

## **Flood Insurance Frequently Asked Questions**

Many Montanans are not protected against losses as a result from flooding. Homeowners insurance does not cover flood losses. Flood insurance is available to many Montanans through FEMA's (Federal Emergency Management Agency) National Flood Insurance Program. Contact your local insurance agent to learn more.

### **Doesn't my homeowners insurance policy cover flooding?**

No. Flood damage is not typically covered by a homeowners insurance policy.

### **If my home is flooded, won't federal disaster assistance pay for my damages?**

Not necessarily. Federal disaster assistance typically comes in the form of a low interest loan to help cover flood damage, not compensation for your losses. Even then, those loans are only available if the president formally declares a disaster and must be repaid along with any existing mortgage. The year 2011 was rather exceptional in Montana with presidential declarations in 48 counties and five reservations.

### **Am I eligible for flood insurance?**

Gallatin County is a participant in the National Flood Insurance Program (NFIP), so if your property is located in the County's jurisdictional area (i.e. not within one of the municipalities in the County) then you can get flood insurance to cover your home or business as well as much of its contents. Please note that Bozeman, Belgrade, Manhattan, and Three Forks are also participants in the NFIP, thus properties within those communities are also eligible. Find out if your community participates in the NFIP <http://www.fema.gov/cis/MT.html>

### **How much does flood insurance cost?**

The cost of flood insurance varies by individual policies based on many factors including elevation of the building. The average policy in Montana is \$572 a year, based on 2011 data.

### **Can I wait until a flood is imminent before I purchase flood insurance?**

No! There is a 30-day waiting period from the time you pay your insurance premium until the coverage goes into effect. Don't wait until a flood appears likely before purchasing flood insurance.

## **I live in a low-risk flood zone. Do I really need flood insurance?**

Most likely, yes. It's a good idea to buy flood insurance even if you live in a moderate- or low-risk area. Anyone can be financially vulnerable to floods. People outside of high-risk areas represent over 20% of NFIP claims and receive one-third of disaster assistance for flooding each year. When it's available, disaster assistance is typically a loan you must repay with interest. You may qualify for the [Preferred Risk Policy](#) (a lower-cost flood insurance policy) that provides contents coverage beginning at \$49 per year and building plus contents coverage beginning at \$129 a year. Nearly half of the policies in Montana are Preferred Risk Policies (based on 2012 data).

## **Why does my mortgage lender require me to buy flood insurance?**

Under federal law, the purchase of flood insurance is mandatory for all federal or federally related financial assistance for the acquisition and/or construction of buildings in high-risk flood areas (Special Flood Hazard Areas or SFHAs).

The amount of flood insurance coverage required by the Flood Disaster Protection Act of 1973, as amended by the National Flood Insurance Reform Act of 1994, is the lesser of the following:

1. The maximum amount of NFIP coverage available for the particular property type,
2. The outstanding principal balance of the loan, or
3. The insurable value of the structure.

If the property is not in a high-risk area, but instead in a moderate-to-low risk area, federal law does not require flood insurance; however, a lender can still require it. It is also recommended since historically one-in-five claims come from these moderate-to-low areas. Note that if during the life of the loan the flood insurance rate maps are revised and the property is now in the high risk area, your lender may notify you that you must purchase flood insurance.

## **Who do I contact if I want to purchase a flood insurance policy?**

The National Flood Insurance Program has an arrangement with private insurance companies to sell and service flood insurance policies. [A list of private insurance companies](#) that sell and service NFIP flood insurance policies is available to you. You may also contact your insurance agent or company to find out more about federal flood insurance or find an agent serving your area by filling out the Flood Risk Profile.