



National Flood Insurance Program

Myths and Facts about the National Flood Insurance Program



FEMA

Who needs flood insurance? Everyone!

And almost everyone in a participating community of the National Flood Insurance Program (NFIP) can buy flood insurance. Nationwide, more than 20,000 communities have joined the Program. In some instances, people have been told that they cannot buy flood insurance because of where they live. To clear up this and other misconceptions about National Flood Insurance, the NFIP has compiled a list of common myths about the Program, and the real facts behind them, to give you the full story about this valuable protection.

MYTH: You can't buy flood insurance if you are located in a high-flood risk area.

FACT: You can buy National Flood Insurance no matter where you live if your community participates in the NFIP, except in Coastal Barrier Resources System (CBRS) or other protected areas. The Program was created in 1968 to make federally backed flood insurance available to property owners who live in eligible communities. Flood insurance was then virtually unavailable from the private insurance industry. The Flood Disaster Protection Act of 1973, as amended, requires federally regulated lending institutions to make sure that mortgage loans secured by buildings in high-flood risk areas are protected by flood insurance.

Lenders should notify borrowers, prior to closing, that their property is located in a high-flood risk area and that National Flood Insurance is required.

MYTH: You can't buy flood insurance immediately before or during a flood.

FACT: You can purchase National Flood Insurance at any time. There is usually a 30-day waiting period after premium payment before the policy is effective, with the following exceptions:

1. If the initial purchase of flood insurance is in connection with the making, increasing, extending, or renewing of a loan, there is no waiting period. Coverage becomes effective at

the time of the loan, provided application and payment of premium is made at or prior to loan closing.

2. If the initial purchase of flood insurance is made during the 13-month period following the effective date of a revised flood map for a community, there is a 1-day waiting period. This applies only where the Flood Insurance Rate Map (FIRM) is revised to show the building to be in a Special Flood Hazard Area (SFHA) when it had not been in an SFHA.

The policy does not cover a "loss in progress," defined by the NFIP as a loss occurring as of 12:01 a.m. on the first day of the policy term. In addition, you cannot increase the amount of insurance coverage you have during a loss in progress.

MYTH: Homeowners insurance policies cover flooding.

FACT: Unfortunately, many home and business owners do not find out until it is too late that their homeowners and business multiperil policies do not cover flooding. The NFIP offers a separate policy that protects the single most important financial asset, which for most people is their home or business.

Homeowners can include contents coverage in their NFIP policy. Residential and commercial renters can purchase contents coverage. Business

owners can purchase flood insurance coverage for their buildings and contents/inventory and, by doing so, protect their livelihood.

MYTH: Flood insurance is only available for homeowners.

FACT: Most people who live in NFIP participating communities, including renters and condo unit owners, are eligible to purchase federally backed flood insurance. A maximum of \$250,000 of building coverage is available for single-family residential buildings; \$250,000 per unit for residential condominiums. The limit for contents coverage on all residential buildings is \$100,000, which is also available to renters.

Commercial structures can be insured to a limit of \$500,000 for the building and \$500,000 for the contents. The maximum insurance limit may not exceed the insurable value of the property.

MYTH: You can't buy flood insurance if your property has been flooded.

FACT: You are still eligible to purchase flood insurance after your home, apartment, or business has been flooded, provided that your community is participating in the NFIP.

MYTH: Only residents of high-flood risk areas need to insure their property.

FACT: All areas are susceptible to flooding, although to varying degrees. If you live in a low-to-moderate flood risk area, it is advisable to have flood insurance. Nearly 25 percent of the NFIP's claims come from outside high-flood risk areas. Residential and commercial property owners located in low-to-moderate risk areas should ask their agents if they are eligible for the Preferred Risk Policy, which provides inexpensive flood insurance protection.

MYTH: National Flood Insurance can only be purchased through the NFIP directly.

FACT: NFIP flood insurance is sold through private insurance companies and agents, and is backed by the federal government.

MYTH: The NFIP does not offer any type of basement coverage.

FACT: Yes it does. The NFIP defines a basement as any area of a building with a floor that is below ground level on all sides. While flood insurance does not cover basement improvements (such as finished walls, floors, or ceilings), or personal belongings kept in a basement (such as furniture and other contents), it does cover structural elements and essential equipment.

