



# THE ULTIMATE GUIDE TO FLOOD INSURANCE

## in Middle Tennessee



Let's address the elephant in the room—flood insurance is a dry subject (pun intended).

Showtime will probably never make an Emmy-winning limited series about it.



But in Tennessee—especially in the rainy and flood-prone spring and summer months—every homeowner should become at least minimally conversant in flood insurance.

A little extra knowledge can keep you from paying unnecessary premiums, and even stave off financial disaster in the event of an act of God—or at least, an act of water runoff.



Most people only get flood insurance when their mortgage lender requires it, usually because they want to buy a home in an area with a high flood risk.

Then, they get the first policy they find online, or the one their long-time insurance agent recommends—without questioning it.

We get it—you have enough problems without having to go back to school, and for flood insurance of all things. But your home is a precious asset, and losing it could ruin you financially.



**So let's take the time for a user-friendly overview of flood insurance—whether or not you need it, how to save money buying it, and—most importantly—how to protect your home in the event of a flood.**



# What is flood insurance?

You may think your homeowner's insurance covers intrusion of water into your home, but you would only be half-right.

Homeowners insurance covers water that enters your home through the roof. If your roof leaks and water comes down into your house in a storm, your homeowner's policy should cover you.



## **But homeowner's insurance does not cover water that enters your home from the ground.**

Whether from runoff, rivers overflowing their banks, or any other ground-level occurrence, if your home suffers damage—even catastrophic damage—from ground-level flood water, your homeowner's policy won't cover it.

**Flood insurance is what covers you against this damage, which could arise from one or more of the following scenarios:**

- Saturated groundwater coming up into the lowest level of your home
- Surface water running *into* your home
- Overrun rivers and streams
- Burst water mains
- Overflowing canals and reservoirs
- Overflowing sewers and drains.
- Rising sea levels on low-lying coastal areas.



Flood insurance in the US is regulated by the National Flood Insurance Program (NFIP), which sells public flood insurance and also sets maximum coverage limits.

Currently, the maximum amounts of insurance on an NFIP policy are capped at \$250,000 for structural (dwelling) damage, and \$100,000 for personal property (contents) damage.



The Federal Emergency Management Agency (FEMA) draws maps of flood-risk areas across the country, also known as “flood zones.” If you want to buy property in a flood zone, your mortgage lender will require you to get flood insurance to protect the collateral for the loan.

But as we will see in the next section, it is worth considering flood insurance even if the lender doesn’t require it, and even if the property does not sit in a federally-identified flood zone.



# Why is flood insurance important?

In August 2021, Middle Tennessee was hit by record rainfall, ranging from eight to fifteen inches in the hardest-hit areas. This rainfall precipitated flooding that killed over 20 people, cut off power to 4,200 households, and destroyed 700 homes. (*The Tennessean*, August 24, 2021)

According to *The New York Times* (August 26, 2021), FEMA flood maps, which by law were required to be updated every five years, hadn't been updated since 2009 for Humphreys County, 2008 for Hickman County. In addition, a faulty methodology miscalculated flood risks.

The result was flooding that occurred in areas that were nowhere on the FEMA flood map. Hundreds of homeowners were left exposed to catastrophic losses with no insurance to claim.

**Here's the bottom line—in rainy Tennessee, even if your lender isn't *requiring* flood insurance because your property doesn't lie in a flood zone, it is well worth the extra steps to determine, independently, whether you should get flood insurance anyway.**



# My lender told me I am in a flood zone ... now what?

First of all, don't panic. People can and do make wonderful homes and live happy lives in a flood zone.

Being situated in a flood zone isn't a death sentence for a house; it might just require some extra analysis, and may incur extra costs in the form of flood insurance premiums or making some physical changes to the property to mitigate your risk.

But for the right home, that may be well worth it!

## Here's what to do next...

1. Get a personalized flood risk analysis
2. Get a quote for flood insurance
3. Reduce the cost of the policy





# Step 1: Get a Personalized Flood Risk Analysis (FRA)

Most people buy flood insurance—whether required by the lender or not—without ordering a personalized flood risk analysis (FRA). An FRA involves an expert performing a comprehensive assessment of how likely a flooding event is to strike a particular party.

## So why get an FRA on your home?



1

Peace of mind. If you are not in a flood zone, you can alleviate your fears and sleep better at night by determining whether or not flood insurance is warranted, and how much it would cost to protect your home, even if the risk is low.

2

Avoiding over-insurance. Without a personalized FRA, you may end up buying too much coverage and spending more than you need to on flood insurance premiums.



