What Buyers Should Know About Flood Hazard Areas & Flood Insurance

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This brochure was prepared courtesy of the Georgia Association of REALTORS® to help buyers in Georgia learn more about Flood Hazard Areas and Flood Insurance. The information herein is general in nature and is not intended to be exhaustive. Some of the information may not apply to specific properties. Buyers are encouraged to consult with experts and professionals of their own choosing to ensure that they are protected.

In Georgia, it is generally the buyer's obligation to determine if a property is in a flood hazard area. While the potential for flooding may be more apparent when a property is located close to an ocean, river or stream, flooding can occur in any low lying area or area through which storm water runoff drains. Whether a property is located in a flood hazard area can be determined by having a survey done in which the surveyor is asked to identify the boundaries of any flood hazard areas, reviewing floodplain maps on the national www.FloodSmart.gov website or checking with your local planning department in the city or county in which you live. Our Georgia courts have ruled that if a portion of a property is in a special flood hazard area, the buyer should reasonably expect that some flooding may occur on the entire property.

The boundaries of flood hazard areas can change over time. Just because a property was not in a flood hazard area in the past does not mean that it may not be in one today. The boundaries of flood hazard areas can change due to changing weather patterns and a generally increased risk for more severe weather, greater precision in floodplain mapping and increased development in an area that may cause greater storm water runoff than in the past. Rather than relying on seller disclosures in this area, it is best to independently verify whether or not property is located in a flood hazard area.

Properties in flood hazard areas are at risk for different types of flooding. The baseline standard for flooding, known as the base flood, are properties where there is a one percent annual chance of flood. This is also called the 100-year floodplain. However, within this category there are many sub-categories that determine the type of flooding that may occur. So, for example, depending on the location of a property, the flooding may include wave action, be in an area where the property is in a floodway where there is a deniable channel of rapidly moving floodwater or be in a shallow floodplain where flooding of 1-3 feet may occur but with no deniable floodwater channel. Properties within the 100-year floodplain are categorized as being in a special flood hazard area or zone.

The cost of flood insurance will vary based upon the risk of damage resulting from flooding. Not all buyers pay the same amount for flood insurance. FEMA or the Federal Emergency Management Agency has prepared Flood Insurance Rate Maps ("FIRM") that try to quantify the degree of risk of being in different types of flood hazard zones. The greater the risk of damage from flooding, the more the property owner will pay for flood insurance. There is a National Flood Insurance Program that helps ensure that most properties in a flood hazard area can buy flood insurance. However, the federal government does not sell flood insurance. Instead, this can only be purchased from an insurance professional.

Flood insurance premiums will likely increase. In 2012, changes were made to the National Flood Insurance Program that will increase the cost of flood insurance. In particular, the law provides for the gradual elimination of a variety of existing federal subsidies for flood insurance. The goal of the changes is for property owners to eventually be charged insurance rates based upon the true risk of damage resulting from flooding. Over time, the properties that will likely see the largest increases are properties with severe repetitive losses, properties where flood losses have exceeded the value of the property and properties improved over 30% of fair market value. Since some of the anticipated increases in flood insurance premiums may be significant, buyers are encouraged to get a price quote from an insurance professional early in the home buying process.

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Flood insurance does not necessarily pay for all damage to a property. A standard flood insurance policy only pays for direct physical damage to a property caused by flooding. On 1–4 residential buildings there is a policy coverage limit of $250,000 through the National Flood Insurance Program. This means that if a $750,000 house is flooded, the insurance will only pay $250,000 of that damage. In addition, damage to personal property in the property is capped at $100,000 under the National Flood Insurance Program. Subject to certain limitations, excess flood insurance is available through private insurance companies.

There are some properties where flood insurance is not available. In 1982, a federal law was passed restricting development on land designated as being a part of a coastal barrier resource system. In Georgia, most coastal barriers are dunes and other land near oceans that act as a buffer to protect properties further inland against flooding. Houses built in a Coastal Barrier Resource System ("CBRS") area are only eligible for flood insurance if the house was built prior to 1982.

Common flood zone designations:

- AO - River or stream flood hazard areas in the 100-year floodplain where there is a chance of shallow flooding
- AE - Areas within the 100-year floodplain
- V - Coastal areas in the 100-year floodplain where there is an additional hazard associated with storm waves
- AH - Areas within the 100-year floodplain where there is a risk of shallow flooding usually in the form of a ponding water
- B and X (shaded) - Areas between the 100 and 500 year floodplain
- C and X (unshaded) - Areas of minimal flood hazard above the 500-year flood level

Should I avoid buying a property in a flood hazard area? Only a buyer can decide whether the benefits of living near water outweigh its risks. Living near water is viewed by most Americans as highly desirable. Water creates many opportunities for outdoor recreation, is aesthetically pleasing to look at and is generally viewed as having a calming effect on people. As a result, waterfront properties typically command far higher sales prices than non-waterfront properties. The tradeoff in living near water is an increased risk of flooding.

Ordering a CLUE Report (Comprehensive Loss Underwriting Exchange Report) provides a 7-year insurance loss history of a home including losses by flooding. This report can be ordered through an insurance professional or purchased directly. Reviewing this report gives buyers valuable information on the frequency of flooding and the type of damage, if any, resulting from flooding. As such, a CLUE Report can help a buyer evaluate the risks and rewards of buying a home in a flood hazard area. Not all properties in a flood hazard area flood while others flood on a regular basis.

How the improvements on a property located in a flood hazard area are constructed can also sometimes have a bearing on the buyer's purchasing decision. If the improvements are elevated off the ground and do not include a basement, the actual risk of flooding may be much lower than if the improvements are constructed on grade.

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