AGENT

NATIONAL FLOOD INSURANCE PROGRAM

Flood Insurance Agent Field Guide

FEMA

NATIONAL FLOOD INSURANCE PROGRAM

Protect your clients. Build your business.

Every licensed property insurance agent can sell flood insurance through the National Flood Insurance Program (NFIP). However, flood insurance is a unique product and requires considerable product knowledge. That's why the NFIP has prepared this field guide for new and experienced agents.

This guide will help you learn to "speak flood" with your clients – from explaining flood risk to combating common flood insurance misconceptions.

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Agents: Why sell flood insurance?

Five facts to share with your clients about flooding:

- Floods are the most common and costly natural disaster in the U.S.
- Flooding can happen anytime, anywhere. More than 1 in 4 of all flood insurance claims come from outside high-risk flood areas.
- Repairing damage from a flood is expensive. In 2017, the average flood insurance claim was more than $90,000.
- Damage from even minor flooding events is costly. Just an inch of water can cause more than $25,000 in damage.
- The average flood insurance policy is about $890 a year. And in moderate- to low-risk areas, homeowners can secure a Preferred Risk Policy (PRP) for as low as $325 a year.

"Nobody ever thinks it's going to be their house. You always hope for the best and prepare for the worst, which makes flood insurance a non-question."

Jeff Baugh, Hurricane Harvey flood survivor

Build your business while building trust.
Just like homeowners, life, and auto insurance, flood insurance is an important part of your portfolio to protect your clients while building your business.

When clients know they can rely on you for all of their insurance needs, why would they go anywhere else? Help your current clients understand how they could benefit from expanding their coverage to include a flood policy.

Since flood insurance premiums are federally mandated, agents can focus on competing for business based on customer experience and satisfaction.

Protect your customers.
If it can rain, it can flood. In fact, people outside of high-risk flood areas file more than 20 percent of all NFIP flood insurance claims, and receive one-third of federal disaster assistance for flooding. Only flood insurance helps your clients rebuild their homes. Compared to the high cost of a flood event, flood insurance is a small price to pay for peace of mind.

Build customer trust.
Insurance is about trust. Your clients trust you to know what they need in homeowners, life, auto, liability, or other lines of coverage. By offering flood insurance as part of your portfolio, you can make your clients aware of a key vulnerability in their coverage that will more fully protect them, building trust and increasing potential for additional sales.

Protect your business.
Your clients trust you to keep them informed about the protection they need and to offer that protection. They also expect you to have the technical knowledge you need to accurately sell and service flood insurance.

The top two Errors and Omissions (E&O) pitfalls are not offering coverage and not offering the right amount of Insurance. As a well-trained and motivated flood agent, you can protect yourself from possible E&O-related lawsuits.

Q: Why do you sell flood insurance?

A: "Florida is 100 miles across, with water on either side. Between every home is a waterway, a pond, or a retention basin. We're surrounded by water. Everybody is at risk for flooding here."

Q: What strategies do you use to sell flood insurance?

A: "Any time we interact with a client, we talk about flood insurance. We have a real urgency around it."

Kandie Landers, flood insurance agent (Jacksonville, FL and Glendale, CO)

Risk: All about flood risk

Snow melt in the Midwest brings spring flooding. Heavy winter rains on the West Coast create flooded homes and mudflows. Hurricanes and tropical storms drench the country from New England to the Mid-Atlantic to the Gulf, and can seriously impact communities hundreds of miles inland as well.

Flood events occur in all 50 states. And they don't always fall in high-risk flood areas. In 2017, nearly 57 percent of Hurricane Harvey flood insurance claims came from outside the high-risk flood area.

Anywhere it can rain, it can flood. That's why it's important you tell your customers about flood insurance coverage.

How does the NFIP define a flood?

We all know a flood when we see one – but the NFIP has an official definition:

"A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area, or of two or more properties (at least one of which is your property)."

The NFIP explains the cause of a flood in four ways:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation of runoff of surface waters from any source;
- Mudflow (a river of liquid and flowing mud on the surfaces of normally dry land areas); or
- Collapse of land along the shore of a lake or similar body of water because of erosion or undermining caused by waves or water currents.

