

# Understanding Flood Insurance

Office of the Commissioner

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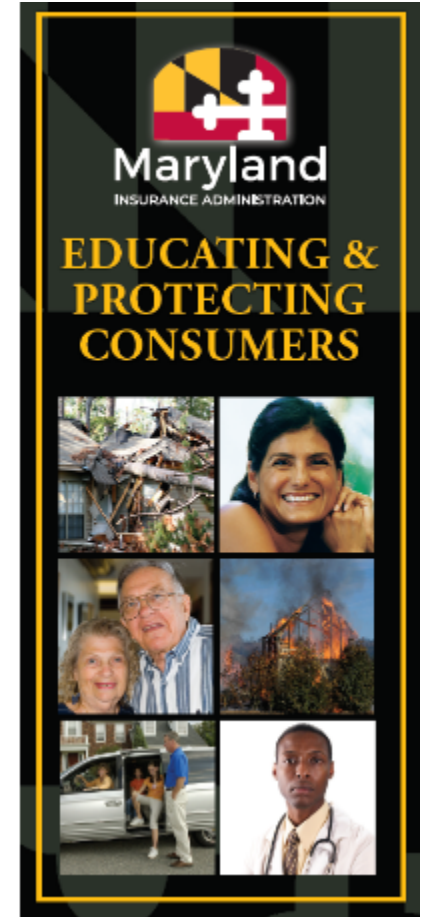
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# What is the Maryland Insurance Administration

The Maryland Insurance Administration (MIA) is the state agency that regulates insurance in Maryland. The MIA:

- Licenses insurers and insurance producers (agents or brokers).
- Examines the business practices of licensees to ensure compliance.
- Monitors solvency of insurers.
- Reviews/approves insurance policy forms.
- Reviews insurance rates to ensure rates are not inadequate, excessive or unfairly discriminatory.
- Investigates consumer and provider complaints and allegations of fraud.



# What is the Maryland Insurance Administration

If you feel that your insurer or insurance producer acted improperly, you have the right to file a complaint. Examples of improper actions include:

- Improperly denying or delaying payment of all or portions of a claim;
- Improperly terminating your insurance policy;
- Raising your insurance premiums without proper notice;
- Making false statements to you in connection with the sale of insurance or processing of insurance claims; and
- Overcharging you for services, including premium finance charges.



[MIA YouTube playlist](#)



# Homeowners Policies do not Cover all Types of Water Damage

While the terms of your homeowners policy will determine what types of water damage are covered and the amount of coverage available, generally homeowners policies do not cover flooding.



# What Water Damage Claims might be Covered by your Homeowners Policy

- If you have purchased a water/sewer back-up endorsement, it will pay for the damage done by the water or sewage that backs up into your home (subject to terms, conditions and limits). Many policies **WILL NOT** cover the cost to repair or replace the pipe or drain.
- The scope and amount of the water/sewer coverage will be determined by your homeowners policy.
- Maryland law requires that your insurance company offer you this type of coverage with the same limits as you have for dwelling coverage and most companies offer several additional coverage limit options.



# What Water Damage Claims might be Covered by your Homeowners Policy

- If a pipe in your home suddenly bursts and water flows all over the floors, generally a homeowners policy will cover the damage caused by the water.
- Generally, the repair or replacement of the pipe itself is not covered.
- If you have a **slow** leak, regardless of when you discover it, most homeowners policies will not cover the damage that results from that leak.
- Also, it is important that during the winter, you maintain appropriate heat in your home, especially if you are planning on being away from your home. If a pipe bursts due to your failure to maintain appropriate heat, the loss may not be covered by your insurance policy.
- You should check the terms of your policy to learn more about the scope and amount of coverage that your specific policy provides.





# What Water Damage Claims might be Covered by your Homeowners Policy

- If rain enters your home through your roof that has been properly installed and maintained, your homeowners policy will typically cover the damage.
- If rain enters your doors or windows, this may or may not be covered depending on whether it is surface water and it enters from ground level.



# Policy Comparison

## Homeowners:

- Leaking roof (unless due to poor maintenance)
- Burst pipe
- Bath tub overflowing
- Damage to personal property from covered risks
- Water backup from an outside sewer (**typically requires a rider**)



## Flood:

- Structural or foundational damage up to \$250,000 due to flood
- Overflowing inland or tidal waters
- Mudslide damage due to mud being carried by a river or stream of water



# Flood Insurance

The Standard Flood Insurance Policy defines “**flood**” as:

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 1 of which is the policyholder's property) from:

- Overflow of inland or tidal waters; or
- Unusual and rapid accumulation or runoff of surface waters from any source; or
- Mudflow; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.

# What Types of Losses are NOT Covered

Most homeowners insurance policies exclude the following types of losses:

- ✓ Mudslide
- ✓ Earth Movement
- ✓ Groundwater or seepage
- ✓ Flood



Flood insurance may be available as an endorsement to your homeowners, renters, or condominium insurance policy, or as a separate policy. While some insurers offer flood policies, flood insurance can also be purchased from the National Flood Insurance Program (NFIP). For more information, contact your insurer, insurance producer, or go to the NFIP's website, [www.floodsmart.gov](http://www.floodsmart.gov).

# Flood Insurance

**Structural Coverage** – Covers damage to walls, floors, insulation, furnace and items permanently attached to the insured structure.

