



# Consumer's Guide to Settling Property Insurance Claims

This guide should address your questions about, how to fill out a claim form, how to best settle an insurance claim, flood insurance, and tips on how to be prepared before a natural disaster.

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## Disclaimer

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## File a Complaint

If you have a specific complaint about your insurance, refer it first to the insurance company or agent involved. If you do not receive satisfactory answers, contact the Office of the Commissioner of Insurance (OCI).

- Reach out to OCI (1-800-236-8517, [ocicomplaints@wisconsin.gov](mailto:ocicomplaints@wisconsin.gov)) to speak with our staff. If sending an email, please indicate your name and phone number.
- File a complaint with OCI. You can file a complaint online at [oci.wi.gov/complaints](http://oci.wi.gov/complaints). If you would like to file your complaint by mail, visit [oci.wi.gov/complaints](http://oci.wi.gov/complaints), email [ocicomplaints@wisconsin.gov](mailto:ocicomplaints@wisconsin.gov), or call 1-800-236-8517 for a form.

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## Introduction

Natural disasters—**floods, tornadoes, wind, and ice storms**—have caused substantial damage to life and property in Wisconsin in recent years. Too often, policyholders receive less from [insurance policies](#) than they expect because their property is not insured to its full value or they do not understand exactly what type of damage is covered.

After a disaster damages or destroys your property, you will have many questions and be faced with many decisions. Concerns about temporary shelter, emergency repairs, and the costs of restoring or rebuilding your home can be overwhelming. Although you have purchased insurance, you may have questions about how to fill out a [claim](#) form or how to best settle your claim. This publication is designed to help you answer some of the most frequently asked questions about settling disaster-related claims and gives you some tips on how to be prepared in the event of a disaster.

## After a Loss

### What should I do first?

**Notify your insurance agent as soon as possible.** Your insurer may have insurance company representatives on the scene immediately following a major disaster to speed up the handling of claims. Notify your insurance company representative of any losses. If you must vacate your home, leave word where you can be contacted.

In the event of a major disaster, state and federal agencies will establish Disaster Assistance Centers to provide a variety of disaster relief programs to the public. Information about the location of the disaster assistance center and any toll-free assistance numbers will be published in local newspapers and broadcast on local radio and television stations.

**Take steps to protect property.** Make temporary repairs to protect property from further damage. Keep receipts of what you paid for temporary repairs and include them in your insurance claim. Permanent repairs must wait until the insurance adjuster has had a chance to assess the damage. An adjuster is a person professionally trained to assess the damage.

If it is necessary for you to move into a motel or apartment temporarily because of damage caused by a peril covered by your policy, your insurance company will pay reasonable and necessary additional living expenses. Your insurance company will also advance you money immediately if you need to replace major household items to continue living in your home. The payments will be part of your final settlement.

## The Claim Process

The claim process may begin in one of two ways.

1. Your insurance company may send you a claim form known as a "proof of loss form" to complete, or
2. An adjuster may visit your home first before you are asked to fill out any forms.

In either case, the more information you have about your damaged possessions, the faster your claim generally can be settled. Having descriptions of the items, purchase dates, and what it would cost to replace or repair the items is important.

Hopefully, you have a copy of your home inventory in a safe spot. (Visit [oci.wi.gov/Pages/Consumers/PI-224.aspx](http://oci.wi.gov/Pages/Consumers/PI-224.aspx) for OCI's Personal Property Home Inventory publication.)

If you don't have a home inventory:

- Make lists of the damaged items.
- Take photographs of the damage.
- Collect records—old receipts, bills, and photographs—to help establish price and age of everything in need of replacement or repair.

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**Note:** Do not throw out damaged furniture or other expensive items until the adjuster has seen them.

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Write down brand names and model numbers of appliances and electronic equipment. Do not forget to list items such as clothing, sports equipment, tools, china, linens, outside furniture, holiday decorations, and hobby materials.

If your property was destroyed or you no longer have any records, you will have to work from memory. Try to picture the contents of every room and then write a description of what was there. Try also to remember where and when you bought each piece and about how much you paid. It may also speed up the settlement of your claim if you find out how much it will cost to replace destroyed items.

## Building Damage

Identify the structural damage to your home and other buildings on your premises, like your garage, tool shed, or inground swimming pool. Make a list of everything you would like to show the adjuster when he or she arrives, for example, cracks in the walls or damage to the floor or ceiling and missing roof tiles.

