

# Fact Sheet: Myths and Facts About Flood Insurance

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**Release Date:** juin 11, 2019

Floods are the most common and costly natural disasters in the United States. Property owners who live in communities participating in the National Flood Insurance Program (NFIP) can purchase affordable protection to insure against flood losses.

Yet, many property owners often have misconceptions about flood insurance, such as whether they can get it, when they can buy it, and how much it costs, etc.

Here are some of the most common myths and facts about flood insurance and the NFIP.

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

**FACT:** You can buy federal flood insurance no matter where you live if your community participates in the NFIP. The NFIP was created in 1968 to provide flood insurance to people who live in areas with the greatest risk of flooding, called Special Flood Hazard Areas (SFHAs), also known as the 100-year floodplain, or the regulatory floodplain.

Under the National Flood Insurance Act, lenders must require borrowers whose property is within an SFHA to purchase flood insurance as a condition of receiving a federally backed loan.

Flood insurance on homes and businesses located above or outside a floodplain is very affordable; insurance for homes in SFHAs may cost substantially more.

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

**FACT:** You can purchase flood coverage at any time. There is a 30-day waiting period after you've paid the premium before the policy is effective, with the following exceptions:



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- If the initial purchase of flood insurance is in connection with the making, increasing, extending or renewing of a loan. In those cases, there is no waiting period.
- If the initial purchase of flood insurance is made during the one-year period following the adoption of a revised Flood Insurance Rate Map for a community, the waiting period is only one day.

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, the amount of insurance coverage cannot be increased during a loss in progress.

MYTH: Homeowners’ insurance policies cover flooding.

FACT: Unfortunately, many homeowners do not find out until it is too late that their homeowner’s policy does not cover flooding.

MYTH: Flood insurance is available only for homeowners.

FACT: Flood insurance is available to protect homes, condominiums, apartments and non-residential buildings, including commercial structures. A maximum of \$250,000 of building coverage is available for single-family residential buildings; \$250,000 per unit for multi-family residences. 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.

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

FACT: It doesn’t 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 the NFIP.

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

FACT: Even if you live in an area that is not flood-prone, it’s advisable to have flood insurance. Anyone can be financially vulnerable to floods. People outside of high-risk areas file more than 25 percent of NFIP claims and receive one-third of disaster assistance for flooding. The NFIP’s preferred risk policies are designed



for residential properties located in low- to moderate-risk flood zones.

**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 the ground level on all sides. Basement coverage under an NFIP policy includes cleanup expenses and items used to service the building such as elevators, furnaces, hot water heaters, washers and dryers, air conditioners, freezers, utility connections, circuit breaker boxes, pumps, and tanks used in solar energy systems. The policy does not cover the contents of a finished basement or improvements such as finished walls, floors and ceilings.

**MYTH:** Federal disaster assistance will pay for flood damage.

**FACT:** Before a community is eligible for federal disaster assistance, it must be designated a federal disaster area. This happens in less than 50 percent of flooding incidents. The main form of federal assistance after a federally declared disaster is a loan that must be repaid with interest. The average annual premium for an NFIP policy is about \$700, which is less than the annual interest on most low-interest disaster loans. If you are uninsured and receive federal disaster assistance after a flood you must purchase flood insurance to receive disaster relief in the future.

**MYTH:** Federal flood insurance can be purchased only directly through the NFIP.

**FACT:** Most federal flood insurance is sold and serviced directly by Write Your Own (WYO) companies. These companies write and service policies on a non-risk-bearing basis through a special arrangement with the Federal Insurance Administration.

**MYTH:** The NFIP does not cover flooding that results from the overflow of rivers.

**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 adjacent properties or two or more acres must be affected. Flooding can be caused by any one of the following:

- Overflow of inland or tidal waters.



- Unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall.
- Mudslides or mudflows caused by flooding that are comparable to a river of liquid and flowing mud.
- Collapse or destabilization of land along the lakeshore or other body of water resulting from erosion or the effect of waves.
- Water currents exceeding normal, cyclical levels.

MYTH: Wind-driven rain is considered flooding.

FACT: Rain entering through wind-damaged windows or doors or holes in walls or the roof resulting in standing water or puddles is considered windstorm rather than flood damage. Federal flood insurance covers only damage caused by the general condition of flooding as defined above. Buildings that sustain this type of damage usually have a watermark showing how high the water rose before it subsided. While flood insurance policies specifically exclude wind and hail coverage, most homeowners' policies include this coverage.

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