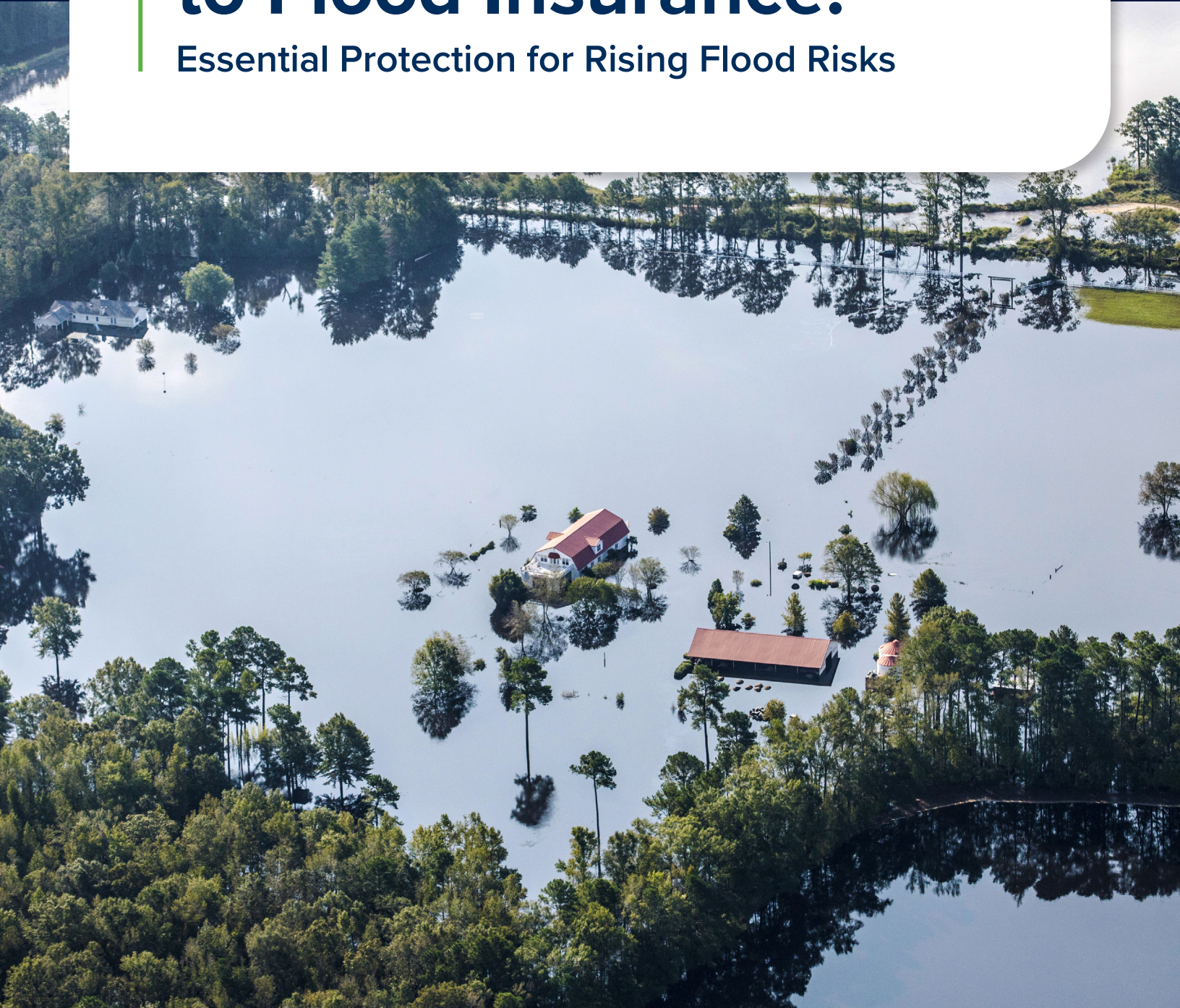


WHITE PAPER

A Comprehensive Guide to Flood Insurance:

Essential Protection for Rising Flood Risks





Rising Flood Risks

Flooding is by far the most common, costly, and destructive natural disaster in the United States, causing billions in economic losses each year. According to the Federal Emergency Management Agency (FEMA), flooding causes 90% of disaster damage every year.

Everyone is at risk for flood damage, regardless of location. Given the increasing prevalence and risk of flooding, homeowners should take a fresh look at their flood risks and consider how flood insurance can be incorporated into their overall risk management and insurance strategy.

Nearly Everyone is at Risk of Flooding

National Oceanic and Atmospheric Administration (NOAA) confirms — flooding causes more damage than any other type of weather event in the US and can occur in all 50 states, any time of year. Floods are occurring more frequently, even in areas and states that haven't historically experienced them.