Discuss with your adjuster the possibility of structural damage that may be likely but is not visible. The adjuster may recommend hiring a licensed engineer or architect to inspect the property. You should also get the electrical system checked. Most insurance companies pay for such inspections.

If possible, get written bids from reliable, licensed contractors for repair work. Bids should include details of materials to be used and prices on a line-by-line basis. This makes settling the claim faster and simpler.

Give yourself several days before the adjuster arrives to complete your lists. It will take time for you to assess damage. Although you can always notify the adjuster of any additional items you overlooked, this may delay the claim settlement process. Be sure to keep copies of lists and other documents you submit to your insurance company. Also keep copies of all paperwork your insurance company gives you.

## Rebuilding Your Home

### How much will my insurer pay to repair/rebuild my house?

Your property should be insured for its full value. To collect the full amount on a partial loss, property must be insured to at least 80% of its replacement value. **Replacement value** is the amount it would take to completely replace the structure.

If your policy pays **actual cash value**, the insurance company will pay the cost to repair or rebuild your house minus [depreciation](#). Insurance companies use many different factors to determine how much to deduct for depreciation, but with an actual cash value policy you should not expect to be reimbursed for the full amount of repairs.

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**Note:** Inflation can often drive up replacement costs, so without constant reassessment or an “inflation-guard” [endorsement](#) on a policy, property can easily become underinsured. Contact your agent or insurance company to discuss this coverage option.

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Once the actual repair or rebuilding is completed, the insurance company will pay you the difference between the actual cash value and replacement costs up to the policy limits. If you choose not to repair or rebuild, the insurance company is obligated to pay you only the actual cash value. Many homeowners insurance policies require you to rebuild at the same location, but you may be able to negotiate this requirement with the insurance company representative.

Some insurance companies offer a **guaranteed replacement cost** policy. Guaranteed [replacement cost coverage](#) will pay whatever it costs to rebuild your home as it was before the disaster, even if it exceeds the policy limit. For example, if your insurance policy limits are \$100,000 and it costs \$120,000 to rebuild your house, the insurance company would pay the entire \$120,000 under this type of policy.

If you have a guaranteed replacement cost insurance policy and building costs suddenly go up because there is a shortage of building materials or construction workers, for example, your insurance company will cover the unexpected jump in costs. It will not pay for a house better than the one destroyed.

To obtain this type of coverage, you typically must meet specific [underwriting](#) rules and conditions of the company. This may include selecting a dwelling limit equal to 100% replacement cost and increasing the amount of your insurance on a monthly, quarterly, or yearly basis to keep up with the inflation rate.

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**Note:** Check with your insurance agent to determine if an additional [premium](#) is required for guaranteed replacement cost insurance, and if exclusions or conditions apply.

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## Will my homeowners insurance policy cover the costs of meeting local/state building codes and ordinances when I repair or rebuild my home?

First, check with your agent to determine whether your insurance policy includes a building code endorsement to pay these expenses. In most cases, homeowners insurance policies do not cover the expense of bringing a house up to code or meeting certain ordinances (including floodplain requirements) if the house did not meet these requirements when it was destroyed.

If your insurance policy does not cover these costs, check with federal agencies at the local disaster center to see if you are eligible for any financial assistance.

## Household Contents and Other Personal Property

### How much will my insurance company pay for my household contents and other personal property?

Most insurance policies pay the actual cash value. For example, it might cost \$1,000 to replace a sofa at today's prices. If the average useful life of a sofa is 20 years and your sofa was 10 years old on the day it was destroyed, the insurance company would pay you \$500.

If you paid an extra premium for replacement cost coverage on your personal contents, the insurance company will first pay you the actual cash value as described above. Once you have actually replaced the items and submitted your receipts, the insurance company will pay you the difference. Using the above example, the insurance company would initially pay you only \$500 for your damaged sofa. After you buy the new one for \$1,000 and present the receipt to your insurer, the insurance company would reimburse you another \$500—the difference between the actual cash value and the replacement cost. Some insurance companies also use replacement services to obtain certain items for you, such as appliances.

**Keep all receipts** as you begin replacing damaged items. It may be advisable to submit accumulated receipts to the insurance company every two weeks rather than sending them in one at a time.

