

## Flood insurance: Sharing the facts

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### *The fundamentals*

- 1—You do not have to live near a body of water to be at risk.** General flooding can be caused solely by the accumulation of rain, melting snow, mudslides, etc. Approximately 30% of flood claims are located in zones *outside* of the special flood hazard area.
- 2—Flood waters must cover two acres— OR—two properties** for coverage to be triggered.
- 3—Building and contents coverages are sold separately,** with the exception of the Preferred Risk Policy in B, C or X zones (in which case, the building and contents coverage can be combined). If the client does not purchase contents coverage, have them sign a waiver.
- 4—Customers can apply 10% of their building coverage to insure a detached garage when the garage is used solely for parking, access or storage.** Otherwise, the garage must be written on a separate policy (e.g., if there are bonus rooms over the garage, they cannot extend coverage).
- 5—Sewer backup is covered if it is a direct result of a general condition of flooding.** Coverage limitations in a basement apply to the building and the contents regardless of the cause of loss.
- 6—There is virtually NO coverage for contents in a basement,** with the exception of portable or window-type air conditioning units, clothes washers and dryers, and food freezers, including the food in them. (Refer to the separate enclosure on coverage limitations in basements for details.) Make sure your customers understands this, and get their signatures acknowledging the information has been explained to them.
- 7—There is a 30-day waiting period before coverage will be effective,** unless the coverage is required by a lender to make, increase, renew or extend a loan—or, for Residential Condominium Building Association Policies, unless documentation can be provided substantiating that a loan has been taken out in the name of the condominium association.
- 8—A flood policy cannot be cancelled in the middle of a term** unless there is a valid reason for cancellation. If the loan has been paid off, the mortgage company must indicate in writing that the flood insurance was a condition of the closing and it is no longer needed for lender purposes.
- 9—A checklist should be sent to your customers on an annual basis requesting information on any changes to their structure.** Changes to structures might result in a *rating change and coverage limitations* if any enclosures or extra floors were added. Provide us with photographs of the structure and we will review the policy rating for your protection.
- 10—Watch your renewals closely.** Encourage policyholders to insure to value or the maximum amount available in the program. If the policy lapses, re-quote the coverage. If they decline the coverage, have them sign a flood coverage rejection form for either building, contents or both.

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there is virtually no flood coverage  
for contents in a basement.**

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## The details

- 1—Make sure the structure is written on the correct policy form.** One of the most common mistakes we find is a structure written on a Dwelling Policy when it should be written on a Residential Condominium Building Association Policy (RCBAP). If the intent is to insure *all* of the units in a building on one policy, the policy form must be the RCBAP (unless the building is under construction, see #3 below). Note that individual unit owners can still purchase building coverage or contents coverage or both on the dwelling form.
- 2—RCBAPs must be insured to 80% of the value of the structure,** or a co-insurance penalty will apply at the time of a loss.
- 3—Residential condominium buildings in the course of construction must be insured under the general property or dwelling form,** unless two units have been sold and the condominium by-laws have been established.
- 4—For policies rated with elevation, check the elevation certificate** to make sure the property address matches the address you are putting on the application. Elevation certificates must be clear and legible.
- 5—Does the diagram number on the elevation certificate in an A or V flood zone indicate a 6, 7 or 8? If so, the structure has a full or partial enclosure.** The size of the enclosure will need to be noted on the application, as well as any machinery or equipment in the enclosure. If the enclosure has flood vents (A zones only), we need to know the total square inches of the venting. To qualify for a more favorable premium, there must be one square inch of venting for every one square foot of enclosure. (If the enclosure is 1,000 square feet, there must be 1,000 square inches of venting.)  
  
Also, vents must be on two sides of the building and be no more than one foot off the ground. If there is a garage attached to the structure, we need to know the venting and enclosure information, as well, and if there is any machinery or equipment in the garage.
- 6—There is limited coverage for contents in an enclosure in post-firm A and V flood zones, regardless of proper venting.** (Coverage limitations apply to A1-A30, AE AH, AR and AR dual zones or V1-V30 or VE; they do not apply to unnumbered A Zones, A99, AO.)
- 7—In post-firm A flood zones, the garage and enclosure must be used solely for parking, access and storage.** If not, the lowest floor will be what is noted in C3a on the elevation certificate.
- 8—The Preferred Risk Policy is available for owners of single family, two-to-four-family, and non-residential properties located in B, C or X flood zones.** Contents-only coverage is available for tenants and owners of all occupancies. Loss history is a factor in eligibility. Check your renewals to make sure your customers are receiving the best rate available.
- 9—Verify the flood zone.** We provide this service free of charge to our agents.
- 10—If in doubt, do not proceed!** Stop at once and contact our customer service department. Our flood experts are available from 8:00 a.m. until 8:00 p.m. (ET) to help you with rating, underwriting and claims processing!

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**If in doubt, do not proceed!**  
**Contact our customer service department:**  
**888.453.0598**

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