



## National Flood Insurance Program

### **The National Flood Insurance Program**

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. More than 21,000 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 1973, the NFIP has paid nearly \$40 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, loss of property, 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. See a list of those companies at:  
<http://www.fema.gov/nfipInsurance/search.do>.

### **Myths and Misconceptions**

A common misconception is that homeowners' policies cover flood damages. In fact, most homeowner and business multi-peril 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. In 2010, the average flood policy was around \$600 a year but the average total paid claim over the last five years was nearly \$34,000.

## **Everyone Needs Flood Insurance**

While flood insurance is not mandatory for homeowners outside of a high-risk area, anyone can be financially vulnerable to floods. People outside of high-risk areas file more than 20% of NFIP claims and receive one-third of disaster assistance for flooding. Residential and commercial property owners who are not located in high-risk areas should ask their agents if they are eligible for the Preferred Risk Policy, which provides affordable flood insurance protection, starting as low as \$129 a year.

## **Flood Insurance Requirements**

Residents and business owners who own property 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 or insured lender. They also must carry the insurance for the life of the mortgage. Residents and business owners with a mortgage on a building outside high-risk areas can also purchase flood insurance and may be eligible for lower-cost 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 making, increasing, extending, or renewing a loan there is no waiting period and only a one day waiting period if purchase is related to the revision or update of a Flood Insurance Rate Map (FIRM) within 13 months of the new FIRM's effective date.

## **What Is Not Covered by Flood Insurance**

Physical damage to a building or personal possessions that are directly caused by a flood are 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 time of loss. Both documents are available at [FloodSmart.gov](http://FloodSmart.gov).

## **For More Information**

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

*“FEMA’s mission is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.”*

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