Most policies require you to replace your household contents and personal property within a specified time period from the date of loss. If you cannot meet this time period, **ask your adjustor for an extension in writing.**

You may also submit a claim for **storage costs** incurred until your home is ready for occupancy.

### Is my insurance company obligated to pay for my antique furniture, valuable paintings, and expensive jewelry?

Most homeowners policies place specific dollar limits on items such as jewelry, paintings, and silver and will only pay the actual cash value of antiques (which may or may not be equal to their [appraised](#) prices). You must purchase additional coverage to fully insure these items. If you have not done so, they may not be fully covered in your regular homeowners policy. **Contact your agent or insurer to discuss these coverage options.**

## Settling Your Claim

### How will my insurance company pay me?

Your insurance policy divides your claim into two separate parts—one for the house itself and one for personal property or household contents. You may also be entitled to reimbursement for additional living expenses. The check or draft for payment for the household contents claim will be made out to you.

However, the check or draft for the house may be payable to you and your mortgage holder if there is a mortgage on your house.

You will likely receive an advance check immediately after the disaster to cover such items as additional living expenses and clothing. It is important to keep receipts for all items purchased with this money because when the claim is finally settled, these expenses will be deducted from future payments. For example,

- Clothing and personal property receipts will be deducted from the personal property or contents check.
- Receipts for living expenses will be deducted from the amount allowed for additional living expenses.

### **I may have forgotten to include some items in my claim. Should I accept a check marked “final payment”?**

Wisconsin law does not permit any check or draft to indicate final payment or release of claim unless the policy limits have been paid or the claim is being disputed. For example, if you forgot to list your Christmas decorations but have already accepted a check, simply contact your insurance representative. Unless the insurance company has paid the entire limit of your personal [property coverage](#), you may be entitled to further reimbursement. It is not unusual for an insurance company to reopen a claim for additional payment. However, it is important you file an accurate claim in a timely fashion.

### **What if the damages to my house cost more than my insurance policy covers?**

If the damages to your house cost more than your insurance policy covers, you should check with the local disaster center to see if you may be eligible for a grant or low-interest loan through a local, regional, or federal agency.

## **Flood Insurance**

The National Flood Insurance Reform Act of 1994 (the Reform Act) made several revisions to the National Flood Insurance Program (NFIP). The Reform Act increased amounts of flood insurance coverage, adds mitigation insurance to help policyholders rebuild their substantially and repetitively damaged homes and businesses to meet the floodplain management code, and increased the [waiting period](#) from 5 to 30 days before flood insurance is effective.

The following section describes some of these changes in more detail, defines mitigation insurance, and answers some frequently asked questions about the flood insurance program.

### **Flood insurance covers loss of insured property resulting directly from flooding. What is a flood?**

“Flood” is defined in the Standard Flood Insurance Policy (SFIP), in part, as:

*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 overflow of inland or tidal waters, from unusual and rapid accumulation or runoff of surface waters from any source, or from 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.*

In plain English, a flood is an excess of water (or mud) on land that is normally dry.

Floods often happen when bodies of water overflow or tides rise due to heavy rainfall or thawing snow. **You do not have to live near water to be at risk of flooding.** A flash flood, which can strike anywhere without warning, occurs when a large volume of rain falls within a short time. According to NFIP, nearly one in four flood insurance claims are paid on policies in low- to moderate-[risk](#) areas. Everyone lives in a flood zone.

Dangerous or damaging floods do not always mean dramatic, rushing waters through the streets of your hometown. Just a single inch of water can cause costly damage to your home. Keep this in mind when you consider flood insurance.

Normal runoff resulting from rain and isolated incidence of seepage in basements, without general flood conditions, is not covered by federal flood insurance policies. Sewer backups are covered only when they are clearly a result of a general condition of flooding.

## What is the National Flood Insurance Program?

NFIP is a federal program enabling property owners in participating communities to purchase insurance protection against losses from flooding. This program is designed to provide an insurance alternative to disaster assistance to meet escalating costs of repairing damage to buildings and their contents caused by floods.

Participation in NFIP is based on an agreement between local communities and the federal government. This agreement states if a community will adopt and enforce a floodplain management ordinance to reduce future flood risks to new construction in Special Flood Hazard Areas (SFHAs), the federal government will make flood insurance available within the community as a financial protection against flood losses. Communities must apply to the program for residents to be eligible to buy flood insurance policies.

