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News Release

Review, Update Your Insurance Policies

EATONTOWN, N.J. – September is National Preparedness Month, and the latter half of the year is an ideal time for people to review their insurance policies. Understanding the details of what specific policies cover and what the policyholder is responsible for after a disaster is important as both clients' needs and insurance companies' rules change.

Insurers' decisions and legislative changes have the biggest effect on changes in policies. Consumers should make themselves aware of possible changes in these areas and know what to look for while reviewing their policies.

What's Covered

The first check is the most obvious: the actual coverage. Policyholders should look at the specifics of which property is covered and the type of damage that is covered. Property owners should know that floods are not covered by standard insurance policies and that separate flood insurance is available. Flood insurance is required for homes and buildings located in federally designated high risk areas with federally backed mortgages, referred to as Special Flood Hazard Areas (SFHAs). Residents of communities that participate in the National Flood Insurance Program (NFIP) are automatically eligible to buy flood insurance. According to www.floodsmart.gov, mortgage lenders can also require property owners in moderate to low-risk areas to purchase flood insurance.

There are two types of flood insurance coverage: Building Property and Personal Property. Building Property covers the structure, electrical, plumbing, and heating and air conditioning systems. Personal Property, which is purchased separately, covers furniture, portable kitchen appliances, food freezers, laundry equipment, and service vehicles such as tractors.

What's Not Covered

Policy exclusions describe coverage limits or how coverage can be purchased separately, if possible. Property owners should know that not only is flood insurance separate from property (homeowners) insurance, but that standard policies may not cover personal items damaged by flooding. In these cases, additional contents insurance can be purchased as an add-on at an additional cost. Some policies may include coverage, but set coverage limits that will pay only a percentage of the entire loss or a specific dollar amount.

The Federal Emergency Management Agency's Standard Flood Insurance Program (SFIP) "only covers direct physical loss to structures by flooding," FEMA officials said. The SFIP has very specific definitions of what a flood is and what it considers flood damage. "Earth movement" caused by flooding, such as a landslide, sinkholes and destabilization of land, is not covered by SFIP.

(MORE)

Structures that are elevated must be built at least to the minimum Base Flood Elevation (BFE) standards as determined by the Flood Insurance Rate Maps (FIRMs). There may be coverage limitations regarding personal property in areas below the lowest elevated floor of an elevated building.

Cost Impact of Biggert-Waters

The Biggert-Waters Flood Insurance Reform Act of 2012 extends and reforms the NFIP for five years by adjusting rate subsidies and premium rates. Approximately 20 percent of NFIP policies pay subsidized premiums, and the 5 percent of those policyholders with subsidized policies for non-primary residences and businesses will see a 25 percent annual increase immediately. A Reserve Fund assessment charge will be added to the 80 percent of policies that pay full-risk premiums. Un-elevated properties constructed in a SFHA before a community adopted its initial FIRMs will be affected most by rate changes.

In March 2014, the Consolidated Appropriations Act of 2014 and the Homeowner Flood Insurance Affordability Act (HFIAA) of 2014 were signed into law, lowering rate increases on some policies, preventing rate increases on others, and delaying the implementation of Section 207 of Biggert-Waters, which was to ensure that certain properties' flood insurance rates reflected their full risk after a mapping change or update. HFIAA also repeals a portion of Biggert-Waters that eliminated grandfathering properties into lower risk classes. Many of the changes have not yet been implemented because the necessary new programs and procedures have not been established.

Other Conditions

The General Conditions section informs the consumer and the insurer of their responsibilities, including fraud, policy cancellation, subrogation (in this case, the insurer's right to claim damages caused by a third party) and payment plans. Policies also have a section that offers guidance on the steps to take when damage or loss occurs. It includes notifying the insurer as soon as practically possible, notifying the police (if appropriate or necessary) and taking steps to protect property from further damage.

"FEMA's top priority is to provide assistance to those in need as quickly as possible, while also meeting our requirements under the law," FEMA press secretary Dan Watson said. "To do this, FEMA works with its private sector, write-your-own insurance (WYO) company partners who sell flood insurance under their own names and are responsible for the adjustment of their policy holders' claims."

Policyholders should speak with their insurance agent or representative if they have any questions about coverage. For further information and direction, call the NFIP Call Center at 1-800-427-4661 or the NFIP Referral Center at 1-888-379-9531. Comprehensive information about NFIP, Biggert-Waters, HFIAA and flood insurance in general can be found at the official NFIP website, www.floodsmart.gov.

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