

NATIONAL FLOOD INSURANCE PROGRAM

QUESTIONS & ANSWERS

FLOOD INSURANCE FOR REAL ESTATE PROFESSIONALS



FEMA



FEMA's National Flood Insurance Program (NFIP) seeks to reduce future flood damage by providing people with flood insurance. Use this resource to understand why flood insurance is important to discuss with current and prospective clients.

Why should I talk to my clients about flood insurance?

Your clients trust you to help them navigate the exciting—yet sometimes overwhelming—process of buying and owning property. Being informed and sharing information on ways your customers can protect their investment builds your credibility and eases their mind.

For properties in high-risk flood areas (known as Special Flood Hazard Areas or SFHAs), it can also help you explain the requirement to purchase flood insurance. Some financial institutions may even require flood insurance for properties outside SFHAs as part of their risk management process. SFHAs are explained in more detail on **page 6**. Understanding this requirement can ensure a smooth closing process for you and your clients.



Why should clients purchase flood insurance?

There are many common misconceptions regarding flood risk and flood insurance. Have these myth-busting responses prepared to discuss with clients in any flood zone.



A property does not have to be near water to flood.

Floods can result from storms, melting snow, hurricanes, drainage system backups, broken water mains and changes to land from new construction, among other things. **On average, 40% of flood insurance claims occur outside of high-risk flood areas.**

Standard property insurance policies typically do not cover floods.



Only a flood insurance policy can fill this gap in your clients' coverage. **The NFIP encourages everyone to purchase both building and contents coverage for the broadest protection** (explained on **page 4**).



Federal disaster assistance offers very limited help.

It typically comes in the form of low-interest disaster loans from the Small Business Administration (SBA) that must be repaid with interest. **A grant through FEMA's Individuals and Households Program averages \$5,000 per household and is only available when there is an official presidential disaster declaration.**

By comparison, the average NFIP claim payment from 2016 to 2022 was about \$66,000. Flood insurance can help with recovery regardless of whether there is a presidential disaster declaration, and your clients will never have to repay money received from a verified claim on their NFIP flood insurance policy.



Who can purchase flood insurance?

Anyone in a community that participates in the NFIP can purchase building and/or contents coverage, with few exceptions. About 22,600 communities in the United States participate in the NFIP, so residents within these communities can obtain coverage.

Licensed insurance agents can tell if a specific community participates in the NFIP, or anyone can browse a list of participating communities in the Community Status Book at [fema.gov/community-status-book](https://www.fema.gov/community-status-book).

Coastal Barrier Resources System Areas (CBRS), Otherwise Protected Areas (OPAs) and buildings principally below ground or entirely over water may not be eligible for NFIP flood insurance coverage. Learn more about these designations in Answers to Questions About the NFIP at agents.floodsmart.gov/nfip-answers-to-questions.

How much will flood insurance cost?

Flood insurance premiums will vary depending on flood frequency, multiple flood types—river overflow, storm surge, coastal erosion and heavy rainfall—and distance to a water source, as well as property characteristics such as elevation and the cost to rebuild.

You may want to talk to prospective buyers about obtaining a quote for both building and contents coverage. In most cases, they are separate coverages with separate deductibles. A licensed insurance agent can provide your clients with an estimated premium rate. Make sure your clients know that they won't have to shop around for the best flood insurance rate, as NFIP flood insurance premiums will be the same across companies and representatives. However, private flood insurance premiums may vary.



When is the best time to buy flood insurance coverage?

Now! A 30-day waiting period typically applies between when consumers submit the policy application and premium and the policy effective date. This is designed to prevent consumers from purchasing flood insurance when flooding is imminent or already happening.

However, there are exceptions to the 30-day waiting period related to loans and closing. When the initial purchase of flood insurance is in connection with the making, increasing, extension or renewal of a mortgage loan, there is no waiting period. If a seller transfers their policy to the new property owner, regardless of whether there is a mortgage involved, the policy will not lapse, and coverage continues uninterrupted upon sale. Note: Coverage for a property under construction does not transfer.

For more information on the waiting period, visit the NFIP Flood-in-Progress Exclusion Infographic at agents.floodsmart.gov/flood-in-progress.

How do clients obtain a flood insurance policy?

Your clients can call their local insurance agent for more information or use the NFIP's resources to find an agent at floodsmart.gov/find. Many agents write and service flood insurance on behalf of FEMA or NFIP Direct, FEMA's wholly owned insurance company that assists in issuing NFIP flood insurance policies. Only a licensed property and casualty insurance agent can sell NFIP flood insurance.

Regardless of who writes the policy, the premium and amount of coverage for an individual NFIP flood insurance policy is the same regardless of who the agent is.

If a client receives quotes with different premiums, they should compare the levels of coverage and deductibles, as these factors affect the overall policy premium.

If the mortgage company requires flood insurance as a condition of the loan and the mortgage company escrows for other insurance premiums, the mortgage company must also escrow flood insurance premiums.

What if my client's property is in an SFHA?

Mortgage lenders use flood maps to determine a property's flood risk and decide whether to require flood insurance as a condition of a loan. Lenders generally require homeowners and business owners inside SFHAs to purchase flood insurance if they have a government-backed loan on the building. In these instances, your client will be notified that flood insurance is required as a condition of receiving the loan. This is known as the mandatory purchase requirement.

Coverage may be required by lenders in any area of risk, though, even in moderate- to low-risk flood areas. The NFIP supports this because even though risk is reduced, it is not removed. Read more on the mandatory purchase requirement in Answers to Questions About the NFIP at agents.floodsmart.gov/nfip-answers-to-questions.



How will I know if a client's property is in an SFHA?

Your clients can check with their local community or visit floodsmart.gov/flood-map-zone to learn more about their flood risk. Anyone can view and download flood maps from [msc.FEMA.gov](https://msc.fema.gov). SFHAs are shown on flood maps as flood zones beginning with A, AE, V or VE, with Zones V or VE being used for coastal areas.

Am I legally liable if I do not disclose the fact that a property is in a high-risk flood area?

Many states have disclosure laws for real estate professionals that address all natural hazards, including floods. Check with your real estate licensing authority or state REALTOR® association for disclosure laws. You can better help your client understand flood risk by learning more about it yourself. Visit floodsmart.gov to learn more about flood risk and NFIP flood insurance.

What is an Elevation Certificate (EC) used for?

If a client's property is located in an SFHA and its First Floor Height is higher than "ground level," your client can obtain an Elevation Certificate (EC) which may lead to a lower flood insurance premium.

To find out if a property already has an EC, consumers can contact the local building permit office, the local planning and zoning office, the previous owner or a flood insurance agent. If a client is unable to identify an existing EC for their property, they may have to hire a licensed land surveyor, engineer or architect to provide one.

Should you or your client need more information about ECs, how the NFIP uses them and why they may need one, visit floodsmart.gov/elevation-certificates.





FEMA



Congress created the National Flood Insurance Program (NFIP) in 1968 to reduce future flood damage through floodplain management, and to provide people with flood insurance through individual agents and insurance companies. FEMA manages the NFIP. For more information about NFIP flood insurance, call **800-621-3362**.

If you use a relay service, such as video relay service (VRS), captioned telephone service or others, give FEMA the number for that service.