The U.S. Congress established NFIP with the passage of the National Flood Insurance Act of 1968. NFIP was broadened and modified by the passage of the Flood Disaster Protection Act of 1973 ([floodsmart.gov/floodsmart](http://floodsmart.gov/floodsmart)) and other legislative measures. It was further modified by the National Flood Insurance Reform Act of 1994 ([fema.gov/media-library/assets/documents/7281](http://fema.gov/media-library/assets/documents/7281)).

## Who may buy flood insurance?

Property owners, renters, and business owners in communities participating in NFIP may purchase flood insurance. Local government officials can tell you if your community is eligible. If your community is not already in the program, local officials may wish to contact the Wisconsin Department of Natural Resources (DNR) for assistance qualifying for participation.

Renters may buy contents-only or personal property flood insurance. Condominium coverage is also available in qualifying communities. Buildings under construction may also be eligible for coverage.

## What types of property may be insured against flood loss?

Almost every type of walled and roofed building principally above ground and not entirely over water may be insured if it is in a participating community. In most cases, this includes manufactured (i.e., mobile) homes anchored to permanent foundations but does not include travel trailers or converted buses or vans. Contents of insurable walled and roofed buildings also may be insured under separate coverage.

The contents of a fully enclosed building are also eligible. Commercial structures, multiple family dwellings, and single-family residences are also covered for actual cash value less the [deductible](#).

What kinds of property are NOT insurable under NFIP?

- Buildings entirely over water or principally below ground
- Gas and liquid storage tanks
- Animals, birds, fish
- Aircraft
- Wharves
- Piers
- Bulkheads
- Growing crops
- Shrubbery
- Land
- Livestock
- Roads
- Machinery or equipment in the open
- Motor vehicles

Besides the list above, most contents and finishing materials are not covered if they are located in a basement or enclosure below the lowest elevated floor of an elevated building constructed after the Flood Insurance Rate Map (FIRM) became effective. Information on the insurability of any special property may be obtained by contacting a property insurance agent or broker.



## Are there certain buildings that cannot be covered?

Flood insurance is not available for buildings the Administrator of the Federal Insurance & Mitigation Administration (FIMA) determines have been declared by a state or local zoning authority or other authorized authority to be in violation of state or local floodplain management regulations or ordinances. No new policies can be written to cover such buildings nor can an existing policy be renewed.

New construction or substantially improved structures located within a designated Coastal Barrier Resources System (CBRS) are not eligible for flood insurance, but existing structures pre-dating CBRS designation are eligible for flood insurance coverage. These areas are located in nearly 400 communities on the Atlantic and Gulf coasts and along the Great Lakes shores and are delineated on the communities flood maps. If, at the time of a loss, it is determined the building is located in a CBRS area, the claim will be denied, the policy canceled, and the premium refunded.

## Can I buy flood insurance if my home is located in a high-risk flood area?

You can buy flood insurance no matter where you live, as long as your community participates in NFIP, except in CBRS areas.

Is it true only residents of high-risk flood zones need to insure their property? Even if you live in a medium- or low-risk area, flood insurance is recommended. If your home or business is in a low- or moderate-risk zone, your building may qualify for a low-cost Preferred Risk Policy ([fema.gov/pdf/nfip/manual201105/content/09\\_prp.pdf](https://www.fema.gov/pdf/nfip/manual201105/content/09_prp.pdf)). The average cost of a Preferred Risk Policy is approximately \$395 per year.

## Can I buy flood insurance if my property was previously flooded?

It does not matter how many times your home, apartment, or business has been flooded. You are still eligible to purchase flood insurance, provided your community participates in NFIP.

## How do I buy flood insurance?

The best person to help you buy flood insurance is the agent or the insurance company from whom you obtain your homeowners or automobile insurance. Flood insurance may be purchased through licensed property or casualty insurance agents in Wisconsin.

Some insurance companies actually issue the flood insurance policies, in partnership with the federal government, as a service and convenience for their policyholders. In those instances, the insurance company handles premium billing and collection, policy issuance, and loss adjustment on behalf of the federal government.

These insurance companies are called Write Your Own (WYO) ([fema.gov/write-your-own-wyo-program](https://www.fema.gov/write-your-own-wyo-program)) insurers. If your agent or insurance company is not in the WYO program, you may be referred to another agent or insurance company involved in the program. Your agent may also order the policy for you directly from the federal government.

