

FLOOD INSURANCE

Nevada Consumer's Guide



State of Nevada
Department of Business and Industry
DIVISION OF INSURANCE

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FLOOD INSURANCE

FLOOD DANGER

Flooding is a devastating disaster that can occur any time of year. In Nevada, the most common causes of flooding are heavy rains, flash floods, new land development that can change natural drainage, and the spring thaw of winter snow. Also susceptible to erosion, mudslides and flooding are areas where fires may have destroyed much of the vegetation or the land. Other causes – such as the 2008 breach of the Truckee Canal in Fernley – also can lead to unexpected and often rapid flooding.

One of the most common and most damaging myths related to flooding is that homeowners' or commercial property insurance will cover loss or damage caused by flood. In fact, approximately one third of the homeowners surveyed by the National Association of Insurance Commissioners (NAIC) incorrectly believed that their homeowners' insurance policy would cover flood damage.

It is critical to check now and evaluate if you have the protection you need for your building and belongings in case of flood.

WHAT IS FLOOD INSURANCE?

Flood insurance coverage is offered either through a federal program known as the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency (FEMA), or, more recently, through private flood insurers. It is available to owners and renters of homes, condominiums, and commercial buildings.

NATIONAL FLOOD INSURANCE PROGRAM (NFIP)

NFIP is a limited-duration program, which has been temporarily extended numerous times by Congress for short periods. Between September 30, 2017, and September 30, 2021, the NFIP was extended 16 times for short durations of time, and the pattern of short-term extensions continues. At times the NFIP's authorization lapsed for several days, but subsequent extensions have always required the NFIP to honor all transactions for policies that were submitted during the lapse period. Even when NFIP lapses occur, mandatory purchase requirements for flood insurance in special flood hazard areas (SFHAs) remain in effect, but private insurance is also allowed to fulfill such purchase requirements, pursuant to the Biggert-Waters Flood Insurance Reform Act of 2012.

A standard NFIP flood policy for a homeowner's residence can be written to insure structural damage up to a limit of \$250,000, including the furnace, water-heater, air-conditioner, floor surfaces and debris cleanup. Homeowners may, for an additional

premium, purchase contents coverage of up to \$100,000 for damage caused by a flood. Flood insurance policies for non-residential or commercial buildings may be purchased to provide coverage up to \$500,000 for the property and its contents. While the cost of NFIP policies is standardized, pricing may vary depending on the flood zone designation, the amount and type of coverage selected and the level of deductible.

PRIVATE FLOOD INSURANCE

The Biggert-Waters Flood Insurance Reform Act of 2012 allowed private insurance to be used to satisfy mandatory purchase requirements for flood insurance for homes in special flood hazard areas (SFHAs) with mortgages. Since that time, private insurers have gradually entered the market in Nevada, providing alternatives to NFIP coverage.

Several private insurers have filed and received approval to offer residential flood insurance coverage in Nevada. Many insurers have historically provided excess flood insurance, which covers losses above the NFIP's \$250,000 limit. More recently, some *primary* flood insurance policies, that can replace the NFIP's coverage entirely, have become available. As of October 2021, the Nevada Division of Insurance is aware of two insurers that offer primary residential flood insurance coverage on the admitted market: Palomar Specialty Insurance Company and Chubb (through its subsidiary Federal Insurance Company). Other insurers have expressed an interest in offering such standalone, primary flood insurance products, so the Nevada Division of Insurance recommends that consumers shop for such coverage to discover the options available at a given time; it is anticipated that many more insurers will enter the private flood market in the coming years.

Many other private flood insurance options can be found on the nonadmitted (surplus-lines) market and are accessible via licensed surplus-lines brokers who place coverage with nonadmitted insurers. These options are available to homeowners who are unable to find coverage on the admitted market or have special coverage needs that the admitted market is unable to fulfill. Surplus-lines insurers have greater flexibility in designing their policy forms and setting forth special conditions and/or exclusions. If you are interested in obtaining a flood insurance policy through a surplus-lines broker, visit the website of Nevada Surplus Lines Association (NSLA) to find a list of licensed surplus-lines brokerages in Nevada: <https://nsla.org/>.

