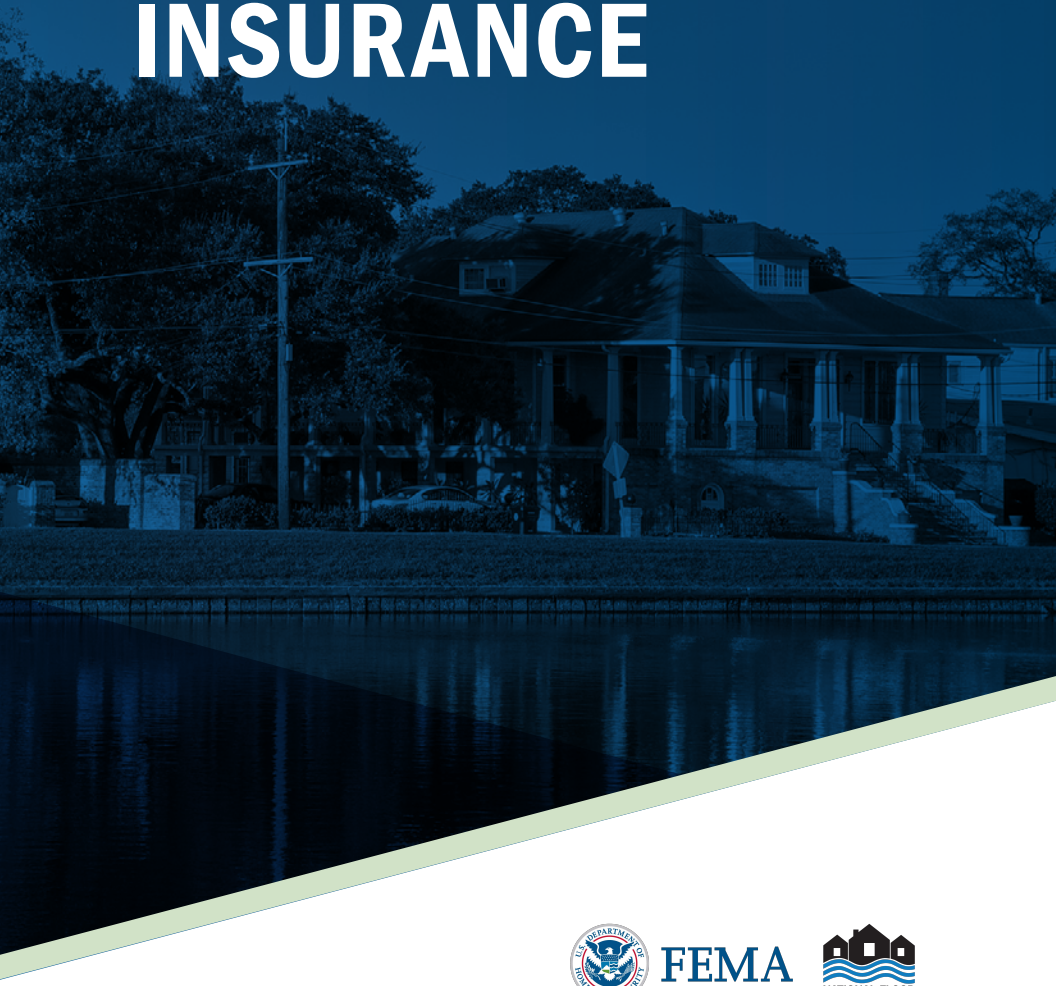
NATIONAL FLOOD INSURANCE PROGRAM

AN AGENT'S GUIDE TO SELLING FLOOD INSURANCE



FEMA

NATIONAL FLOOD INSURANCE PROGRAM®

Selling Flood Insurance with the National Flood Insurance Program (NFIP)

FEMA oversees the NFIP. Congress created the NFIP in 1968 to reduce future flood damage through floodplain management and to provide people with flood insurance through individual agents and insurance companies.

Flood insurance helps homeowners, renters and business owners protect the lives they've built. Compared to the cost of even a minor flood, flood insurance can help provide peace of mind. However, selling flood insurance requires considerable background knowledge.

