



Tracking Hurricane Harvey's Ripple Effects

When all is said and done, Hurricane Harvey will go down in the record books as one of the most devastating storms in U.S. history, causing catastrophic flooding along Texas's Gulf Coast and leaving an epic path of destruction in its wake.

What many people don't realize -- and/or learn the hard way -- is that even though flooding is a leading cause of property loss, like earthquakes, it is typically not covered under a standard homeowners policy.

Harvey by the Numbers

Harvey's immediate impact can be characterized by some stunning statistics. The storm dumped more than 50 inches of rain in and around Houston, Texas, the most ever recorded in the lower 48 states.¹ At least 60 people have died as a result of the storm, while 72,000 have been rescued, and an estimated 30,000 are in need of temporary shelter. Thirty-three counties in Texas have been declared federal disasters.²

Looking beyond the shock and devastation, the ripple effects of the storm have become manifest in dollars and cents. The cost of losses due to Harvey's wrath is currently estimated at \$75 billion.² U.S. consumers are feeling the effects of Harvey at the gas pump as many Texas Gulf Coast oil refineries -- which produce a quarter of the nation's gasoline -- remain closed or are operating at diminished capacity. The average price for a gallon of gasoline as of September 5 was up 30 cents nationwide. And economists predict that like other major storms, Harvey's impact will flow through to other parts of the economy.

As for residents and homeowners in the eight counties hardest hit by Harvey, the harsh reality is that only about one fifth of them have flood insurance policies.³

Flood Insurance: What You Need to Know

What many people don't realize -- and/or learn the hard way -- is that even though flooding is a leading cause of property loss, like earthquakes, it is typically not covered under a standard homeowners policy. To insure against floods, you must purchase special flood insurance, generally offered only through the government-run National Flood Insurance Program (NFIP). The program generally caps coverage at \$250,000 in rebuilding costs and \$100,000 for replacing the structure's contents, such as furniture and appliances.³

Homeowners with federally backed mortgages who live in areas designated by the government as "100-year flood zones" -- areas that have a 1% or greater chance of flooding annually -- are typically required to have flood insurance, but the requirement is not always followed. Furthermore, as was the case with the vast

majority of flooding that occurred in and around Houston, Texas, floods can and do happen outside these specially designated areas.

Should You Purchase Coverage?

In the wake of Harvey -- and with Irma on the way -- many homeowners may be nervously assessing their own risk exposure. Whether flood insurance is right for you will depend upon a number of factors. As a starting point, ask yourself some basic questions.

- Do you need it? If you live in a flood-prone area, the waters are likely to rise at some point -- and the longer you live there, the greater the chance you'll experience a flood. You may want to hedge your bets and consider flood insurance long before a hurricane or major storm is on the way. While homeowners insurance may cover certain types of water damage, wind-driven rain, or a broken water pipe that floods the cellar and first floor, damage caused by a river that flows over its banks or storm waves that surge over the coastline usually won't be covered by homeowners or property-owners insurance. That's where flood insurance kicks in.
- What does flood insurance cover? Although you can buy flood insurance through your insurance agent, the policy and coverage generally come from the NFIP. Visit the Federal Emergency Management Agency's (FEMA's) website for a complete listing of coverages under the NFIP.
- How much does it cost? According to FEMA, the average premium under the NFIP now runs about \$878 per year. And that does not include various surcharges, which can bring the average up to over \$1,000. Premiums rose 6.3% last year on average, but some properties saw larger increases, especially for certain properties such as second homes and properties that have experienced multiple flood claims.⁴ Keep in mind that these are average figures. As with standard home insurance policies, premiums will depend on your deductible and the value of the property being insured.

¹The Washington Post, "Harvey marks the most extreme rain event in U.S. history," August 29, 2017.

²ABCNews.go.com, "Death toll from Harvey rises to at least 60," September 4, 2017; CNN, "Harvey's devastating impact by the numbers," September 1, 2017.

³The Washington Post, "Where Harvey is hitting hardest, 80 percent lack flood insurance," August 29, 2017.

⁴FEMA, "Summary of the NFIP Program Changes Effective April 1, 2017.