The following items are covered under building coverage, as long as they are connected to a power source, if required, and installed in their functioning location:

- Sump pumps
- Well water tanks and pumps, cisterns, and the water in them
- Oil tanks and the oil in them, natural gas tanks and the gas in them
- Pumps and/or tanks used in conjunction with solar energy
- Furnaces, water heaters, air conditioners, and heat pumps
- Electrical junction and circuit breaker boxes and required utility connections
- Foundation elements
- Stairways, staircases, elevators, and dumbwaiters
- Unpainted drywall walls and ceilings, including nonflammable insulation
- Cleanup

The following items are covered under contents coverage:

- Clothes washers and dryers
- Food freezers and the food in them

The NFIP recommends both building and contents coverage for the broadest protection.

MYTH: The NFIP encourages coastal development.

FACT: One of the NFIP's primary objectives is to guide development away from high-flood risk areas. NFIP regulations minimize the impact of structures that are built in SFHAs by requiring them not to cause obstructions to the natural flow of floodwaters. Also, as a condition of community participation in the NFIP, those structures built within SFHAs must adhere to strict floodplain management regulations enforced by the community.

In addition, the Coastal Barrier Resources Act (CBRA) of 1982 relies on the NFIP to discourage building in fragile coastal areas by prohibiting the sale of flood insurance in designated CBRA areas. While the NFIP does not prohibit property owners from building in these areas, any Federal financial assistance, including federally backed flood insurance, is prohibited. However, the CBRA does not prohibit privately financed development or insurance.

MYTH: Federal disaster assistance will pay for flood damage.

FACT: Before a community is eligible for disaster assistance, it must be declared a federal disaster area. Federal disaster assistance

declarations are issued in less than 50 percent of flooding events. The premium for an NFIP policy, averaging a little over \$500 a year, can be less expensive than the monthly payments on a federal disaster loan.

Furthermore, if you are uninsured and receive federal disaster assistance after a flood, you must purchase flood insurance to remain eligible for future disaster relief.

MYTH: The NFIP does not cover flooding resulting from hurricanes or the overflow of rivers or tidal waters.

FACT: The NFIP defines covered flooding as a general and temporary condition during which the surface of normally dry land is partially or completely inundated. Two properties in the area or two or more acres must be affected. Flooding can be caused by:

- Overflow of inland or tidal waters, or
- Unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall, or
- Mudflow, i.e., a river of liquid and flowing mud on the surfaces of normally dry land areas, or
- Collapse or subsidence of land along the shore of a lake or other body of water, resulting from erosion or the effect of waves, or water currents exceeding normal, cyclical levels.

For more information about the NFIP and flood insurance, call
1-800-427-4661

or contact your insurance company or agent.

For an agent referral, call 1-888-435-6637
TDD 1-800-427-5593

<http://www.fema.gov/business/nfip>
<http://www.floodsmart.gov>



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**CALL YOUR INSURANCE COMPANY OR
AGENT TODAY!**

National Flood Insurance Program

Top Ten Facts for Consumers

FEMA F-301 / February 2012



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FEMA

TOP TENS FACTS

**every consumer needs to know
about the National Flood
Insurance Program (NFIP)**

1. Everyone lives in a flood zone.

- You do not need to live near water to be flooded.
- Floods are caused by storms, melting snow, hurricanes, water backup due to inadequate or overloaded drainage systems, as well as broken water mains.

2. Flood damage is not covered by homeowners policies.

- You can protect your home, business, and belongings with flood insurance from the NFIP.
- You can insure your home with flood insurance up to \$250,000 for the building and \$100,000 for its contents.

3. You can buy flood insurance no matter your flood risk.

- It does not matter whether your flood risk is high or low. Anyone in a community that participates in the NFIP can buy building and/or contents coverage, with very few exceptions. Some Coastal Barrier Resources System (CBRS) areas, Otherwise Protected Areas (OPAs), and buildings principally below ground or entirely over water are not eligible for National Flood Insurance.
- It is a good idea to buy even in lower-risk areas because over 20 percent of all NFIP claims come from outside mapped high-risk areas.

