lenders like Fannie Mae and Freddie Mac, to accept private flood insurance. This will create a more competitive marketplace and give homeowners more choices in flood insurance policies.

New flood insurance rules enacted in October 2018 also make it easier to [switch to a private flood insurance policy mid-year](#) and even obtain a refund for the balance of your NFIP policy.

It's important to remember that you have choices in flood insurance policies, and you should shop around for the best deal.



DOES PRIVATE FLOOD INSURANCE HAVE A WAITING PERIOD?

If you've been watching the weather reports for the coast and decide to buy a flood insurance policy, even if it's not mandated by your bank, you might be surprised to learn there's a 30-day waiting period before your federal flood insurance policy will go into effect. Some private flood insurance companies only require a 10-day waiting period.

With NFIP insurance or a private policy, if you are buying flood insurance at the same time you are purchasing a mortgage for a home, your policy will go into effect at closing in order to meet any lender requirements for insurance.

WHERE CAN HOMEOWNERS BUY PRIVATE FLOOD INSURANCE?

Now that you know more about private flood insurance, you may be wondering where you can find the best rates.

When choosing a private flood insurance broker, make sure to choose one that works with reputable carriers, so you know you'll be covered in the event of a catastrophic flood.

Coastal Insurance has written NFIP and private flood insurance policies for regular and high-value homes in Long Island, New York, and New Jersey for decades, and we work with top carriers to deliver the best value and savings.



HOW TO CANCEL A NFIP FLOOD INSURANCE POLICY?

Private Flood Insurance & Canceling FEMA Flood Policy NFIP CANCELLATION REASON CODE 26

Changes that became effective October 1st, 2018 (updated April 2019), are still in effect and provide flood insurance customers with greater freedom to choose their own **Private Flood Insurance Provider**. If certain conditions are met, customers are eligible to cancel/nullify their NFIP flood insurance policy.

Prior to NFIP's 2018 changes, canceling an NFIP flood insurance policy was price prohibitive in many cases because no refunds were available. Now, flood insurance customers can choose to cancel their NFIP policy using Reason Code 26 (duplicate coverage) if they meet NFIP requirements.

Reason Code 26—How to Cancel a NFIP Flood Insurance when **Duplicate Coverage** from a **Private Flood Insurance** Company is purchased.

- ✓ This can only be used when the insured did not intend to renew or purchase the NFIP policy because they purchased duplicate flood insurance coverage from a non-NFIP insurer.
- ✓ The NFIP will presume that an insured did not intend to renew their policy if they purchased a duplicate non-NFIP (Private Flood) policy prior to the NFIP policy's purchase or renewal date.
- ✓ There is NO Mid-Term cancellation of a NFIP Policy.
- ✓ NFIP will require the declarations page for the non-NFIP flood insurance policy that you are replacing the NFIP policy with.
- ✓ This declaration page, along with a signed cancellation request must be mailed to the NFIP insurer within 30 days of the NFIP policy becoming effective.
- ✓ If you miss the 30-day deadline, you are at risk for paying premium for duplicate flood insurance policies.

Rates through the NFIP are increasing in nearly all cases but homeowners have more options now. In the past, NFIP rules that restricted the ability to cancel policies kept many consumers captive to their existing flood insurance policies. With private flood insurance options growing rapidly, homeowners can choose from other coverage options that may be more affordable or which may provide more comprehensive coverage.