

# Flood Insurance



Standard homeowners' insurance policies do *not* provide coverage against flood losses. Federally backed flood insurance, however, is made available to homeowners, renters, and business owners in communities that participate in the National Flood Insurance Program (NFIP). Nationally, 4.4 million policies are in force in approximately 20,000 communities.

**Flood Insurance Acronyms**  
FIRM – Flood Insurance Rate Map  
NFIP – National Flood Insurance Program  
SFHA - Special Flood Hazard Area

## Flooding and Floods

Many areas within the Department of Homeland Security's Federal Emergency Management Agency (FEMA) Region IX (including the States of Arizona, California, and Nevada) face extreme hazards and consequences from flooding. Between 1995 and 2000 there were 7 federally declared flood disasters in these States.

## Do You Need Flood Insurance?

A reoccurring statement made by many residents affected by flooding is "I didn't even know my home was in a floodplain." FEMA produces updated floodplain maps, called Flood Insurance Rate Maps (FIRMs), so that property owners will know their flood risk. Depending on the risk to a building, flood insurance may be required as a condition of obtaining a federally secured loan. Other times, purchasing flood insurance is a wise investment in preventing the financial devastation that can result from flood damage.



The home-buying process often includes disclosure of where a property is located relative to the "100-year floodplain" mapped on a FIRM; this area is called the Special Flood Hazard Area (SFHA). A "100-year flood" does not mean that flooding will occur only once in a hundred years. This term corresponds to an average probability and represents a 1% chance of occurring in any given year. A home in the SFHA has at least a 1% chance

of flooding in any year. For the homeowner, this translates into a 26% or greater probability of his/her home experiencing flooding during the lifetime of a thirty-year mortgage -- a high risk for property losses. Do you want to assume the cost of paying for a destroyed home and flood-damaged contents?

Flood insurance offers the best dollar-for-dollar value to minimize the financial destruction of floods - better than structural flood protection (e.g., dams and levees) and hazard mitigation measures (e.g., structural elevation or other actions to reduce vulnerability) combined.

## Flood Insurance: Who Needs It?

Unfortunately, flooding has taught tens of thousands an expensive lesson: Just because your home is not within a SFHA does not mean that you are protected from floods. Residents may be flooded because rainfall amounts are either greater than 1% annual chance levels or runoff from small areas could not drain fast enough to prevent local ponding from reaching a home. Nationally, one-third of flood loss claims are from property outside the SFHA.

### What Is Covered By Flood Insurance?

Flood insurance covers what your homeowners insurance does not – damage caused by floods. Almost every type of building may be insured if it is in a community participating in the NFIP. This includes commercial buildings, single family homes, condominiums, and mobile homes.

### Who May Purchase a Flood Insurance Policy?

Insurance through the NFIP is available to all owners and renters (including condominium associations and condominium owners) of insurable property in a community participating in the NFIP. Insurable property includes buildings and/or the contents, including personal property.

### How Is Flood Insurance Purchased?

A policy may be purchased from any licensed insurance agent or broker. The steps to purchase flood insurance are: 1) A property owner or renter perceives a risk of flooding and elects to purchase flood insurance; or, a lender extending or renewing a loan informs an owner that the building is in a SFHA and flood insurance is required. 2) The insurance agent completes the necessary forms. In the case of a building constructed in a SFHA after the issuance of a FIRM, a certified elevation certificate must be obtained. 3) The insurance agent submits the application and premium.

#### Flood Insurance versus Disaster Assistance

You are in control. Flood insurance claims are paid even if a flood is not a Presidentially-declared disaster.

Federal disaster assistance declarations are awarded in less than 50% of damaging floods.

The average cost of a \$100,000 flood policy is \$370 annually or less than one dollar per day.

The most typical form of disaster assistance is a loan that must be repaid with interest.

This fact sheet was produced by MAPIX-Mainland, a joint venture of:



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### How Are Flood Insurance Premiums Calculated?

Factors that determine the premium for flood insurance include the amount of coverage; location, age, and building occupancy; and - for a building in a SFHA – the elevation of the building. Buildings outside the SFHA are eligible for special low-cost coverage.

### Is Further Information Available?

Please call 1-800-427-4661 (toll free) if you have questions regarding flood insurance under the NFIP. Additional information is also available at [www.fema.gov/nfip](http://www.fema.gov/nfip).