7. Contents coverage is available to homeowners, businessowners and tenants.

- Up to \$100,000 contents coverage is available for homeowners and renters.
- Whether you rent or own your home or business, make sure to ask your insurance agent about contents coverage. It is not automatically included with the building coverage (except under the Preferred Risk Policy).

8. Up to a total of \$1 million in flood insurance coverage is available for non-residential buildings and contents.

- Up to \$500,000 of coverage is available for non-residential buildings.
- Up to \$500,000 of coverage is available for the contents of non-residential buildings.

9. There is usually a 30-day waiting period before coverage goes into effect.

- Plan ahead so you are not caught without insurance when a flood threatens your home or business.

10. Federal disaster assistance is not the answer.

- Federal disaster assistance is available only if the President declares a disaster.
- Flood insurance pays even if a disaster is not declared.

4. The low-cost Preferred Risk Policy is ideal for homes and businesses in moderate- to low-risk areas.

- Homeowners can insure buildings and contents for as little as \$129 per year. Business owners can insure buildings and contents for as little as \$567 per year.
- Residential renters can insure contents for as little as \$49 per year.

5. Flood insurance is affordable.

- About 90 private insurance companies nationally offer affordable flood insurance backed by the Federal Government. Contact your local agent.
- Policies are available to homeowners, condo owners, apartment owners, renters, and business owners alike.

6. Flood insurance is easy to get.

- You can buy flood insurance through licensed property insurance agents; call yours today.
- You can purchase flood insurance with a credit card.



National Flood Insurance Program

The Benefits of Flood Insurance Versus Disaster Assistance

FEMA F-217



FEMA

Here's What To Tell Your Clients About The Benefits Of Flood Insurance Versus Disaster Assistance

FLOOD INSURANCE

- You are in control. Flood insurance claims are paid even if a disaster is not declared by the President.
- Between 20 and 25 percent of all claims paid by the NFIP are outside of Special Flood Hazard Areas.
- There is no payback requirement.
- Flood insurance policies are continuous, and are not non-renewed or cancelled for repeat losses.
- Flood insurance reimburses you for all covered building losses up to \$250,000 and \$500,000 for businesses. Contents coverage is also available up to \$100,000 for homeowners and \$500,000 for businesses.
- The average cost of a flood insurance policy is a little more than \$500 annually. The cost of a preferred risk policy is less than \$200 annually, depending on where you live.

DISASTER ASSISTANCE

- Most forms of federal disaster assistance require a Presidential declaration.
- Federal disaster assistance declarations are not awarded in all flooding incidents.
- The most typical form of disaster assistance is a loan that must be repaid with interest.
- The duration of a Small Business Administration (SBA) disaster home loan could extend to 30 years.
- The average Individuals and Households Program award for Presidential disaster declarations related to flooding in 2008 was less than \$4,000.
- Repayment on a \$50,000 SBA disaster home loan is \$240 a month or \$2,880 annually at 4% interest.

To order The Benefits of Flood Insurance Versus Disaster Assistance as a stuffer for client mailings, call 1-800-480-2520 and ask for form F-216.

For more information about the NFIP and flood insurance, call 1-800-427-4661, or contact your insurance company or agent. For an agent referral, call 1-888-435-6637 • TDD 1-800-427-5593 • <http://www.fema.gov/business/nfip> • <http://www.floodsmart.gov>



National Flood Insurance Program

Summary of Coverage

FEMA F-679 / July 2009



FEMA

Choosing Deductibles

Choosing the amount of your deductible is an important decision. As with car or homeowners insurance, choosing a higher deductible will lower the premium you pay, but will also reduce your claim payment.

You can choose different deductibles for Building Property and Personal Property coverage. The deductibles will apply separately to Building Property and Personal Property claims. Your mortgage company may require that your deductible is no more than a certain amount.

Review the Declarations Page in your flood insurance policy for amounts of coverage and deductibles. Talk with your insurance agent, company representative, or lender about raising and lowering deductibles.

Reminder: Keep Your Receipts

While you are not expected to keep receipts for every household item and article of clothing, do try to keep receipts for electronic equipment, wall-to-wall carpeting, major appliances, and other higher cost items. Your adjuster will be able to process your claim more quickly when you can prove how much items cost at the time of purchase.