Every state and territory in the United States has had flood related insurance claims between 1980 and today. As of 2025, 2005 was still the largest year for flood related claims, partially due to the historic damage of hurricanes Katrina and Rita.¹ In the years to come, many more properties will sustain damage from floods and other natural disasters as the frequency of extreme weather events continues to increase.

Despite the risks, however, flood insurance remains a largely untapped form of protection. Since 1996, 99% of counties in the U.S. have experienced a flood, but only 4% of homeowners have flood insurance.

Most Homeowners Don't Have Flood Insurance

Surprisingly, many property owners often lack flood insurance coverage because they either assume flood coverage is already included in their standard homeowner's policy, or they assume their property is not at risk for flooding. While homeowner's insurance policies typically cover water damage from things like burst pipes, leaks, and broken water heaters, these policies do not cover flood damage resulting from heavy rainfall, storm surges, melting snow, or other natural storms or events.

Many homeowners also greatly underestimate the risk, feeling they do not need flood insurance in their geographic location. This could be a costly mistake. Over 40% of the National Flood Insurance Program's (NFIP) claims come from outside high-risk flood zones. Additionally, extreme weather and climate changes are making increased rainfall and flooding more common and more severe, causing floods in areas that are not historically prone to them.

¹ www.floodsmart.gov/historical-nfip-claims-information-and-trends?map=countries/us/custom/us-all-territories®ion=us&miny=all&maxy=all&county=>ype=country

Understanding Flood Insurance

What It Does Cover

Here's a breakdown of the types of coverage that can be included in a flood insurance policy. However, it is important to note that there are different types of flood policies and not all policies offer the same coverages or limits. Your specific needs should be discussed with your insurance broker to ensure proper flood coverage and adequate limits are in place.

Building coverage

Protects the structure of your home, including walls, floors, foundation, electrical and plumbing systems, furnaces and water heaters, built-in appliances (refrigerators, ovens, stoves, dishwashers), permanent carpeting, window blinds, detached garages, attached fixtures like cabinets, fuel tanks, well water tanks and pumps, and solar energy equipment. FEMA NFIP policies specifically outline these as covered:

- 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

Consulting with an expert flood insurance advisor can help you understand your flood exposures and coverage needs.

Contents and valuables coverage

Coverage options differ between FEMA NFIP and private flood insurance policies. FEMA NFIP policies specifically indicate coverage 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)

Some private flood insurance policies can also include specific coverage for valuables within your home, such as:

- Fine art & collectibles
Repair, restoration, or replacement of valuable artwork and collectibles.
- High-end electronics
Sophisticated home entertainment systems, custom-built home theaters, and top-of-the-line appliances.
- Custom furnishings & decor
Bespoke furniture, designer rugs, and other unique items in your home's interior.



Understanding Flood Insurance

What It Does Not Cover

Flood insurance is a powerful protection tool, but it has its limitations. It's always best to consult with your insurance broker to ensure your policy covers everything you need it to, and to understand any exclusions that might apply. Here's what typically falls outside the scope of a flood insurance policy:

Flood damage outside the home

Landscaping, swimming pools, patios, decks, and other external structures are generally not covered by flood insurance.

Vehicles

Cars and most self-propelled vehicles, including their parts, are not covered by flood insurance.

Physical money

Currency, precious metals, stock certificates, and other valuable papers are not protected by flood insurance.

Financial losses

Business interruption or loss of income due to a flood is not covered by flood insurance.

Sewer backup (unless caused by flood)

If a sewer backs-up due to a separate issue, the resulting damage likely won't be covered by flood insurance.

Burst pipes/appliance-related water damage

Flood insurance doesn't cover internal plumbing issues like burst pipes (and resulting water damage).

Some items that aren't covered by a FEMA NFIP, may be able to be covered by a private flood policy. Discuss these coverages with your insurance broker:

- 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 self-propelled vehicles, including parts.
- Personal property kept in basements.

NFIP and the Private Market

The Two Primary Sources of Flood Insurance Policies

There are two primary sources for flood policies, the National Flood Insurance Program (NFIP) and the Private Market. Given the increased frequency and risk of flood damage, homeowners need to understand the various flood insurance types that exist within the marketplace, as well as the pros and cons of each.

National Flood Insurance Program (NFIP)

Who issues NFIP policies?

FEMA (Federal Emergency Management Agency) manages and administers the National Flood Insurance Program (NFIP), which enables property owners to purchase insurance against losses from flooding at a reasonable cost. The National Flood Insurance Program (NFIP) is delivered to the public by a network of more than 50 insurance companies and the NFIP Direct.

