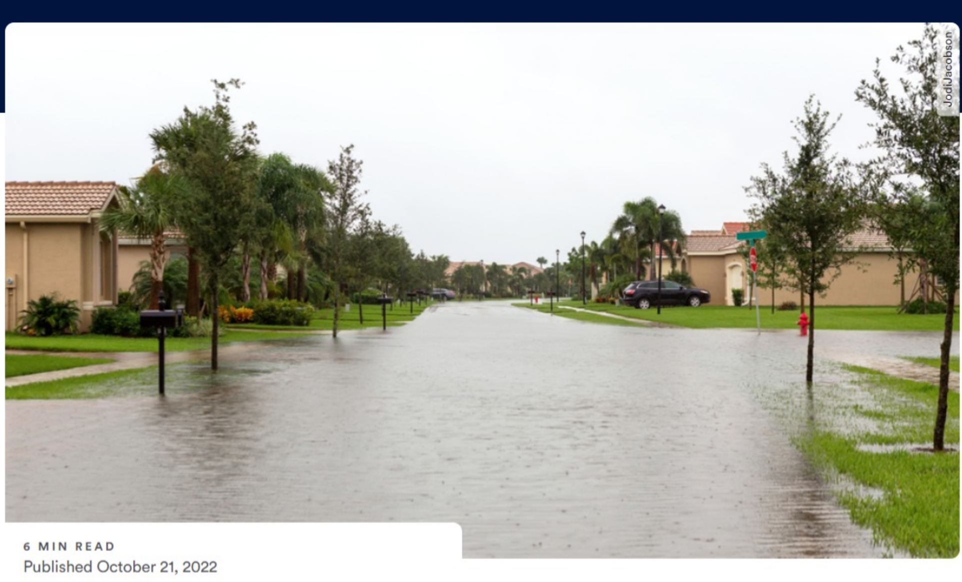
HOMEOWNERS INSURANCE

Florida flooding focuses attention on uninsured Americans



ON THIS PAGE

Understanding flood risk

Americans are uninsured for floods

Do I need flood insurance?

6 MIN READ
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With sustained winds of 150 miles per hour, Hurricane Ian made landfall in Florida on September 28, 2022, leaving in its wake destruction not seen since Hurricane Michael ravaged the panhandle in 2018. Millions of Floridians were caught off-guard, as forecasts initially showed the strong Category 4 storm heading for the Tampa Bay area. Ian had other plans, however, and at the last minute shifted towards southwest Florida, namely Sanibel Island, Fort Myers and Cape Coral. After all but leveling these sleepy beach communities, Hurricane Ian carved a path up the center of the state, dumping unprecedented amounts of rain that left even the most inland parts of Florida under more than a foot of water.

As the waters recede, Floridians are left to pick up the pieces of their homes and lives, reminded of the harsh reality that their homeowners and renters policies do not cover flooding. With climate change comes an increase in weather-related disasters, and post-Ian Florida may serve as a microcosm for what could lie ahead for the hundreds of millions of Americans who lack flood coverage.

Bankrate insights

- Out of all natural disasters, 90 percent include flooding, leaving almost all Americans at risk, regardless of location.
- Only 4 percent of Americans have a flood policy through the National Flood Insurance Program (NFIP).
- Although uninsured homeowners and renters may qualify for disaster assistance, these programs aren't enough (or intended) to replace flood coverage.

Understanding flood risk

There's no question that the coastal flooding that resulted from Hurricane Ian's storm surge was devastating — Fort Myers experienced a record storm surge of over seven feet high. However, the inland flooding that occurred in areas not widely considered flood-prone was particularly surprising. Orlando, for instance, experienced a 500-year flood event after Hurricane Ian's relentless rain caused nearby rivers and lakes to spill over into streets, businesses and homes.

If this inland Florida flooding highlights anything, it's this: those who don't consider themselves at risk for flood may want to think again. Mark Friedlander, Director of Corporate Communications of the Insurance Information Institute (Triple-I), says,

> “We have seen catastrophic flood events in many areas of the U.S. in 2022 that are not typically flood-prone. This includes eastern Kentucky, southeast Missouri, southwest Virginia and the Las Vegas Strip. All areas of the country are prone to floods, as 90 percent of U.S. natural disasters involve flooding.”