Private flood insurance policies can often offer much higher limits of coverage than the NFIP for individuals whose properties' replacement cost exceeds the \$250,000 NFIP limit. Other advantages *may* include the following, depending on the insurer writing the private flood insurance policy:

- NFIP reimbursements for contents, as well as for the structure of a second residence, are subject to deductions for depreciation. Some private flood insurance policies do not reduce the payment for the loss by the amount of assumed

depreciation of the property, allowing the insured to recover the full replacement-cost amount.

- A private flood insurance policy *may* cover a flood that *only* affects the insured property, whereas NFIP coverage requires two or more properties to be inundated over at least two acres.
- A private flood insurance policy *may* cover property located in finished basements, which is generally excluded from coverage by the NFIP.
- Unlike the NFIP, a private flood insurance policy *may* cover additional living expenses if the policyholder cannot reside in a flood-damaged home. These expenses include the costs of lodging and food.
- Private flood insurance policies often do not involve waiting periods for purchase. By contrast, NFIP policies require a 30-day waiting period to elapse before a policy may become effective.
- Private flood insurers do not require consumers to obtain elevation certificates to demonstrate the elevation of their homes.
- Because private flood insurers develop their maps of flood zones at a generally more granular level than the NFIP, they engage in more risk segmentation, which tends to benefit insureds in properties with lower flood risk. While the NFIP applies one rate to each broadly defined type of flood zone, private flood insurers may develop customized rates for each individual property. In Nevada, because the historical experience of flood losses has been much lower than in many other states, it may be possible for over 90 percent of Nevada homeowners to pay lower flood insurance premiums to private insurers than they would pay to the NFIP. On the other hand, homes in areas considered to be at especially high risk of flood may be charged a much higher premium by private flood insurers, compared to the NFIP.
- Some private flood insurance policies may pay for the cost of rebuilding a flood-damaged home to comply with current building codes, whereas the NFIP only provides this coverage if the home has been flooded at least twice before.

ATTRIBUTES OF FLOOD INSURANCE POLICIES

Flood policies are generally written with a minimum deductible of \$500, but higher deductibles are available. In NFIP policies, the deductible is generally applied separately to a structure and its contents, giving you the option to choose different deductible amounts for these coverages. Some private flood insurance policies have a single deductible that applies to the entire policy.

Just like the claims covered under your home insurance policy, flood-related claims are generally reimbursed on the basis of either Replacement Cost Value (RCV) or Actual Cash Value (ACV).

- The RCV is the cost to *replace* damaged property and is reimbursable to owners of single-family, primary residences insured to within 80 percent of the building's replacement cost.
- In NFIP policies, all other buildings and personal property (i.e., contents) are valued at ACV which is the RCV at the time of loss minus physical depreciation. Personal property is always valued using the ACV. Some private flood insurance policies do not deduct for depreciation.

Flood insurance is available in every Nevada county. Contact your insurance agent or insurance company to confirm whether flood insurance is available to you and what it would cost from the NFIP and from any private flood insurers writing in your area. Ask your insurance agent or insurance company to fully explain any exclusions in your home or commercial property policy related to flood or water damage. While water damage itself may not be covered under your existing policy, loss or damage due to explosion, fire, theft or looting because of water damage may be covered. Be sure to ask about restrictions in coverage when there are related causes of loss happening at the same time as a flood, such as rain, wind and weight of ice or snow, which may be covered by your policy, irrespective of other damage that may be excluded from coverage.

An appendix at the end of this guide provides a comparison of water-related perils covered under a typical home insurance policy and a standard NFIP flood insurance policy. A typical home policy generally provides coverage for various perils other than water damage.

It is important to plan ahead when purchasing flood insurance. **An NFIP flood insurance policy usually will not become effective until 30 days after purchase.** Some private flood insurance policies do not have any such waiting periods. Additionally, just like your home insurance, the annual premium for flood insurance must also be paid at the beginning of the policy year.

WHO MAY PURCHASE FLOOD INSURANCE?

