



FEMA

MITIGATION DIRECTORATE

National Flood Insurance Program



FINANCIAL PREPARATION FOR A FLOOD

The National Flood Insurance Program (NFIP) was established with the passage of the National Flood Insurance Act of 1968. The NFIP is a Federal program enabling property owners in participating communities to purchase flood insurance as protection against flood losses, while requiring State and local governments to enforce floodplain management ordinances that reduce future flood damages. Over 20,300 communities participate in the NFIP.

FINANCIAL PROTECTION AGAINST FLOOD LOSS

Floods are the most common and costly natural disaster in the United States. Fortunately, property owners who live in communities participating in the NFIP can purchase affordable protection to insure against flood losses. Since 1969, the NFIP has paid over \$30 billion dollars in flood insurance claims that have helped hundreds of thousands of families and businesses recover from flood events.

To participate in the NFIP, a community must adopt and enforce floodplain management ordinances that meet or exceed the minimum requirements of the Program. These requirements are intended to prevent loss of life and property and reduce taxpayer costs for disaster relief, as well as minimize economic and social hardships that result from flooding. The specific requirements that a community must adopt depend on the type of flood hazard faced by the community.

The NFIP has an arrangement with private insurance companies to sell and service flood insurance policies. For a list of private insurance companies that sell and service NFIP flood insurance policies, visit: <http://www.fema.gov/nfipInsurance/companies.jsp>.

MYTHS AND MISCONCEPTIONS

A common misconception is that homeowners' policies cover flood damages. In fact, most homeowner and business multiperil policies do not cover flooding. In addition, Federal disaster assistance will not always pay for flood damages. The President must declare a major disaster before most forms of Federal disaster assistance can be offered, and most forms of disaster assistance are loans that must be repaid with interest. The premium for an NFIP policy, averaging about \$500 a year, can be less expensive than the monthly payments on a Federal disaster loan.

WHO IS ELIGIBLE

Most people who live in NFIP participating communities, including business owners, renters and condo unit owners, are eligible to purchase federally-backed flood insurance. A residential building can be insured up to \$250,000 and its contents up to \$100,000. Renters can cover belongings up to \$100,000, and non-residential property owners can insure their buildings up to \$500,000 and contents up to \$500,000.

EVERYONE NEEDS FLOOD INSURANCE

All areas are susceptible to flooding, although to varying degrees. It is advisable to have flood insurance in high-risk areas and even in low-to-moderate flood risk areas; between 20 and 25 percent of the NFIP's claims come from outside high-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, starting as low as \$112 a year.



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Even after a home, apartment, or business has been flooded, owners and renters are still eligible to purchase flood insurance, provided that the community is participating in the NFIP.

FLOOD INSURANCE REQUIREMENTS

Residents who live in high-risk areas (sometimes referred to as Special Flood Hazard Areas [SFHAs]) are required to purchase flood insurance if they have a mortgage from a federally regulated lender. They also must carry the insurance for the life of the mortgage. Residents with a mortgage on a building outside high-risk areas can also purchase flood insurance and may be eligible for Preferred Risk Policies.

WAITING PERIOD

In general, a policy does not take effect until 30 days after the purchase of flood insurance. However, if a policy is purchased in connection with a mortgage or at a set time period following the revision or update of a Flood Insurance Rate Map (FIRM), the waiting period does not apply.

WHAT IS AND IS NOT COVERED BY FLOOD INSURANCE

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

INFORMATION FOR THE PUBLIC

The NFIP works to provide affordable protection against flooding to homeowners, business owners, and renters across the country. To build awareness of flood protection and preparedness, the NFIP created the FloodSmart campaign, which informs consumers about their flood risk and protection options. FloodSmart also provides information and resources to insurance agents.

The NFIP has developed materials in a nationwide effort to provide citizens with better information on flood insurance policies. As a result of requirements in the Flood Insurance Reform Act (FIRA) of 2004, the NFIP published a *National Flood Insurance Program Claims Handbook* to assist policyholders with the process of filing a claim. A Summary of Coverage document helps people understand flood insurance policies, provides general information about deductibles, explains what is and is not covered by flood insurance, and how items are valued at the time of loss. Both documents are available on the FloodSmart website at: [http:// www.FloodSmart.gov](http://www.FloodSmart.gov).

FOR MORE INFORMATION

For additional information about the NFIP or the FloodSmart campaign, visit: [http:// www.FloodSmart.gov](http://www.FloodSmart.gov).