

Myths and Facts about the



NFIP

National Flood Insurance Program
Administered by FEMA

Who needs flood insurance? *Everyone*. And everyone in a participating community of the National Flood Insurance Program (NFIP) can buy flood insurance. Nationwide, more than 18,000 communities have joined the Program. In some instances, people have been told that they cannot buy flood insurance because of where they live. To clear up this and other misconceptions about Federal flood insurance, the NFIP has compiled the following list of common myths about the Program, and the real facts behind them, to give you the full story about this valuable protection.

Myth:

You can't buy flood insurance if you are located in a high-risk flood area.

Fact:

You can buy Federal flood insurance no matter where you live if your community belongs to the NFIP, except in Coastal Barrier Resources System (CBRS) areas. The Program was created in 1968 to provide affordable flood insurance to people who live in areas with the greatest risk of flooding, called Special Flood Hazard Areas (SFHA's). In fact, under the National Flood Insurance Act, lenders must require borrowers whose property is located within an SFHA to purchase flood insurance as a condition of receiving a Federally-backed mortgage loan.

Myth:

You can't buy flood insurance immediately before or during a flood.

Fact:

You can purchase flood coverage at any time. There is a 30-day waiting period after you've applied and paid the premium before the policy is effective, with the following exceptions: 1) If the initial purchase of flood insurance is in connection with the making, increasing, extending or renewing of a loan, there is no waiting period. The coverage becomes effective at the time of the loan, provided application and presentation of premium is made at or prior to loan closing.

2) If the initial purchase of flood insurance is made during the one-year period following the issuance of a revised flood map for a community, there is a one-day waiting period.

The policy does not cover a "loss in progress," defined by the NFIP as a loss occurring as of 12:01 a.m. on the first day of the policy term. In addition, you cannot increase the

The amount of insurance coverage you have during a loss in progress.

Myth:

Homeowners' insurance policies cover flooding.

Fact:

Unfortunately, many homeowners do not find out until it is too late that their homeowners' policies do not cover flooding. Federal flood insurance protects your most valuable assets—your home and belongings.

Myth:

Flood insurance is only available for homeowners.

Fact:

Flood insurance is available to protect homes, condominiums, apartments and nonresidential buildings, including commercial structures. A maximum of \$250,000 of building coverage is available for single-family residential buildings; \$250,000 per unit for multifamily residences. The limit for contents coverage on all residential buildings is \$100,000, which is also available to renters.

Commercial structures can be insured to a limit of \$500,000 for the building and \$500,000 for the contents.

Myth:

You can't buy flood insurance if your property has been flooded.

Fact:

It doesn't matter how many times your home, apartment or business has flooded. You are still eligible to purchase flood insurance, provided that your community is participating in the NFIP.

Myth:

Only residents of high-risk flood zones need to insure their property.

Fact:

Even if you live in an area that is not flood-prone, it's advisable to have flood insurance. One-third of the NFIP's claims come from outside high-risk flood areas. The NFIP's Preferred Risk Policy, available for as little as \$80 per year, is designed for residential properties located in low-to-moderate flood risks.



We can't replace your memories, but we can help you build new ones.

Myth:

The NFIP does not offer any type of basement coverage.

Fact:

Yes it does. The NFIP defines a basement as any area of a building with a floor that is *subgrade*, or below ground level on all sides. Basement coverage under an NFIP policy includes cleanup expenses and items used to service the building, such as elevators, furnaces, hot-water heaters, washers and dryers, air conditioners, freezers, utility connections, circuit-breaker boxes, pumps, and tanks used in solar energy systems. The policy does not cover the contents of a finished basement and improvements, such as finished walls, floors, and ceilings.

Myth:

Federal disaster assistance will pay for flood damage.

Fact:

Before a community is eligible for disaster assistance, it must be declared a Federal disaster area. Federal disaster assistance declarations are awarded in less than 50 percent of flooding incidents. The annual premium for an NFIP policy, averaging about \$300 per year, is less expensive than interest on Federal disaster loans, even though they are always granted on favorable terms.