## What types of flood insurance are available through NFIP?

There are also two layers of coverage available through NFIP.

1. The first layer of coverage is emergency coverage and is available to residents of flood-prone communities as soon as the community enters the program. [Rates](#) for this emergency coverage are partially subsidized by the federal government.
2. Once a flood rate map is completed, a second layer of coverage is available at actual rather than subsidized rates. Insurance under the regular program is only available to communities that have passed required ordinances and have undergone studies by the Army Corps of Engineers.

## How are the rates determined for a flood insurance policy?

A number of factors are considered in determining the premium for flood insurance coverage. They include:

- The amount of coverage purchased

- Location
- Age of the building
- Building occupancy
- Design of the building

Buildings in Special Flood Hazard Areas (SFHAs), elevation of the building in relation to the Base Flood Elevation is also considered. Buildings eligible for special low-cost coverage at a predetermined, reduced premium rate are single-family and one- to four-family dwellings located in zones B, C, and X. For these exceptions, certain loss limitations exist.

### Does a deductible apply to my coverage?

Building and contents policies have separate deductibles for each. This means if your building and contents are both damaged due to a flood event, both deductibles would be applied.

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**Note:** For more information about deductibles, contact your insurance agent or company.

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### What if I want to purchase more insurance than NFIP offers?

Many private insurance companies offer Excess Flood Protection, which provides higher limits of coverage than NFIP, in the event of catastrophic loss by flooding. For more information, contact your insurance agent or company.

### Flood Insurance Coverages

Flood insurance is purchased in two components:

- Coverage for the building itself, and
- Coverage for the contents.

The following coverage limits are available under the Dwelling Form and the General Property Form of the Standard Flood Insurance Policy. Coverage limits under the Residential Condominium Building

Association Policy are listed in the NFIP Flood Insurance Manual. ([www.fema.gov/media-library/assets/documents/162601](http://www.fema.gov/media-library/assets/documents/162601))

Flood Insurance Coverages		
	Emergency Program	Regular Program
<b>Building</b>		
Single Family	\$ 35,000	\$ 250,000
Other Residential	100,000	250,000
Nonresidential (including small business)	100,000	500,000
<b>Contents</b>		
Residential	10,000	100,000
Nonresidential (including small business)	100,000	500,000

### Does insurance under the program provide coverage at replacement cost?

Only for single-family dwellings and residential condominium buildings if several criteria are met. Replacement cost coverage is available for a single-family dwelling, including a residential condominium unit that is the policyholder's principal residence and is insured for at least 80% of the unit's replacement cost at the time of the loss, up to the maximum amount of insurance available at the inception of the policy term.

Replacement cost coverage does not apply to manufactured (i.e., mobile) homes smaller than certain dimensions specified in the policy. Losses are adjusted on a replacement cost basis for residential condominium buildings insured under the Residential Condominium Building Association Policy (RCBAP).

The principal residence and the 80% insurance to value requirements for single-family dwellings do not apply to RCBAP. However, coverage amounts less than 80% of the building's full replacement cost value at the time of loss will be subject to a coinsurance penalty.

Contents losses are always adjusted on an actual cash value basis. If the replacement cost conditions are not met, the building loss is also adjusted on an actual cash value basis. Actual cash value means the replacement cost of an insured item of property at the time of loss, less the value of physical depreciation as to the item damaged.

### **Are there limitations on the amount of insurance available for certain types of property?**

Items such as artwork, photographs, collectibles, memorabilia, rare books, autographed items, jewelry, watches, gems, articles of gold, silver, or platinum and furs are limited to \$2,500 coverage in the aggregate. This limitation does not apply to other items that are personal property or household contents usual or incidental to the occupancy of the building as a residence. For other limitations under the Standard Flood Insurance Program see the current policy or contact a property insurance agent.

### **Will damage-preventing measures I have taken in my home be reimbursed by my flood insurance policy?**

Some will be. When your insured home is in imminent danger of being flooded, you may receive up to a \$1,000 reimbursement for your damage-preventing expenses. Things like renting storage space to protect your belongings, buying sandbags and lumber to make a barricade, and renting pumps are all things that qualify for reimbursement. No deductible is applied to this coverage.