- Coverage is up to \$250,000 for residential buildings

**Contents Coverage** – Coverage for your personal property.

- Coverage on all residential personal property is up to \$100,000



# Flood Insurance

**Basements are any area of a building with a floor that is below ground level on all sides.**

## Basement items COVERED by flood insurance

- Unimproved structural parts (drywall, foundation and utility connections)
- Essential equipment (sump pumps, water tanks, furnaces and air conditioners)
- Clean-up

## Basement items NOT COVERED by flood insurance

- Basement improvements (finished walls, floors or ceilings)
- Personal belongings kept in a basement generally are not covered



# What Flood Insurance Covers

In the event of a flood, your National Flood Insurance Program (NFIP) policy covers direct physical losses to your structure and belongings.



# What Flood Insurance Covers

Purchasing flood insurance will help protect the things you value. The NFIP offers two types of coverage – building coverage and contents coverage – to protect your home and belongings. Here are examples of what’s covered with NFIP flood insurance:

## Building coverage protects for:

- Electrical and plumbing systems
- Furnaces and water heaters
- Refrigerators, cooking stoves, and built-in appliances like dishwashers
- Permanently installed carpeting
- Permanently installed cabinets, paneling, and bookcases
- Window blinds
- Foundation walls, anchorage systems, and staircases.
- Detached garages
- Fuel tanks, well water tanks and pumps, and solar energy equipment

# What Flood Insurance Covers

## Contents coverage protects for:

- Personal belongings such as clothing, furniture, and electronic equipment
- Curtains
- Washer and dryer
- Portable and window air conditioners
- Microwave oven
- Carpets not included in building coverage (e.g., carpet installed over wood floors)
- Valuable items such as original artwork and furs (up to \$2,500)

# What isn't Covered by Flood Insurance

When determining coverage, the cause of flooding matters.

Flood insurance covers losses directly caused by flooding. In simple terms, a flood is an excess of water on land that is normally dry, affecting two or more acres of land or two or more properties.

For example, damage caused by a sewer backup is covered if the backup is a direct result of flooding. If the sewer backup is not caused directly by flooding, the damage is not covered.

# What isn't Covered by Flood Insurance

Items not covered by building or contents coverage:

- Temporary housing and additional living expenses incurred while the building is being repaired or is unable to be occupied
- Property outside of an insured building. For example, landscaping, wells, septic systems, decks and patios, fences, seawalls, hot tubs, and swimming pools
- Financial losses caused by business interruption
- Currency, precious metals, stock certificates and other valuable papers
- Cars and most self-propelled vehicles, including their parts
- Personal property kept in basements

# Flood Insurance – Who can Buy

Flood insurance is available to homeowners, renters and business owners in most communities in Maryland; ***even those that do not live in a special hazard flood zone.***



# Flood Insurance – Where can I Purchase

You can purchase a flood insurance policy:

- From the National Flood Insurance Program (NFIP) if your property is located in a community that participates in NFIP. Flood insurance policies that are issued through the NFIP are regulated by the federal government, although they are frequently sold by private insurance companies. Go to [www.floodsmart.gov](http://www.floodsmart.gov) to find out more;

# Flood Insurance – Where can I Purchase

You can purchase a flood insurance policy:

- In the private market. A list of authorized insurers that sell private flood insurance in Maryland is available at: <https://insurance.maryland.gov/Consumer/Documents/publicnew/Private-Flood-Insurance-Contact-List.pdf>. These insurance policies are regulated by the Maryland Insurance Administration. If your home or business is in a special hazard flood zone and you have a mortgage, it is a good idea to check with your lender to confirm that the private flood insurance product you are considering will fulfill the mandatory purchasing requirement of your lender; or
- From a surplus lines insurer. The Maryland Insurance Administration has very limited jurisdiction and regulatory authority over surplus lines insurers.

# Facts about Flood Insurance

1. Your chances of being flooded are much greater than some other risks you face daily.
2. If you live in a 100-year floodplain, there's more than a 1 in 4 chance that you'll be flooded during a 30-year mortgage.
3. During a 30-year mortgage, you are 27 times more likely to experience a flood than have a fire.
4. Just one-inch of water can cause \$20,000 or more in damages to your property.
5. Your homeowners or renter's policy typically doesn't cover flood damage.
6. No home is safe from the devastation of a flood; 25% of flood losses occur to homes outside of a high-risk area (category 1 or above)



# Facts about Flood Insurance

- You can buy flood Insurance no matter where you live if your community participates in the NFIP.
- Whether your flood risk is high or low, most property owners in a community that participates in the NFIP can buy building and/or contents coverage, but there are exceptions.
- Property owners located in low-to-moderate risk areas should ask their agents if they are eligible for the Preferred Risk Policy (**provides flood insurance protection at a lower cost than a standard policy in a high risk area**).



# Contact Information

Maryland Insurance Administration



1-800-492-6116



[www.insurance.maryland.gov](http://www.insurance.maryland.gov)

National Flood Insurance Program



1-800-427-4661




[www.floodsmart.gov](http://www.floodsmart.gov)




# Contact Information

Maryland Department of Emergency Management

 1-877-636-2872

 [www.mdem.maryland.gov](http://www.mdem.maryland.gov)

Federal Emergency Management Agency

 1-202-646-2500

 [www.fema.gov](http://www.fema.gov)

# Information & Publications Available on MIA's Website

## Flood Insurance Page:

<https://insurance.maryland.gov/Consumer/Pages/flood-insurance.aspx>

Check out the following publications for more information.

- [An Insurance Preparedness Guide for Natural Disasters](#)
- [Consumer Guide to Homeowners Insurance](#)
- [Property Damage – What to Do After A Loss](#)
- [Weather Related Damage – Frequently Asked Questions about Insurance Coverage](#)