Factors to consider when choosing coverage through the NFIP

Since the NFIP is intended for disaster relief, the coverage is base-level, does not include extra coverages such as loss-of-use, has many exclusions, and has limit caps. Other factors to consider:

- **Mandates**
Many times, people buy flood insurance because it is mandated by their lender, bank, or mortgage company, because their property is in a flood zone.
- **Coverage exclusions & limits**
Exclusions include finished basements, pools, certain valuables, and more. Loss of use and living expenses during repairs are not covered under the NFIP policy. Dwelling coverage is limited to \$250,000, with a \$100,000 limit for personal property.

- **Availability & cancellation**

The NFIP is available to anyone living in one of the almost 23,000 participating NFIP communities. Homes and businesses in high-risk flood areas with mortgages from government-backed lenders are required to have flood insurance. Unlike private market flood policies, policies issued by the NFIP cannot be canceled at renewal by the NFIP, giving the current homeowner access to continued coverage if the premium is paid on time each year.

- **Requirements**

NFIP coverage requires an elevation certificate to purchase the policy. NFIP policies only pay out when a flood event affects multiple properties or covers two or more acres. If a flood does not meet this threshold, coverage is not available.

- **Waiting period**

Once a premium payment is made, there is typically a 30-day waiting period before coverage begins.



Homeowners need to understand the various flood insurance types that exist within the marketplace.

NFIP and the Private Market

The Two Primary Sources of Flood Insurance Policies

Private Flood Insurance Market

Who offers private flood insurance policies?

Private flood coverage is written by insurance companies that are not part of the federal government flood program. In recent years, more carriers have entered the private flood insurance marketplace.

Factors to consider when choosing Private Flood Insurance coverage

If you're looking for custom flood insurance that can be tailored to your specific needs, you may want to explore private flood insurance. The private market addresses a lot of the gaps in FEMA flood insurance policies.

- **Limits & requirements**

Private policies can have coverage limits of your choice (up to and beyond \$5 million) and may not require an elevation certificate.

- **Broader coverage**

Unlike NFIP policies, private insurance offers broader coverage, which can include loss-of-use coverage and added coverage for things like finished basements, pools, and detached structures. Private policies also have a broader definition of covered loss and do not require the flood to cover a certain amount of acreage or properties to be paid out.

- **Cancellations**

It is important to know that unlike NFIP policies, which cannot be canceled at renewal, private flood policies can be canceled at renewal at the discretion of the insurance company and their changing appetite for risk.

- **Waiting period**

Additionally, the waiting period under a private flood policy is usually 15 days or less, with some carriers offering immediate coverage.

- **Rates**

As private insurers expand their flood business into new geographies, we are seeing higher pricing in some areas and more selectivity. Some insurers are denying coverage in certain zip codes, on properties that don't meet their elevation standards, and/or on locations that have had a prior flood claim.

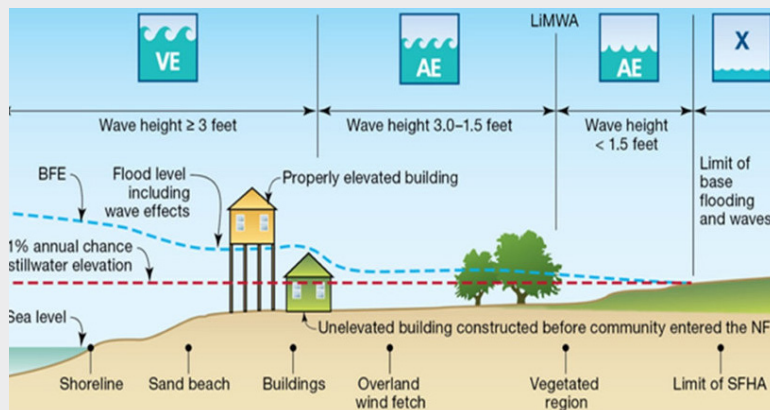
What is Excess Flood Insurance and layering of flood coverage?

Excess flood insurance policies cover over – in excess of – primary flood insurance policies. Layering coverage involves combining a primary policy such as a NFIP policy or private flood policy, with an excess flood policy. Excess policies can extend over NFIP policies or over private flood insurance policies.

For high-value homes, excess flood insurance can be a wise option to consider as it offers higher limits than primary flood insurance, especially if covering over an NFIP flood policy, which only covers up to \$250,000 for the dwelling and \$100,000 for personal property. If your property value or contents significantly exceed standard flood insurance limits, excess flood coverage can bridge the gap and provide additional financial protection.

Flood Insurance Rate Maps (FIRMS) and Flood Zones

Understanding your property's Flood Zone and location on a Flood Map are crucial flood safety steps. FEMA creates Flood Insurance Rate Maps (FIRMs) that designate flood risk areas across the country. The highest flood hazard areas identified on the Flood Insurance Rate Maps are identified as part of the Special Flood Hazard Area.



In the illustration², the dashed red line represents a 1% inundation level and the dashed blue line is the base flood elevation (BFE). These can be referenced to grade elevation. Zone definitions are provided at the top of the figure (VE, AE, LIMWA, and X).