### **Does the flood insurance dwelling policy provide additional living expenses if the insured dwelling is flood damaged and cannot be occupied while repairs are being made?**

No. The policy only covers direct physical flood damage to the dwelling and does not provide additional living expenses.

**Note:** Loss or damage occurring as a result of a flood, such as explosion, fire, theft, looting, etc., may be covered under your existing property insurance policy. You should contact your agent should such loss occur as a result of a flood.

### **What is covered in my basement?**

Flood insurance covers your home's foundation elements and equipment that are necessary to support the structure (for example, furnace, water heaters, circuit breakers, etc.).

It is important to note, some items in your basement are covered under building coverage (like a furnace, hot water heater, and circuit breaker), and others are covered under contents coverage that must be purchased in addition to building coverage (for example, your washer and dryer, or your freezer and the food in it).

NFIP encourages people to purchase both building and contents coverage for the most complete protection. Flood insurance does not cover basement improvements, such as finished walls, floors, ceilings, or personal belongings kept in a basement. For a complete list of what is covered, view the Standard Flood Insurance Policy (SFIP) forms.

[fema.gov/national-flood-insurance-program/standard-flood-insurance-policy-forms](https://www.fema.gov/national-flood-insurance-program/standard-flood-insurance-policy-forms)).

### **Is sewer backup covered under a flood insurance policy?**

Flood insurance does not cover sewer backup since flooding is defined as the inundation of normally dry land by the overflow or rise of inland waters or the accumulation of storm water runoff.

Sewer backup is also not covered under your homeowners insurance policy. Sewer backup coverage is an endorsement available through most insurance companies, but it may not be offered to property owners when purchasing coverage if you do not ask for it.

### **If my home is flooded, will federal disaster assistance pay for my damage?**

No. Federal disaster assistance offers loans to help cover flood damage, not compensation for your losses. Even then, those loans are only available if the President formally declares a disaster. Less than 10 percent of all weather emergencies in the United States are declared.

### **Does NFIP cover flood damage caused by hurricanes, rivers, or tidal waters?**

Yes, providing at least two adjacent properties in the area (or two acres) are flooded.

### **Is flood damage from wind-driven rain covered?**

No. When rain enters through a wind-damaged window or door or comes through a hole in a wall or roof, NFIP considers the resulting puddles and damage to be windstorm-related, not flood-related.

Flood insurance covers devastation caused by storm surge, wave wash, tidal waves, or the overflow of any body of water over normal dry land areas. Although flood insurance specifically excludes wind and hail damage, the good news is most homeowners insurance provides such coverage.

### **Are losses from land subsidence, sewer backup or water seepage covered?**

Losses from land subsidence (a gradual or sudden sinking of land) are covered if the damage is a direct result of flooding. You are covered if your property is near a lake or similar body of water and waves or currents from the lake cause your property's land to sink.

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**Note:** Seepage or leaks in your home are not covered.

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Damage caused by sewer or drain backup or overflows from a sump pump or related equipment is covered if the event is a direct result of flooding.

Seepage or leaks in your home are not covered.

### **Is there a waiting period for flood insurance to become effective?**

Yes, there is a 30-day waiting period from the time a policy is purchased until you are covered, with the following exceptions:

- **There is no waiting period** if you have an existing flood insurance policy and an additional amount of flood insurance is required with the making, increasing, extending, or renewing of a loan, such as a second mortgage, home equity loan, or refinancing. Coverage is effective immediately, as long as the premium is paid at or prior to loan closing.
- **There is no waiting period** if a lender requires flood insurance after determining it is necessary even if the property was not previously covered by flood insurance. Coverage is effective immediately, as long as the premium is paid at the completion of the loan application.
- **There is a one-day waiting period** when an additional amount of insurance is required as a result of a map revision. This applies when the map revision is from a non-Special Flood Hazard Area to a Special Flood Hazard Area and only if the endorsement is received within 13 months following the map revision. The increased amount of coverage will be available 24 hours after the amount of coverage is applied for and the additional premium is paid.

### **When is mandatory flood insurance required?**

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 federally-regulated financing for acquisition and/or construction of buildings in

Special Flood Hazard Areas (SFHAs) of any participating community. The purchase of flood insurance on a voluntary basis is frequently prudent, even outside of SFHAs.