Coverage: Protect your clients

Most homeowners insurance doesn't cover flood damage – with flood insurance you're covered. Unfortunately, many property owners do not find out until it's too late that their homeowners policies do not cover flooding. Be sure your clients know that only flood insurance covers costly flood damage. The NFIP offers a separate policy that protects your client's single most important financial asset: their home or business.

FACT: Roughly 1 in 4 homeowners mistakenly believe that a standard homeowners insurance policy covers flooding.

Your client can insure their home for up to $250,000 for the building and up to $100,000 for the contents. They can insure their commercial property for up to $500,000 for the building and $500,000 for the contents.

Know what's covered.

The NFIP pays for direct physical loss by or from a flood. Agents play a crucial role in helping clients understand what is and isn't covered with flood insurance. For a complete list of coverage and exclusions, refer to the NFIP's Summary of Coverage, or visit: **FloodSmart.gov/how/what-is-covered**.

Building coverage: In addition to the building and its foundation, building coverage pays for permanent items such as: plumbing and electrical systems; HVAC systems; water heaters; refrigerators, stoves, and built-in dishwashers; permanently installed paneling, wallboard, bookcases and cabinets; and debris removal.

Some popular basement items – such as furnaces, hot water heaters, and circuit breakers – are also covered. However, items such as washers and dryers are only covered through personal property coverage – and have limited coverage in basements, as described below.

Personal property coverage: Clothing, furniture, and electronic equipment are covered, as are appliances that are not permanently installed, such as portable microwaves, dishwashers and air conditioners, as well as window air conditioners. Your client's washer and dryer are also considered personal property, as are food freezers and their contents.

Most importantly, you should remind your clients to keep an inventory of their home and belongings – including photos and videos – in a flood - safe area in case they need to file a flood insurance claim.

Know what's not covered.

When clients are dealing with flood loss, the last thing they need is a surprise. When writing a policy, walk clients through the NFIP's Summary of Coverage which has a more complete list of coverage and exclusions, or visit: **FloodSmart.gov/how/what-is-covered**.

For agents looking for more information about what's covered, refer to the Standard Flood Insurance Policy.

The following are a few examples of what is not covered:

- **Property outside a building.** This includes decorative and recreational items such as swimming pools, hot tubs, decks, patios, fences and walkways, as well as septic systems. Plantings are also not covered.
- **Certain high value items.** Currency (including rare coins), precious metals, and stock certificates.
- **Avoidable damage.** This includes moisture, mildew or mold resulting either from a pre-existing condition or from lack of timely remediation.
- **Payments for living expenses.** This includes temporary housing and financial losses caused by business interruption or the loss of use of insured property.

Some valuable items, such as original artwork and furs, are covered under flood insurance. The limit for these items is $2,500.

Costs: Making coverage affordable

Many homeowners believe that flood insurance coverage is unaffordable. However, compared to the cost of even a minor flood, flood insurance is a good investment for protection and for peace of mind. In fact, just an inch of water can cause more than $25,000 in damage.

You can help clear up that confusion by becoming familiar with the average premiums and payment options for your clients.

Most property owners who live in a moderate- to low-risk area (indicated as B, C or X zones on flood maps) will qualify for a Preferred Risk Policy (PRP), which is a more affordable policy – with costs as low as $325 a year.

Residential PRP Annual Premiums*

Building	Contents	Premiums
$100k	$40k	$286
$200k	$80k	$358
$250k	$100k	$386

**An additional $25 annual Homeowner Flood Insurance Affordability Act (HFIAA) surcharge will be applied for primary residences and $250 for all other occupancies.*

The NFIP Flood Insurance Manual details more estimates, including estimates for business owners and clients living in high-risk flood areas.

Working with a homeowner or business owner? Provide a quote for contents and building coverage.

Working with renters? Provide a quote for contents-only overage.

Working with clients: Talking points and FAQs

Clients don't always think about flooding. You can help make them aware of their risk and help them be prepared for the financial and emotional costs of flooding– they'll be thankful you did.