## Step 2: Get a Quote

**A knowledgeable insurance agent** can give you a quote with a deductible, coverage amount, and premium payment that is tailored to your risk and your level of risk tolerance. All agents are not created equal and may not even be flood-certified! Find out. And don't be afraid to ask how much experience your agent has with flood insurance *in your neighborhood!*

**Flood insurance is not one-size-fits-all—you can move the variables around to create a customized flood insurance policy.** Your policy probably should look different than your neighbor's policy. And the premium will be different because your risk is different.





## Step 3: Try to Reduce Your Cost

See if getting an elevation certificate helps. An elevation certificate is an official document used by insurance underwriters to assess the flood risk of a property. It might be helpful if:

- You are taking a mortgage from a Federally insured or regulated lender.
- You think that your actual risk may be different than the FEMA assigned flood zone due to changes in the grading, or recent upgrades to the structure
- The elevation of a structure might not be the same as the elevation of the property itself. If the grading is well-done, the structural elevation could be quite a bit higher, significantly lowering its risk of flooding.

**But be careful! An elevation certificate costs between \$600 and \$800 and may not reveal anything helpful. Your agent will help you determine if it's worth the time and expense.**

**There could be better ways to mitigate the cost, without the expense, such as:**

- Maybe you don't need to take the maximum \$250,000 in coverage allowed by NFIP.
- Maybe a higher deductible (\$5000 or more) makes sense if the risk is low or you can mitigate the flood risk even further by making grading or structural changes
- Maybe your property qualifies for private flood insurance, which costs less than public NFIP policies



# I was told flood insurance is not required ... Do I still need it?

If your lender doesn't require you to get flood insurance, that just means it is probably not in a FEMA-defined flood zone.

But remember how out-of-date the FEMA flood zone maps were during the August 2021 flooding, and the disastrous results that ensued?

**Even if your lender does not require flood insurance, you might still need it.**

Getting a personalized flood risk analysis is simple and free. It should only cost you a little time -- a small price to pay compared to the risk of catastrophic property damage with no coverage.

# Current High-Risk Areas in Nashville

While the historic rainfall of 2021 hit counties outside of Nashville the hardest, Nashville is not an exception to flood-risk. It could very easily have happened here again, as it did in the devastating floods of 2010; and in the more densely-populated Nashville areas, it could have been even more catastrophic.

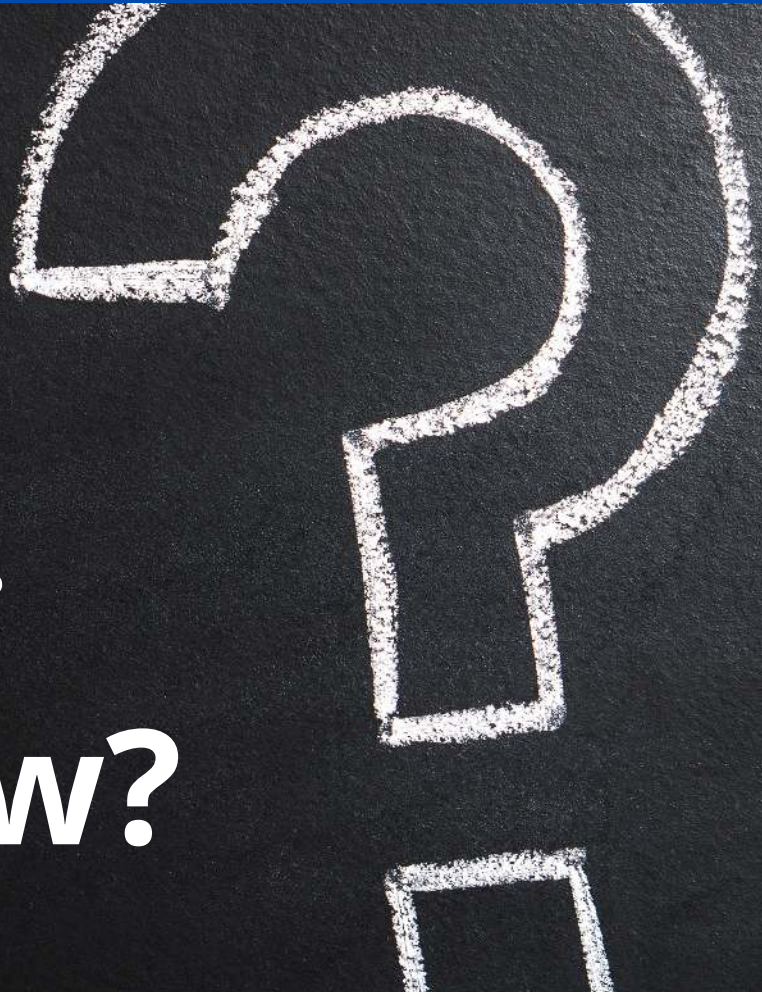
**Here are some of the neighborhoods in Nashville with a higher-than-average risk of flooding:**

- Bellevue/Harpeth River
- Mill Creek-Nolensville-Antioch
- Donelson-Two Rivers
- Harding Place- Elysian Fields – Edmondson Pike
- East Nashville – Ellington Pkwy

If you have your eye on property in one of these neighborhoods, you should *definitely* take a closer look at the need for flood insurance.



