



# FEMA

## MITIGATION DIRECTORATE

# Flood Insurance: The Right Choice

## NFIP Facts for Midwest Residents

*Recent large-scale floods across the Midwest have again demonstrated the devastation that flooding can cause – often with little or no warning. To help answer Midwest residents’ questions and concerns about the role of flood insurance and the National Flood Insurance Program in protecting against the financial consequences of flooding, FEMA provides the following important information.*

### FLOOD INSURANCE NEEDS VS. REQUIREMENTS

Most residents who have property in high-risk areas and have a mortgage from a federally regulated or insured lender are required to carry flood insurance. Those in low- to moderate-risk areas are not federally required to have flood insurance, although individual lenders may, as part of their own rules and regulations, require it.

When it comes to flood insurance, “**not required**” is not the same thing as “**not needed**.” If you do not live in a high-risk area, or are not required to carry flood insurance as a condition of your mortgage, you should still consider flood insurance protection. In just moments, a flood can wipe out the personal and financial security that often takes years to build. Unfortunately, many Midwest residents do not have flood insurance. **Currently, less than nine percent of residents in the high-risk areas in Iowa, Illinois, Indiana, Missouri and Wisconsin have flood coverage, and less than one percent of residents in these states’ low- to moderate-risk areas have flood insurance protection.**

In deciding whether you need flood insurance, here are some facts to keep in mind:

- § **Typically, homeowners insurance does not cover flooding** and when federal aid is made available, it usually takes the form of a low-interest loan that individuals must repay in addition to their existing mortgage. For most property owners, flood insurance is the best way to protect against flood loss.
- § **Flooding occurs in areas not subject to the federal flood insurance requirement.** About a quarter of all flood claims come from areas where flood insurance is a choice rather than a requirement.
- § **A few inches of flood water can cost thousands of dollars.** And as the water rises, so too will the costs. In 2007, the average flood claim was around \$24,000.
- § **Flood insurance is affordable.** The average flood insurance policy costs around \$500 a year. Residents outside the highest-risk areas can purchase a Preferred Risk Policy for around \$119 a year.
- § **Homeowners can ensure their home for both the building and its contents.** Up to \$250,000 is available for the structure and up to \$100,000 for its contents.
- § **Most everyone can purchase flood insurance\*** – including homeowners, business owners, condominium owners and associations, and renters.
- § **There is typically a 30-day waiting period before a policy takes effect** – so don’t wait until the next storm comes to purchase a policy.
- § **If you live in the vicinity of a levee,** it is important to remember that no levee provides full protection from flooding, and that flood insurance is strongly recommended.



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**\*NOTE:** *If you have been told by anyone that you cannot purchase flood insurance in a community where it is offered, FEMA strongly recommends you seek a second opinion to verify that information. Most states require flood insurance training for licensed insurance agents. To locate an NFIP trained agent in your area, visit [www.floodsmart.gov](http://www.floodsmart.gov). If an agent provides flood insurance information that you believe to be erroneous, you can report the problem to your State Insurance Commissioner.*

## **FLOOD HAZARD MAPS: MAPPING THE RISKS**

Flooding is the most common natural hazard. For all NFIP communities, areas of high flood risk are shown on flood hazard maps, also known as Flood Insurance Rate Maps (FIRMs). The areas at high risk for flooding are known as Special Flood Hazard Areas or SFHAs. SFHAs are areas where there is a one percent chance of flooding in a given year – or a 26 percent chance of flooding over the life of a 30-year mortgage. Areas with a low- to moderate-risk are also indicated on the maps.

By showing the extent to which areas of a community—and individual properties—are at risk for flooding, flood maps help business and property owners make better financial decisions about protecting their property. Flood maps are also used to determine flood insurance rates and requirements. Many flood maps have recently been updated to reflect the current flood risks. If you have questions about your community's flood map, contact your local officials. You can view your community's current effective flood map at your building department or planning and zoning office.

## **RAISING FLOOD RISK AWARENESS**

To help ensure that individuals understand their flood risk, and know that flood insurance is available, affordable and strongly recommended, the NFIP established the FloodSmart campaign. FloodSmart utilizes a range of different media—including a consumer-facing website—to encourage individuals to closely examine their individual flood risk, talk to their insurance agent and obtain proper flood insurance protection. Through FloodSmart, the NFIP also makes materials and information available to residents year-round – with a special focus on seasons during which flooding is a heightened risk in certain areas of the country, such as Spring Flooding in the Midwest.

## **NFIP PARTICIPATION AND PROTECTION**

The National Flood Insurance Program (NFIP) lessens the financial devastation from flooding by enabling homeowners, business owners and renters in more than 20,400 communities across the country to purchase federally-backed flood insurance. In order to participate, communities must agree to adopt and enforce floodplain management measures.

NFIP flood insurance is sold through about 90 insurance companies and thousands of agents. A vast majority of communities across the country have chosen to participate in the NFIP. Individuals with properties in participating NFIP communities, whether they are located inside or outside of a floodplain, are eligible for flood insurance protection. Those who do not live in a participating NFIP community may ask their agent about the availability of flood insurance through private insurance companies.

## **FOR MORE INFORMATION:**

- § Visit [FloodSmart.gov](http://FloodSmart.gov) or call 1-800-427-2419 to learn how to prepare for floods, how to purchase a flood insurance policy and what the benefits are of protecting your home or property investment against flooding.
- § Contact your insurance agent to help you decide what kind of flood insurance protection is best for you.
- § To apply for federal disaster assistance in areas recently affected by flooding, visit [www.FEMA.gov](http://www.FEMA.gov) or call 1-800-621-FEMA (3362) or 1-800-462-7585 (TTY).
- § If you live in a community that does not participate in the NFIP, talk with your local officials about joining the NFIP so that Federal flood insurance can become available.