Furthermore, if you are uninsured and receive Federal disaster assistance after a flood, you must purchase flood insurance to receive disaster relief in the future.

Myth:

The NFIP encourages coastal development.

Fact:

One of the NFIP's primary objectives is to guide development away from high-risk flood areas. NFIP regulations minimize the impact of structures that are built in SFHA's by requiring them not to cause obstructions to the natural flow of floodwaters. Also, as a condition of community participation in the NFIP, those structures built within SFHA's must adhere to strict floodplain management regulations.

In addition, the Coastal Barrier Resources Act (CBRA) of 1982 relies on the NFIP to discourage building in the fragile coastal areas covered by CBRA by prohibiting the sale of flood insurance in designated CBRA areas. These laws do not prohibit property owners from building along coastal areas; however, they do transfer the financial risk of such building from

Federal taxpayers to those who choose to live or invest in these areas.

Myth:

Federal flood insurance can only be purchased through the NFIP directly.

Fact:

Federal flood insurance is sold and serviced directly through the NFIP or through a Write Your Own (WYO) company. WYO companies write and service policies on a nonrisk-bearing basis through a special arrangement with the Federal Insurance Administration.

Myth:

The NFIP does not cover flooding resulting from hurricanes or the overflow of rivers or tidal waters.

Fact:

The NFIP defines covered flooding as a general and temporary condition during which the surface of normally dry land is partially or completely inundated. Two adjacent properties or two or more acres must be affected. Flooding can be caused by any one of the following:

- The overflow of inland or tidal waters
- The unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall
- The incidence of mudslides or mudflows, caused by flooding, which are comparable to a river of liquid and flowing mud
- The collapse or destabilization of land along the shore of a lake or other body of water, resulting from erosion or the effect of waves, or water currents exceeding normal, cyclical levels.

Myth:

Wind-driven rain is considered flooding.

Fact:

No, it isn't. Rain entering through wind-damaged windows, doors or a hole in a wall or the roof, resulting in standing water or puddles, is considered windstorm, rather than flood damage. Federal flood insurance only covers damage caused by the general condition of flooding (defined above), typically caused by storm surge, wave wash, tidal waves, or the overflow of any body of water above normal, cyclical levels. Buildings that sustain this type of damage usually have a watermark, showing how high the water has risen before it subsides. Although the Standard Flood Insurance Policy (SFIP) specifically excludes wind and hail coverage, most homeowners' policies provide coverage.

For more information about the NFIP, ask your insurance agent or company, or call the NFIP's toll-free number at 1-800-611-6123, ext. 29.

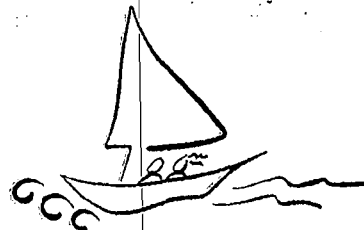


We can't replace your memories, but we can help you build new ones.

Top 10 Facts

Every insurance agent needs to know about the National Flood Insurance Program (NFIP)