# I'm in a high-risk flood area. What now?



If you buy property in a high-risk flood area, or if your current property is considered as high-risk due to runoff and other factors, it is important to be proactive about protecting your property.

Here are some things to consider...



# Mitigate your risk.

Flood risk mitigation isn't just about shelling out for extra insurance—it's also about improving the property itself to help prevent flooding in the first place.

Much flood damage could be avoided with scrupulous attention to what we call the "Three G's" — Grading, Garage, and Gutters.



## Grading

The grading of your home is the slope of the soil around the perimeter of your home. Ideally, the soil should slope down and away from the foundation, with six to eight inches of foundation exposed.

With proper grading and water-absorbing soil, water will tend to run away from your house instead of toward it, and have difficulty rising above your foundation elevation. French drains have also proven to be extremely effective in moving water away from the foundation



## Garage

The garage is a common entry-point of floodwater, since the garage door often sits below the elevation of the rest of the house and the seal can wear out. Check your seal for cracks and points of leakage. Replace the seal or even the garage door if need be. Consider placing sandbags in the rainy season.

Sometimes, a simple concrete “speed bump” in front of the garage may be a cheap and easy fix to create an extra barrier for flood water. If you have a basement garage, you may also want to consider installing a sump pump.

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## Gutters

Flooding due to rain intruding through a damaged roof is covered by homeowner’s insurance. But if rainwater overflows clogged gutters, pools around the foundation, and seeps inside, that’s a flood. Make sure to clear out your rain gutters, particularly in the spring and summer.

Consider installing leaf guards to easily remove debris. Trim trees and branches away from the roof. Make sure that your downspouts extend well past the foundation to direct water away from it. Install extensions to your downspouts if need be.





# Should I get flood insurance?

In a word—yes. If you own property in a high-risk flood area, you should buy flood insurance. Your lender will probably require it, but even if you pay cash, the risk to your asset and property are not worth it the risk.

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## Federal vs. Private Flood Insurance

For flood insurance in the US, you have two major choices—Federal flood insurance, backed by NFIP, and private flood insurance. Here's what you need to know about those two choices:

- **Federal Flood Insurance.** Flood insurance backed by NFIP is available to anyone who wants to buy it and can be purchased from any insurance broker who is certified and participates in NFIP across 23,000 NFIP-designated communities. Coverage is limited to \$250,000 for the structure, \$100,000 for personal property. NFIP coverage is available to everyone in participating communities, regardless of the property's history of flooding.
- **Private Flood Insurance.** Private flood insurance is newer on the scene and, if you qualify, may be accepted by your lender in lieu of NFIP-backed insurance. It also tends to be around 33% less expensive than NFIP insurance, which is the main reason it is becoming so popular. Coverage is also more comprehensive, and more flexible up to higher coverage limits than the \$250,000 allowed by NFIP. This makes private flood insurance popular compared to owners of more valuable property. But not everyone qualifies. If your home has had a history of flooding, private insurers can decline to cover the risk.



# How much coverage do I need?

Ideally, you want enough coverage to cover the Replacement Cost Value of your home and your personal property. That way, the worst possible flooding scenario could happen and you would still be made whole.

Keep in mind that the value of your home could change, so it may be worth re-quoting your policies every few years. Homeowners with property worth more than the NFIP-established limits may want to consider private flood insurance, which allows for higher coverage.



## How much does it cost?

The average cost of flood insurance in the US in 2021 was \$958 per year, roughly \$80 per month. But if you are in a high risk area, be prepared to pay more. However, you have a lot of control over how much premium you pay by playing with insurance coverage levels and deductibles. Private flood insurance can be substantially cheaper.



## Getting a personalized flood risk analysis

If you want to better understand your flood risk, determine whether your current coverage is adequate, and get proactive about protecting your valuable asset from flood damage and financial loss, the first step is a personalized flood risk analysis.

Call us today to set up your analysis. Gift yourself the peace of mind that you're covered, no matter what the weather brings.

# Need Help? Call us.

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