The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 mandate the purchase of flood insurance as a condition of federal or federally related financial assistance for purchase or construction of buildings in Special Flood Hazard Areas (SFHAs) of any community. This means that if you have secured a loan or a mortgage through a federally regulated or insured lender, and your property is in a SFHA, the lender will require the purchase of flood insurance for your property.

All residential and commercial owners or renters of insurable property (a building and/or its contents) in a community participating in the NFIP are eligible to purchase flood insurance through the program. Builders of buildings in the course of construction, condominium associations, and owners of residential condominium units in participating communities may also purchase flood insurance.

If your community participates in the NFIP, you can purchase flood insurance regardless of whether or not a particular piece of property is located in the SFHA. Private flood insurers will also underwrite your application whether or not you reside in a SFHA. To verify whether your community participates in NFIP, contact your local city or county floodplain administrator or your insurance company or agent. The Nevada Division of Water Resources maintains a listing of Nevada Community Floodplain Managers:

<http://water.nv.gov/contactinformation.aspx?mode=NFIP%20Community%20Floodplain%20Managers>.

For properties located in the SFHA, the chances of being flooded are greater than other risks that your property may be exposed to. If you live in a 100-year floodplain, there is more than a 25 percent chance that your property may experience flooding during the term of a 30-year mortgage. Even if your property does not fall within the designated high-risk flood areas, there are still risks from flooding. According to FEMA, between 2014 and 2018, more than 40 percent of flood insurance claims were triggered from properties located outside of the designated high-risk flood areas.¹

Few Nevadans in lower-hazard areas purchase flood insurance through the NFIP, which offers a “preferred-risk policy” (PRP) for low- to moderate- risk areas at a reasonable annual premium. The eligibility rules for preferred-risk policies now include more coverage options for residential condominium units, other residential properties (such as apartment buildings and assisted-living facilities) and other non-residential or commercial properties (such as small businesses, churches, schools, etc.). Owners of such properties, who were previously only eligible for contents coverage, are now eligible to insure the building as well. If your home or building was previously not in a high-risk flood zone but was mapped into a high-risk flood zone, you may be eligible for a lower-cost PRP.

To provide temporary financial relief to property owners adversely affected by flood map updates, FEMA extended the eligibility of the PRP for buildings newly designated within a high-risk flood zone as shown on the updated flood maps. This relief was limited to two years. However, FEMA recently removed the two-year time limit and the policies will continue to be issued at the preferred risk rate until further notice. If you were not contacted by your insurance company regarding this eligibility, please contact your insurance agent or company.

FEMA recently also removed the PRP qualification condition which required homeowners to purchase the PRP prior to the effective date of new flood maps. Until further notice, homeowners who are newly mapped into a high-risk flood zone may qualify for PRP even after the effective date of the new flood maps. The Division encourages Nevada residents to consider purchasing flood insurance on a voluntary basis and recommends that consumers take advantage of the temporary lower-cost PRP while it is available, or find lower-cost alternatives from private insurers.

¹ Source: <https://www.floodsmart.gov/flood-map-zone/about>

WHAT IS FORCE-PLACED FLOOD INSURANCE?

FEMA routinely updates flood zones when new data shows changes in the areas of flood hazard. If the updates to flood maps result in the placement of your home or property into one of the Special Flood Hazard Area (“SFHA”) flood zones, your lender (if any) is required by federal law to contact you and allow 45 days for you to purchase flood insurance. If you do not obtain a standard flood insurance policy from the NFIP or from a private insurer, the lender has the authority to force-place flood insurance coverage through the NFIP’s Mortgage Portfolio Protection Program (MPPP). A lender may add the premium amount of the flood insurance policy purchased by the lender to your loan amount.

Force-placed flood insurance is less advantageous to you than a standard NFIP or private flood insurance policy. The NFIP sets the rates for both standard and force-placed flood insurance, but the rates for force-placed flood insurance tend to be about 2 to 3 times higher than the standard flood insurance with no improvement in coverage. In most parts of Nevada, it is likely that you would be able to obtain a private flood insurance policy at a much lower premium than the force-placed coverage from the NFIP would cost. Since your home is collateral for the mortgage, the force-placed insurance policy may only protect the dwelling/structure and will generally not protect your personal belongings. For commercial risks, force-placed flood insurance will generally include coverage for contents of the business. If your home is in a SFHA or is deemed to require flood insurance for any other reason, it is in your best interest to obtain a flood policy from the NFIP or from a private insurer on your own, so as to avoid forced placement.