These Acts prohibit federal agency lenders, such as the Small Business Administration (SBA) and United States Department of Agriculture's (USDA) Rural Housing Service, and Government-Sponsored Enterprises for Housing (such as Freddie Mac and Fannie Mae), from making, guaranteeing, or purchasing a loan secured by real estate or manufactured home(s) in an SFHA, unless flood insurance has been purchased and is maintained during the term of the loan.

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

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

If the property is not in a high-risk area but instead in a low- to moderate-risk area, the law does not require flood insurance; however, it is recommended since historically about one in four flood claims come from these low- to moderate-risk areas. If, during the life of the loan, the maps are revised and the property is now in the high-risk area, your lender will notify you that you must purchase flood insurance. If you do not purchase flood insurance, the lender will force-place it, which could be at a much higher rate.

### **As I read about reducing flood risk, I keep hearing the term "flood mitigation." What does this mean?**

Flood mitigation refers to the measures a community takes to correct and prevent flood risks. These efforts generally include zoning, subdivision, rules for building in floodplains, and special-purpose floodplain ordinances. A homeowner can minimize flood damage by preparing his or her home and contents for a flood.

### **Do flood mitigation efforts affect the cost of insurance premiums?**

Yes, they can. Communities may voluntarily participate in the Community Rating System (CRS), where mitigation efforts that go above and beyond the basic requirements of NFIP are evaluated and given a number. The higher a community's CRS rating, the lower the risk of flooding and the lower the premium rates for individuals in the community.

For more information on mitigation contact the Federal Emergency Management Agency (FEMA) at (312) 408-5500 (in Chicago) or 1-800-621-FEMA (3362) or on FEMA's website at [fema.gov/hazard-mitigation-planning-contacts](https://www.fema.gov/hazard-mitigation-planning-contacts).

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**Remember:** When a loss occurs, file a claim with your agent. Most adjusting services brought into your community following a flood also can provide proof-of-loss forms if you need to file a flood insurance claim. The claim forms must be filed with NFIP within 60 days.

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### **For general information on the flood insurance program, contact:**

#### **Regional Offices**

National flood Insurance Program (NFIP)  
Bureau & Statistical Agent Annette Burris CFM  
P.O. Box 407  
Petersburg, IL 62675

Phone: (217) 632-7210

Fax: (217) 632-7210

[aburris@nfip-iservice.com](mailto:aburris@nfip-iservice.com)

[floodsmart.gov](https://www.floodsmart.gov)

Federal Emergency Management Agency (FEMA)  
Region 5—Mitigation Division

(312) 408-4421

[floodsmart.gov](http://floodsmart.gov)

If you cannot get the answers you need from the above sources, or if you have a specific complaint, please contact OCI.

## Other Insurance Coverages for Water Damage

Much of the flood damage in Wisconsin is not covered by insurance because the property is not covered by NFIP. Listed below are types of policies that may provide recovery for loss or damage caused by water:

### Water Damage

The homeowners policy normally does not cover flood damage but your homeowners insurance policy may cover some kinds of water damage. For example, the homeowners insurance policy would generally pay for damage from rain coming through a hole in the roof or a broken window as long as the hole was caused by a disaster covered by the policy. If there is water damage, check with your agent or insurance company representative to see if it is covered.

### Comprehensive Auto Insurance

Flood damage to your auto is covered if your auto insurance policy includes comprehensive coverage. If you carry collision without comprehensive coverage, you are not covered for flood damage. Some companies use a drive-in claims center where an adjuster will assess the damage and often pay the claim immediately.

Car rental reimbursement coverage is available from most insurers as an optional coverage on your auto policy. This coverage will reimburse you for the rental of a car while your car is disabled due to a loss such as flood.

### Personal Property Floater

Your scheduled items of household contents and personal property may be covered, whether on or off the premises, by a personal property floater written separately or as an attachment to a homeowners or farmowner's insurance policy. These floater policies are generally written on an all-risk basis that includes loss or damage by flood.

### Business Policies

Some forms of business insurance provide coverage for loss or damage caused by flood. Such flood coverage is generally optional and an additional premium must be paid. This coverage may be available under Motor Truck Cargo Insurance policies, all risk transportation forms, bailees customers policies, difference in conditions policies, and all-risk builders risk policies.

### Manufactured Home Insurance

If you own a mobile home, you may have a mobile home insurance policy based on replacement cost, actual cash value, or a "stated amount." With a stated amount policy, the maximum amount you receive if your home is destroyed is the amount you agreed to when the policy was issued. The depreciation in the value of your home is not considered in the settlement.