Those that live far from the ocean may not think flood insurance is necessary, but inland flooding is increasingly common and unpredictable. Even landlocked Americans carry flood risk if heavy rain or melting snow overwhelms their municipality's storm drain system or causes a nearby lake or river to overflow. Flood insurance, whether federally-backed coverage through the NFIP or purchased through a private carrier, may be the best defense against the catastrophic financial consequences a flood could bring to many homeowners and renters.

Americans are uninsured for floods

In a 2020 poll conducted by Triple-I, 27 percent of homeowners claimed to have flood insurance. According to Friedlander, however, about 4 percent of Americans carry a flood insurance policy through the NFIP. Although a handful of private insurers offer flood coverage, it's unlikely that these policies make up this 23 percent difference. Instead, Triple-I's polling results suggest that many Americans may assume they have flood coverage through their property insurance without realizing that standard homeowners insurance doesn't cover floods, nor do renters policies.

Compared to the rest of the U.S., the Sunshine State is an outlier regarding flood coverage — FEMA Press Secretary Jeremy Edwards says that Florida has the country's highest concentration of NFIP policies, holding 35 percent of total policies written.

Even if Florida holds the most NFIP policies, the vast majority of its residents are still uninsured for floods; Triple-I found that only 18 percent of Floridians carry flood insurance, whether from the NFIP or a private carrier. The number of central Floridians with flood coverage is even lower, at a rate between 2 and 4 percent.

The combination of Florida's extreme weather and relatively low flood insurance uptake rate comes with heavy consequences. Data analytics company CoreLogic found that Hurricane Ian may have caused $18 billion in uninsured flood damage. Although this study includes other impacted states like South Carolina, this data shows that lack of flood coverage is a massive problem, even in the state with the highest concentration of flood policies.

Do I need flood insurance?

Unless you are required to carry it by your mortgage company, flood insurance is optional for homeowners, but that doesn't mean you don't need it. It's essential to check the FEMA flood zone map and assess your risk tolerance. Remember, though, the majority of America faces flood risk. With an average cost of $700 per year, flood insurance may provide significant financial protection for what may be the largest investment you make during your life — your home.

To put it into perspective, the NFIP found that one inch of floodwater is capable of causing up to $25,000 in damage. In contrast, the average American may have around $5,300 saved in their bank accounts. That means the average American would have to come up with an additional $19,700 in a single-inch flood loss unless they had insurance. Although these amounts can vary, the chances of financial hardship are high for uninsured people during a flood event.

When deciding if you need flood insurance, you should know that flood insurance policies generally have a waiting period to take effect. Additionally, insurance companies commonly impose moratoriums, or pauses, on new coverage ahead of significant weather events. Waiting until it's too late to purchase flood insurance could prove to be a costly mistake.

Disaster assistance and emergency relief programs

Uninsured homeowners and renters devastated by flood may qualify for help through disaster assistance and emergency relief programs. While these programs do not replace proper flood coverage, they may provide financial support for those in need.

FEMA grants

Once the federal government officially declares something (hurricanes, wildfires, earthquakes, civil unrest, etc.) as a disaster, the Federal Emergency Management Association (FEMA) steps in to help get uninsured Americans back on their feet.

Unless misused, FEMA grants do not have to be paid back and are meant for home repairs, temporary housing, food, clothing, transportation assistance and other essential needs. How much these grants are (or whether they are awarded at all) depends on the situation.

Edwards explains,

> “Disaster assistance is designed to jumpstart survivors' recovery efforts. The needs of every survivor vary. Not everyone will receive FEMA assistance or receive assistance that covers all their losses. But we're doing more outreach and knocking on more doors to meet people where they are and communicate what assistance they may be eligible to receive.”