Here's what clients need to know when it comes to purchasing flood insurance to protect the lives they've built:

- **Get flood insurance now. Don't wait until disaster strikes to realize you're not covered.** In most cases, it takes 30 days after purchase for a policy to take effect.
- **Flooding can happen anywhere at any time**, and not always in high-risk flood areas. In 2017, nearly 57 percent of Hurricane Harvey flood insurance claims came from outside the high-risk flood area.
- **No matter your flood risk, you should purchase flood insurance.** The only requirements are that your community participates in the NFIP and your property qualifies for coverage. To find out if your community participates, visit: **FEMA.gov/national-flood-insurance-program-community-status-book**
- **If you are in a high-risk area, insurance may be mandatory.** Flood Insurance is required if you carry a mortgage from a federally regulated or insured lender. If you have concerns about cost, there are some measures homeowners can take – such as mitigation – that can lower your annual premiums. *Learn more about how to help your clients pay less:* ***FloodSmart.gov/costs/how-can-i-pay-less-for-my-flood-insurance***
- **If you live outside a high-risk area, you might qualify for a lower-cost PRP, which can be as low as $325 a year.**
- **Securing flood insurance is a crucial step to protecting the life you've built.** Just one inch of water in an average-sized home can cost up to $25,000 in damage.

Q: Why do you sell flood insurance?

A: "Immediately after a flood event, many of my clients' first reaction is to feel worried or frustrated. That's where my work begins, helping to explain the first steps to file a claim and referring people to preferred vendors.

"It's a good feeling when you spend all this time selling insurance policies, to know your people are protected. It's a great feeling to be able to tell them, 'Yes, you are covered. Here's the number and let us know how we can help.' People appreciate that."

Q: How do you explain the value of flood insurance?

A: "We write a flood insurance quote with every policy we sell, but sometimes it takes severe weather for clients to understand their risk. When that happens, a lot of the clients will call me back saying, 'Bobby, we rethought it, and we think flood insurance is definitely worth the 450 bucks.'"

Bobby Raymond, flood insurance agent (Jacksonville, FL)

Overcoming common client misconceptions.

No matter how strong the talking points or how good the sales pitch, some clients will raise objections purchasing flood coverage. This could be due to misconceptions about what is already covered in their homeowners insurance policy or their understanding of local flood risk.

Agents are a crucial resource to identify and correct these common misconceptions:

Client: If my property is flooded, I can rely on disaster assistance to bail me out.

You: Disaster assistance is minimal and not sufficient for full flood recovery. These funds are only available when the President declares a disaster. Also, disaster assistance comes in two forms: U.S. Small Business Administration loans, that must be paid back with interest, or a FEMA grant, which is about $5,000 on average per household. By comparison, the average flood claim in 2017 was more than $90,000.

Client: My house is on a hill, so water drains away. I'm safe.

You: Your risk may be reduced, but it's not eliminated. If your community's stormwater drainage system clogs or fails, flooding from heavy rain or melting snow could cause damage to your home and contents. If your home's location puts you in a moderate- to low-risk area, lower-cost flood insurance is available. So it makes sense to protect yourself and your livelihood. Don't wait until flooding happens to realize you're not covered.

Client: My area has never flooded, so I've got history on my side.

You: Conditions change. Flooding can happen anywhere, at any time, regardless of the designated flood risk. Nearby construction can alter drainage patterns, and rainfall can exceed yearly averages. In addition, nearby community storm water drains can quickly back up water during heavy rains, causing flooding in your neighborhood. What's happened in the past is no guarantee of what will happen in the future.

You can find more talking points, common myths, stats and detailed resources at **Agents.FloodSmart.gov**.

Resources available at Agents.FloodSmart.gov

Encourage homeowners and business owners to visit FloodSmart.gov to learn more about flood insurance from the NFIP.

Agents.FloodSmart.gov offers resources for agents to reinforce consumer messaging, including downloadable resources, tools, and tips. We have the resources you need to build this trust and demonstrate flood expertise with your clients.

Downloadable Resources

Find co-branded, comprehensive, and user-friendly materials for you, your team, and your clients, including materials on:

1. Flood Insurance 101
2. Marketing Materials
3. Map Change Materials

Visit Agents.FloodSmart.gov to download tools, tips, and resources, or to order free copies of FEMA publications.

To learn more about the NIFP visit FloodSmart.gov, or call the NFIP Help Center at **800-427-4661**.

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