What is Covered by Flood Insurance—and What is Not

Physical damage to your building or personal property “directly” caused by a flood is covered by your flood insurance policy. For example, damages caused by a sewer backup are covered if the backup is a direct result of flooding. If the backup is caused by some other problem, the damages are not covered.

The following charts provide general guidance on items covered and not covered by flood insurance. Refer to your policy for the complete list.

General Guidance on Flood Insurance Coverage

What is insured under BUILDING PROPERTY coverage

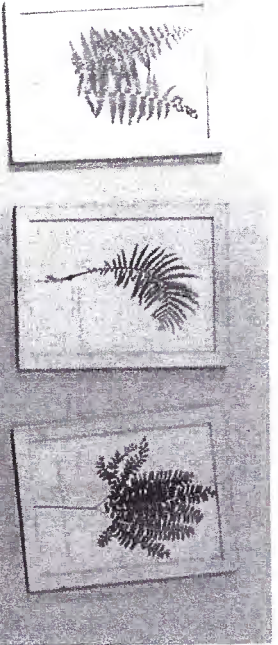
- The insured building and its foundation.
- The electrical and plumbing systems.
- Central air conditioning equipment, furnaces, and water heaters.
- Refrigerators, cooking stoves, and built-in appliances such as dishwashers.
- Permanently installed carpeting over an unfinished floor.
- Permanently installed paneling, wallboard, bookcases, and cabinets.
- Window blinds.
- Detached garages (up to ten percent of Building Property coverage). Detached buildings (other than garages) require a separate Building Property policy.
- Debris removal.

What is insured under PERSONAL PROPERTY coverage

- Personal belongings such as clothing, furniture, and electronic equipment.
- Curtains.
- Portable and window air conditioners.
- Portable microwave ovens and portable dishwashers.
- Carpets not included in building coverage (see above).
- Clothes washers and dryers.
- Food freezers and the food in them.
- Certain valuable items such as original artwork and furs (up to \$2,500).

What is NOT insured by either Building Property or Personal Property coverage

- Damage caused by moisture, mildew, or mold that could have been avoided by the property owner.
- Currency, precious metals, and valuable papers such as stock certificates.
- Property and belongings outside of a building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs, and swimming pools.
- Living expenses such as temporary housing.
- Financial losses caused by business interruption or loss of use of insured property.
- Most self-propelled vehicles such as cars, including their parts (see Section IV.5 in your policy).



PEACE OF MIND

FOR AS LITTLE AS \$129 PER YEAR

Every year, thousands of people learn the hard way that you don't need to live near a river or coastline to face a flood. Floods are the #1 natural disaster in the United States, yet only a fraction of homes are financially protected with flood insurance against the cost of flooding.

WHY RISK YOUR HOME WHEN:

- Most homes outside of high-risk areas will qualify for the National Flood Insurance Program's Preferred Risk Policy (PRP).
- PRPs offer the same quality coverage as a Standard Flood Insurance Policy, providing you with both building and contents options. You can purchase up to \$250,000 of building coverage and \$100,000 of content coverage for just \$414 per year. Other coverage options start as low as \$129 per year.
- PRPs are available in most communities across the country—wherever flood insurance is sold and available to homeowners, condominium unit owners, and renters.

Most homeowners insurance doesn't cover flood damage. Federal disaster assistance is not always available for flooding—and if it is, it's usually a loan that must be repaid. Isn't buying a PRP a small price to pay for protection from what could be a big, expensive, time-consuming problem?

People outside of mapped high-risk flood areas file nearly 25% of all National Flood Insurance Program flood insurance claims and receive one-third of Federal Disaster Assistance for flooding. The risk is real, wherever you live.

PREFERRED RISK POLICY PREMIUM TABLE: RESIDENTIAL *

PRP Premiums for Zones B, C, X (Pre-/Post-FIRM) Effective October 1, 2013

COVERAGE	BUILDING & CONTENTS ^{1,2,3}		CONTENTS ONLY ^{4,5,6}	
	Annual Premium w/ Basement or Enclosure ⁴	Annual Premium w/ Basement or Enclosure ⁵	Annual Premium Contents Above Ground	Annual Premium All Other Locations
\$20,000 / 8,000	\$129	\$176	\$57	\$79
30,000 / 12,000	183	211	75	106
50,000 / 20,000	240	269	110	147
75,000 / 30,000	281	315	126	168
100,000 / 40,000	312	346	140	187
125,000 / 50,000	334	368	153	207
150,000 / 60,000	356	390	167	226
<u>200,000 / 80,000</u>	<u>390</u>	<u>429</u>	194	248
250,000 / 100,000	414	460	221	271

3 Floors of Land

Note: Properties that have been newly mapped into a high-risk flood zone may qualify for a PRP through the PRP Eligibility Extension program. This premium table does not apply to those properties. Contact your agent for a quote.