Special Flood Hazard Area (SFHA)

The SFHA is defined as an area having special flood, mudflow or flood-related erosion hazards and shown on a Flood Hazard Boundary Map (FHBM) or a Flood Insurance Rate Map (FIRM) as Zone A or Zone V, including Zones AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE or V. The SFHA is the area where the National Flood Insurance Program's (NFIP's) floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies.

Flood Zone V (High Risk Coastal Areas)

Flood Zone V is located in the SFHA and includes coastal areas with a 1% or greater chance of flooding and an additional hazard associated with storm waves. Flood insurance is mandatory for federally backed mortgages in this zone.

Flood Zone A (High-Risk Areas)

Flood Zone A is located in the SFHA and there is a 1% annual chance of flooding and a 1 in 4 chance of flooding during a 30-year mortgage. Flood insurance is mandatory for federally backed mortgages in this zone.

² Spaulding, Malcolm & Grilli, Annette & Damon, Chris & Hashemi, Reza & Kouhi, Soroush & Fugate, Grover. (2020). Stormtools Design Elevation (SDE) Maps: Including Impact of Sea Level Rise. *Journal of Marine Science and Engineering*, 8, 292. 10.3390/jmse8040292.

Flood Insurance Rate Maps (FIRMS) and Flood Zones

Flood Zones X, B, C (Moderate to Low-Risk Zones)

- **Flood Zones labeled X**
These zones have a lower flood risk, but flooding can still occur.
- **Flood Zones labeled B and C**
Similar to X Zones, these areas have a moderate flood risk.
- **Flood Insurance Not Mandated**
While flood insurance isn't mandatory in Zones X, B, and C, it's strongly recommended for high-net-worth homeowners due to the potential for significant financial losses.
- **Frequency of Flood Losses**
These areas submit more than 20 percent of National Flood Insurance Program (NFIP) claims and receive one-third of federal disaster assistance for flooding.

Flood Zone D (The Uncertain Risk Zone)

Flood Zone D indicates areas with possible but undetermined flood hazards. No flood risk analysis has been conducted for these areas. Flood insurance is not mandatory, but it may still be recommended due to the potential for flooding.

Determining Your Flood Zone

Flood maps are subject to change due to weather patterns and development. Regularly checking your flood zone status ensures you have the appropriate coverage and a full understanding of your risk. Consult your insurance broker for help interpreting the flood map and determine your specific flood risk. FEMA's Flood Map Service Center allows you to search for your property's flood zone by address.

Three Most Common Types of Floods

Floods affect more people around the globe than any other disaster. Even if you live far from the ocean, a river, or other water features, you may find yourself in damaging flooding scenarios. Floods come in many forms. Three flood types pose a risk to homes:

- **Flash Floods**, also known as pluvial floods
These sudden surges of water can erupt from intense rainfall, overwhelming rivers and streams, and transforming normally dry land into raging currents.
- **River Floods**, also known as fluvial floods
When heavy rains or snowmelt cause rivers, lakes, or streams to overflow their banks, surrounding areas become inundated.
- **Coastal Floods**
Powerful storm surges and high tides associated with cyclones and tsunamis can cause seawater to inundate coastal areas, posing a significant threat to beachfront property.





Risk Mitigation: Protecting Your Home and Property Against Floods

Proactive steps can significantly reduce flood damage to your home, regardless of location. The following protective measures can make a big difference and enhance your flood preparedness. However, these steps are just the beginning. Consulting with a flood mitigation specialist and your insurance broker can help identify additional measures specific to your property and flood risk.

- Seal the cracks and gaps in your walls and foundation with waterproof sealant.
- Install proper window wells and window well covers to minimize water entering your basement.
- Regularly clean your gutters and downspouts to ensure proper water flow away from your foundation.
- Avoid pouring grease or oil down drains, as this can clog them and exacerbate flooding.
- Make sure your sump pump is functioning correctly. Consider a battery backup system to maintain operation during power outages.
- Consider elevating critical areas of your home, like living spaces or electrical components, during renovations or construction.
- Invest in high-quality flood doors and closures for crawl spaces, garages, and other vulnerable entry points.
- Install a smart home flood detection system with real-time monitoring and alerts.
- Consider installing water shutoff valves with remote access capabilities.
- Consult a landscape architect to design your property with flood mitigation in mind.

Flood Insurance Protection

Homeowners need to be aware of increasing flood risks and understand the flood insurance options available to them. While flooding risks are typically highest in coastal and waterfront areas in flood-prone states, all states and properties have some degree of flood risk and exposure.

With the frequency, severity, and cost of flooding events expected to increase continually, all homeowners should include flood insurance coverage in their risk management program. Review all your insurance policies annually with a private client specialist to ensure you have the right coverage in place.



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