IS MY PROPERTY IN A FLOOD ZONE?

You can check your flood zone by visiting the NFIP’s web site at: www.FloodSmart.gov and entering your address. You may also view the FEMA Flood Insurance Rate Map by visiting FEMA’s web-site <https://msc.fema.gov/portal/home> and entering your address.

As part of its flood hazard mapping program, FEMA designates communities into flood zones based upon the annual chance of flooding.

- Special flood hazard areas (SFHAs) are high-risk flood areas and include zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, V1-30, VE, and V.
- Moderate- to low- flood hazard areas include zones B, C, X or Shaded X.
- An area designated with the letter “D” refers to areas where FEMA has not yet conducted a flood-hazard analysis, but flood risk may still exist.

WHERE ELSE MAY I PURCHASE FLOOD INSURANCE?

The uncertainty regarding a long-term extension to the NFIP allows for the possibility that the NFIP may temporarily become unavailable in the future. If the NFIP becomes unavailable, consumers whose mortgage lenders require flood insurance may not be able to secure flood insurance through the NFIP. If this happens, you have other options for obtaining flood insurance in Nevada, including through private insurers; however, you should also consider first contacting your lender to see if the lender will grant an extension to allow you to obtain coverage from the NFIP once it becomes available again.

Within the admitted (licensed or authorized) marketplace, some insurance companies may be able to offer flood coverage as a stand-alone product or through a “Natural Disaster Policy” (generally covering various types of disasters including flood). As such, the Division recommends that consumers in such a predicament contact their home or commercial risk insurance company or insurance agent to inquire about the availability of flood insurance.

Nevada’s healthy and competitive insurance marketplace allows consumers to shop if the coverage they desire is not available with a particular insurance company. However, the Division strongly recommends that consumers verify that the selected insurance company or insurance agent is licensed in Nevada by visiting the Division’s Web site, doi.nv.gov, and using the “*License Look-up Tool*.”

Consumers also may contact an independent insurance agent that has access to programs such as the Homeowners Catastrophe Insurance Trust (HCIT), which was established to provide coverage for major perils including flood and landslides. The Nevada Independent Insurance Agents staff may assist you with locating a licensed independent insurance agent in your community.

Nevada Independent Insurance Agents

www.niia.org

(775) 499-5844

Alternately, consumers may contact a licensed surplus-lines broker for placement within the nonadmitted market. Surplus-lines brokers also have access to natural-disaster policies including flood coverage. A list of surplus-lines brokers is available through the Nevada Surplus Lines Association (NSLA).

Nevada Surplus Lines Association

www.nsla.org

(775) 826-7898 or (888) 334-4577

IF YOU HAVE FLOOD DAMAGE

If your home, apartment or business has suffered flood damage, call the insurance company or insurance agent who handles your flood insurance policy right away to file a claim.

Even if you do not have a flood insurance policy, in the event of a catastrophic flood disaster, you may still want to file a claim with your home or commercial insurance company or insurance agent immediately.

- In case a flood area is declared a major federal disaster, proof of rejection of your flood-related claim from your homeowners' or commercial property insurance company may be required as part of determining eligibility for federal aid.
- In the event a claim, that was originally denied, is accepted at a later date, you will be required to reimburse any financial assistance or funding received from FEMA, not to exceed your claim settlement.

It is important to know that even if a flood area is declared a major federal disaster, the federal government will typically not pay for any repairs or other damages to private property. Federal assistance is generally in the form of accessibility to low-interest loans to allow you to re-build your home or business.

It is important to note that any damage to personal or commercial vehicles caused by a flood – even if the vehicle is parked in a garage – is **not** covered under a home or commercial property policy. The comprehensive coverage provision of your automobile policy, also listed as the “other than collision” provision in some insurance contracts, generally provides coverage for damage to vehicles caused by disasters including floods, subject to any applicable deductible.