Note: The deductibles apply separately to building and contents. Building deductible, \$1,000. Contents deductible, \$1,000.

To qualify for replacement cost claim settlement, a single-family dwelling must be the insured's primary residence and be insured to the maximum amount of insurance available under the program or no less than 80% of the replacement cost at the time of loss.

Note: Contents located entirely in a basement are not eligible for contents-only coverage.

Note: Premiums for properties based on the PRP Eligibility Extension rating option may differ. Consult your insurance agent for more information.

* For 1-4 Family Residential. Other residential building and contents coverage combinations are available.

¹ Add the \$50.00 Probation Surcharge, if applicable.

² Premium includes Federal Policy Fee of \$22.00.

³ Premium includes ICG premium of \$5.00. Deduct this amount if the risk is a condominium unit.

⁴ Use this section of the table for buildings with crawlspaces or subgrade crawlspaces.

⁵ Do not use this section of the table for buildings with crawlspaces or subgrade crawlspaces; see footnote 4.

⁶ Use this section of the table if a building elevated on a crawlspace has an attached garage without openings.

⁷ Use this All Residential Contents Only Coverage premium table for individual residential condominium unit Contents Only policies.

FOR MORE INFORMATION, VISIT FLOODSMART.GOV/RESIDENTIAL OR CALL 1-800-427-2419.

HELPER 800-427-2419





Flood After Fire Risks



Floods are the number one natural disaster in the United States. Flooding causes damage and destruction across all regions wiping out homes and businesses. However, many residents and businesses are unaware that they qualify for flood insurance or that policies are more affordable than they may think. People need to know they can take steps to reduce the financial impact of flooding before disaster strikes.

One important step is to understand your risk. Wildfires dramatically change landscape and ground conditions, which can lead to increased risk of flooding due to heavy rains, flash flooding and mudflows.

Residents and business owners are urged to purchase flood insurance now to guarantee financial protection from flooding. There typically is a 30-day waiting period before flood insurance takes effect. But the Biggert-Waters Flood Insurance Reform Act of 2012 allows for an exception to the waiting period in certain cases where property is affected by flooding on burned Federal land that is a result of, or is exacerbated by, post-wildfire conditions. For more information, please contact your insurance agent.

Flood after Fire: The Risks

You may be at an even greater risk of flooding due to recent wildfires that have burned in your area. Wildfires can happen almost anywhere, but the most commonly affected states are Arizona, California, Idaho, Nevada, Oregon, and Washington.

Normally, vegetation absorbs rainfall, reducing runoff. However, wildfires leave the ground charred, barren, and unable to absorb water, creating conditions ripe for flash flooding and mudflow. Flood risk remains significantly higher until vegetation is restored—up to five years after a wildfire.

Heavy Rains

Excessive amounts of rainfall can happen throughout the year, putting your property at risk. Properties directly affected by fires and those located below or downstream of burn areas are most at risk for flooding.

Flash Floods

A flash flood is a rapid flooding of low-lying areas in less than six hours, which is caused by intense rainfall. Flash floods are the number one weather-related killer in the U.S. since they are known to roll boulders, tear out trees, and destroy buildings and bridges.

Mudflows

Mudflows are rivers of liquid and flowing mud on the surface of normally dry land, often caused by a combination of brush loss and subsequent heavy rains. Mudflows can develop when water saturates the ground,

such as from rapid snowmelt or heavy or long periods of rainfall, causing a thick, liquid, downhill flow of earth. Mudflows are covered by flood insurance but are different from other non-covered earth movements where there is not a flowing characteristic—such as landslides or slope failures.

To learn more about your risk for flooding and how to prepare for floods, visit FloodSmart.gov/wildfire