All that is to say, FEMA assistance is granted on a case-by-case basis and is never guaranteed. Although this assistance is vital, it doesn't replace flood insurance. In fact, FEMA states that its grants can make homes safe, sanitary and liveable, but that they're not likely to be enough to make you whole.

Those that live in a federally-declared disaster area in need of assistance can visit FEMA's Individual Assistance database for more information.

Small Business Administration (SBA) Disaster Loan

For some, FEMA disaster assistance may not be enough. This is where a Small Business Administration (SBA) disaster loan can help. Contrary to their name, SBA loans aren't just for businesses — renters and homeowners can be eligible, too. Home and personal property SBA loans may provide:

- Up to $200,000 for homeowners to use for repairs or to replace their primary home
- Up to $40,000 for homeowners and renters to repair or replace personal property

Unlike FEMA disaster assistance, SBA loans need to be paid back. However, SBA loans are typically lower interest than those of traditional lenders and can help cover the gap eligible homeowners and renters may have after experiencing an uninsured flood.

Affected homeowners and renters interested in applying for an SBA disaster loan can do so online.

Nonprofit organizations

From food insecurity to clean up to search and rescue, these nonprofit organizations may help uninsured flood victims return to normalcy:

- **Red Cross**: After natural disasters, the Red Cross frequently provides food, water and clean up resources for those living in impacted communities.
- **United Cajun Navy**: Trained in search and rescue, the United Cajun Navy can help locate missing people after a flood.
- **National Voluntary Organizations Active in Disasters**: The National Voluntary Organizations Active in Disasters (VOAD) is a group of more than 130 organizations that help with a wide array of issues after a natural disaster.
- **World Central Kitchen**: Founded by celebrity chef José Andrés, the World Central Kitchen provides hot meals, sandwiches and water in communities devastated by natural disasters.
- **Crisis Cleanup**: Crisis Cleanup works by pairing victims with volunteer organizations that can help with debris removal after certain disasters.
- **Operation Blue Roof**: Led by the U.S. Army Corps of Engineers, Operation Blue Roof works with FEMA to install temporary roofs for homeowners impacted by hurricanes.

Bottom line

Although flood insurance is optional for most, this coverage can offer formidable financial protection against one of the most costly losses you can experience. Facing a flood without flood insurance means you may have to rely on disaster assistance and the kindness of volunteers to rebuild your life since even the best home insurance coverage excludes flood damage in most cases. While these programs are invaluable, you could still find yourself with a hefty amount of debt.

Perhaps most importantly, don't wait until a storm is headed your way to consider flood insurance — by that time, it may be too late. You might think it a far-flung possibility, but the data shows: no matter where you live, you're likely at risk for flooding.

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Carol Pope is an insurance writer for Bankrate and prior to joining the team, she spent 12 years as an auto insurance agent. During this time, she sold, serviced and underwrote auto insurance for people across the country. She also has experience selling supplement coverage such as umbrella insurance.

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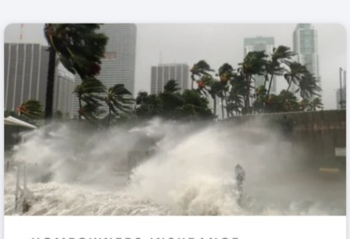
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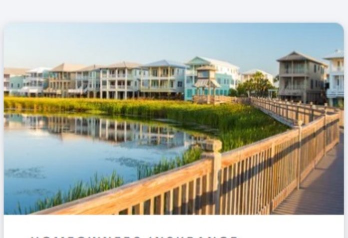
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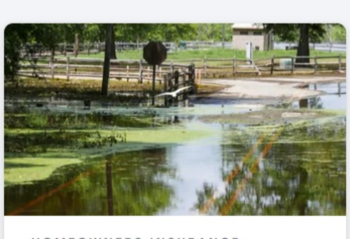
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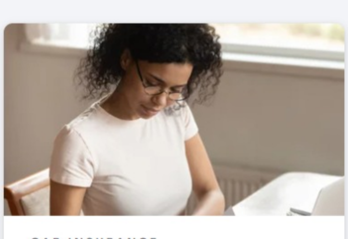
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