SOME TIPS TO FACILITATE FLOOD CLAIMS SETTLEMENTS

- ✦ Before any disaster occurs, make sure to prepare a detailed inventory of your property. Take pictures or make video recordings where possible. Try to save receipts of major items purchased. Having thorough written and visual records of your property in its pre-loss condition is likely to make it easier to demonstrate to your insurance company the nature and extent of the damage. As a precaution, store this information away from the insured premises.
- ✦ If your property has been damaged as a result of a flood, take steps to prevent further damage, including boarding up your home to prevent looting.
- ✦ Obtain estimates covering repairs to structural damage. Prepare an inventory of damaged personal items. Include a description of each item and its value. Attach copies of bills, receipts and other documentation that substantiates your figures. In addition, keep careful records of any additional living expenses you incur if you have to find other accommodations until your house is repaired to living conditions.
- ✦ Once your insurance company has determined that your loss is covered, an adjuster should be assigned to verify your claim and to determine the amount of the loss. Most claims are settled promptly, but some may require investigation, often because of the extent of the loss or because the cause of loss is unclear.
- ✦ As with all types of insurance, the best advice is to understand your policy and be sure you have the proper coverage before an accident or disaster occurs.

QUICK LINKS

- ✦ Division of Insurance
doi.nv.gov
Toll Free: 1-888-872-3234
- ✦ NFIP Information Page
www.floodsmart.gov
Toll Free: 1-877-336-2627
- ✦ FEMA Flood Information Page
<https://www.fema.gov/flood-insurance>
Toll Free: 1-800-427-4661
- ✦ FEMA Disaster Assistance
Toll Free: 1-800-621-3362
- ✦ Nevada Division of Water Resources
water.nv.gov

CONTACT INFORMATION

As the ultimate consumer protection agency on insurance issues, the Nevada Division of Insurance exists to serve you. We can be a source of unbiased information and assistance to you.

While most insurers have policyholder service officers to handle your policy-related questions, we encourage consumers interested in further information on flood insurance coverage to contact the Division of Insurance:

Northern Nevada

State of Nevada
Department of Business & Industry
Division of Insurance
1818 E. College Parkway, Suite 103
Carson City, Nevada 89706
(775) 687-0700

Southern Nevada

State of Nevada
Department of Business & Industry
Division of Insurance
3300 West Sahara Ave., Suite 275
Las Vegas, Nevada 89102
(702) 486-4009

Toll free: (888) 872-3234

E-mail: csc@doi.nv.gov

E-mail: cnsmslv@doi.nv.gov

Division of Insurance on the Web

doi.nv.gov

Appendix Comparison of Covered Water-Related Perils

Typical Home Insurance Policy

Covers	Excludes
<p>Direct loss by fire, explosion or theft resulting from any water-related peril.</p>	<ul style="list-style-type: none"> o Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind. o Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment (coverage may be purchased as a special endorsement). o Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure. o Escape, overflow, or discharge, for any reason, of water or waterborne material from a dam, levee, seawall or any other boundary or containment system.

NFIP Flood Insurance Policy

Covers	Excludes
<ul style="list-style-type: none"> o A flood, meaning “[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 one of which is your property) from: <ul style="list-style-type: none"> ▪ Overflow of inland or tidal waters; ▪ Unusual and rapid accumulation or runoff of surface waters from any source; ▪ 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.” o The pressure or weight of water if there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water. o Overflow of inland or tidal waters. The reasons for the overflow are not restricted. 	<ul style="list-style-type: none"> o Loss due to theft, fire, explosion, wind, or windstorm o Water or waterborne material that: <ul style="list-style-type: none"> ▪ Backs up through sewers or drains; ▪ Discharges or overflows from a sump, sump pump or related equipment; or ▪ Seeps or leaks on or through the covered property unless there is a flood in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or seepage of water. o The pressure or weight of water unless there is a flood in the area and the flood is the proximate cause of the damage from the pressure or weight of water. o Damage caused by moisture, mildew, or mold that could have been avoided by the property owner.