Insurance on mobile homes may be written with or without flood coverage. If you own a mobile home, check your policy carefully and contact your agent or the insurance company to determine if such flood coverage is available.

### Watercraft Policies

Some watercraft policies (outboard, inboard, sailboats, etc.) may provide coverage for flood losses. You should check with your agent to verify if you have flood coverage.

## Crop Insurance

Unless you are covered by an all-risk crop insurance policy offered by the Federal Crop Insurance Corporation or unless your crop insurance policy specifies flood as a named peril, you will not be covered for losses to crops occurring as a result of a flood. The vast majority of crop insurance policies written in Wisconsin cover only damage resulting from hail, wind, and fire.

## Important Things to Remember as the Rebuilding Process Proceeds

- You may contact your insurance adjuster again if you have additional information or find damage you did not notice before.
- If you believe the settlement offer made by your insurance company is not a fair one, contact the insurer. Provide information to support your view of what you feel your claim is worth.
- Your settlement probably will not be the same as your neighbor's. Your insurance policy may be different and the amount of damage to your home may be different even though you live on the same street.
- Protect yourself from shoddy workmanship. Use only licensed, reputable contractors and be sure they get the proper building permits. Beware of contractors who ask for a large amount of money up front and contractors whose bids are amazingly low—they might cut corners and leave you with a construction or building code problem after they are gone.
- Your insurance policy will pay for property you had before the disaster. Your homeowners insurance policy will not pay for expensive improvements like a tile roof if you had a standard fiberglass roof before.
- If your home was destroyed beyond repair and you decide to rebuild on another lot, to purchase another house instead of rebuilding, to rebuild in another state, or to rent rather than rebuild, check your policy or talk to your insurance agent or insurance company representative. There may be limitations on what your insurance company will pay if you do not rebuild on the same piece of land.

## Before Disaster Strikes

- Check your homeowners or renters insurance policy for coverage of natural disasters such as floods, tornadoes, wind, and ice storms.
- Check if your policy covers debris removal and sewer backup. The standard homeowners insurance policy does not cover these if caused by flooding.
- Consider buying federal flood insurance if damage from rising water is possible. Homeowners, farm and ranch, renters, condominium, and manufactured home insurance policies do not provide coverage for damage caused by flooding.
- Check your auto insurance policy. Comprehensive coverage (other than collision) pays if a storm or flood damages your car.
- Know what your insurance policy covers. Standard homeowners insurance policies limit coverage of some items, including stamps, securities, and certain valuable papers.
- Check the limits of your homeowners or renters insurance coverage, including personal property or contents coverage. Your limits may be too low if replacement costs have risen due to additions, new purchases or inflation.
- Update your inventory. Photograph or videotape each room and exterior of your home. List model and serial numbers, and attach sales receipts.

- Safeguard your records. If you need to evacuate your home, take your insurance policies and a household inventory. Keep copies of both, including receipts, in a safety deposit box. This speeds up claims processing and helps prove tax-deductible, uninsured losses.
- List all your personal property. Make an itemized list of your furnishings, clothing, and valuables. This list is for your protection and will help prove your claims are valid. It is a good idea to take photos or videos of these items, as well as of your home and landscaping. These photos will help adjusters settle your claim and can also help prove uninsured losses that are tax deductible.
- Find out if your policy covers additional living expenses to reimburse you for the cost of living in a temporary residence if you are unable to live in your home.
- Make sure you know your deductible. You will have to pay at least this much if you have a covered loss.
- Be sure to remember, or carry in your wallet, the name and address of the agent who wrote your flood insurance policy.

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**Remember:** Keep the lines of communication open between you and the insurance company representatives so information can be freely exchanged and your claim can be settled quickly.

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Contact one or more of these parties if your insurance claim is not being settled promptly or fairly:

- The claim-handling person or claim-handling department of your insurance company
- The Office of the Commissioner of Insurance — Please include your name and phone number:

OCI's website: [oci.wi.gov](http://oci.wi.gov)

Phone (608) 266-0103 (in Madison) or (800) 236-8517 (statewide)

Mailing Address

Office of the Commissioner of Insurance

P.O. Box 7873

Madison, WI 53707-7873

Email

[ocicomplaints@wisconsin.gov](mailto:ocicomplaints@wisconsin.gov)