1. You can sell federally-backed flood insurance to any resident or property owner in a community that participates in the NFIP.
 - *It doesn't matter if the property is in the floodplain or not. Almost everyone in the community throughout the United States participates. Encourage policyholders to insure to value and to buy contents coverage.*
2. We offer an easy-to-write low-cost, flood insurance policy for people in low-to-moderate flood areas.
 - *This combines structure and contents coverage in one. It's perfect for people located in B, C, and X zones where 30% of all flood insurance claims occur. Annual premiums range from \$101 to \$321.*
3. Now you can offer higher limits of flood insurance coverage, thanks to the National Flood Insurance Reform Act of 1994.
 - *Single family residences can now be covered for up to \$250,000 on the structure and \$100,000 on the contents.*
 - *Commercial structures can be insured to a limit of \$500,000 for the building and \$500,000 for the contents.*
4. Flood insurance is easy to rate with software for your personal computer.
 - *Several companies have developed flood insurance rating software to save you time, money, and office space.*
 - *For a free list of rating products, call (202) 646-FEMA and request document #23014.*
5. Credit cards are now accepted.
 - *Flood insurance premiums are now easier to pay using major credit cards. Check with your WYO Company.*
6. Provisional rating makes it easier for you to sell flood insurance.
 - *Provisional rating makes coverage available before the elevation certificate is complete.*
7. You can obtain elevation information from many sources at little or no cost to your client.
 - *More than 900 communities participate in the NFIP's Community Rating System (CRS). They maintain elevation information on structures in A and/or V zones. Contact the local building permit official for assistance. And, policyholders in CRS communities earn premium discounts!*
9. Uninsured flood victims will most likely have to buy flood insurance as a condition of a federally-backed disaster loan or grant.
 - *Federal disaster assistance declarations are awarded in less than 50% of flooding incidents. The annual premium for an NFIP policy is less expensive than interest on Federal disaster loans. Wouldn't it be better for your clients to be insured before the loss occurs?*
10. Buy now! There is a 30-day waiting period.
 - *If the initial purchase of flood insurance is in connection with the making, increasing, extending or renewing of a loan, there is no waiting period.*
 - *If the initial purchase of flood insurance is made during the one-year period following the issuance of a revised flood map for a community, there is one-day waiting period.*



FEMA



NATIONAL
FLOOD
INSURANCE
PROGRAM

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but we can help you build new one.*

For more information, call the National Flood Insurance Program
toll free at: 1-888-CALL-FLOOD, ext. 304

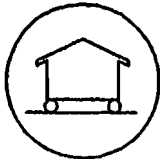
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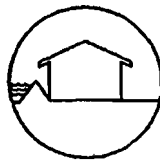
FLOOD PROTECTION METHODS



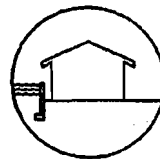
Elevation- This method consists of raising a house on an elevated support structure to place it above future flood waters. The exact method can include a number of possibilities that depend on local conditions such as expected flood and wind forces, building type and size, and soil bearing capacity.



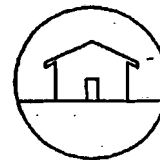
Relocation- Perhaps the only technique for completely preventing future flood damage, this method involves moving a house out of a flood area to a new location where there is not threat of flooding. The technique for moving most any house in good structural condition is well developed. It is generally more expensive and time consuming than most elevation techniques, but it can be a very feasible method in many cases.



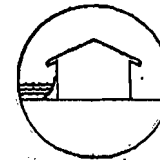
Levees- A possible technique in areas of shallow and moderate flooding depths with low velocity, this is a method of creating a barrier of compacted soil to keep the water away from a house. It can be one of the least expensive techniques, and it can be attractively landscaped. Its construction, however, requires great care, and there must be continued attention and maintenance to prevent its failure.



Floodwalls- This method is sometimes practical for areas with low to moderate flooding depths and velocities. As with levees, floodwalls are designed to keep the water away from a house, but are constructed of materials such as masonry block and reinforced concrete. They are more expensive than levees, but if properly designed, do not require as much concern with continued inspection and maintenance.



Closures- Often used in conjunction with other techniques such as floodwalls and levees, closures involve techniques for protecting gaps that have been left open for day-to-day conveniences, such as walks, doors, and driveways.



Sealants- Sometimes referred to as dry floodproofing, this method can be used only in areas of very shallow flooding to completely seal a home against water. Because of the tremendous pressures that water can exert against a structure protected by this method, the techniques can only be used on brick veneer or masonry construction in good structural condition, and then only when the flood levels cannot exceed two to three feet and flood velocities are negligible.



Utility Protection- Often very costly damage to utilities such as heating, air conditioning, electrical, and plumbing systems occurs during floods. Simple and relatively low-cost measures can usually prevent damage to these systems, which are essential to the habitability of a residence.