FEMA and its NFIP have created this guide for both new and experienced agents. It will assist you with both understanding and communicating flood risk. It also provides valuable information about the Standard Flood Insurance Policy (SFIP) and its coverage.

Before You Begin

Learn more about the **state-mandated training requirements for licensed property and casualty insurance agents** in the Getting Started section **on page 17**.

Why You Should Sell Flood Insurance

Helping new and current clients understand how they could benefit from a flood insurance policy will enhance overall client trust and build your book of business.

PROTECT YOUR CLIENTS

Your clients rely on you to keep them informed about the protection they need and to offer that protection. Conduct honest conversations on the financial impact of flooding and the misconceptions of disaster assistance **(explained in more detail on page 16)** to ensure clients can make well-informed financial decisions.

ROUND OUT YOUR PORTFOLIO

Just like homeowners, renters, life and auto insurance, flood insurance is an important piece of your portfolio. Part of your role is to advocate for your client's protection against major losses, and that includes flood loss.

PROTECT YOURSELF

Failing to offer proper coverage and providing inadequate amounts of coverage are two of the top Errors and Omissions (E&O) claims filed against an agency. You may be able to protect yourself from possible E&O-related liabilities by educating your clients and offering flood insurance coverage at proper amounts based on the flood risk of each property.

"What motivates me to sell flood insurance is when something really bad happens and someone does have a claim, I can go to them and say, 'This is the reason why we put these policies in place, it's okay, let's start the claims process.'"

– Paulo Pires, Houston, Texas
Flood Insurance Agent

Preparing to Sell

The best way to prepare for selling NFIP flood insurance is to educate yourself about floods, flood risk, the types of coverage available and the variables that go into calculating a flood insurance premium.

KNOW HOW THE NFIP DEFINES A FLOOD

The NFIP defines a flood as, "A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source;
- Mudflow*; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above."

**Mudflow is defined as, "A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water. Other earth movements such as landslide, slope failure or a saturated soil mass moving by liquidity down a slope, are not mudflows."*

Knowledge Check

Knowing the definition of a flood helps you **distinguish between covered and excluded losses**. For example, a storm that drives wind-driven rain through a damaged roof is not covered; however, flood damage caused by rising waters during the same storm may be covered.

LEARN ABOUT FLOOD SOURCES

Understanding the different sources of flooding, both natural and human-made, can help you educate your clients on their potential flood risk.

Areas in Valleys

The ground in this area is an elongated depression of the earth's surface. As such, flooding can be very extensive and usually lasts for a few days.

Areas Near Major Rivers

Land along major rivers, also known as the floodplain, is more prone to flooding. Rivers can be large, deep and swift which may lead to overflow lasting a week or more.

Shallow Areas

Low-level floodplains are quick to reach channel capacity. When they're exceeded, flooding begins and can affect thousands of residents and businesses. This flooding usually lasts hours, rather than days.

Urban Areas

Towns, cities and suburbs have impermeable surfaces that increase runoff and overwhelm storm water systems. This can increase flood risk from construction, changing weather patterns and sudden storms.

Areas by Levees

While designed to protect against a certain level of flooding, levees can be overtopped or fail during large-scale flood events. No levee provides full protection from flooding—even the best structure cannot eliminate all flood hazards.

Areas Along Coasts

Land along coasts is subject to elevated water levels driven by storm surge, waves, tides, fluctuating lake levels or the impacts of freshwater input. These covered events can cause significant structural damage and flood-related erosion.

Areas Subject to Intense Rain

Extreme rainfall can exceed storm sewer or roadside ditch capacity and "pond" in streets, where the water seeks a path by flowing overland (sheet flow). This type of flooding can become deep enough to flood residences almost anywhere, even far away from a water source.

Areas Recently Burned

Any area that experiences a significant wildfire is at increased risk of flooding. Fire destroys vegetation and sears the soil, increasing risk for heavy runoff and flash flooding downstream, even when rainfall isn't severe.

Did You Know?

Areas where consumers think flood risk doesn't exist is often where the greatest uninsured damage occurs. The NFIP encourages agents to market and sell flood insurance in every area, regardless of 100-500 year flood predictions.

Defining Moment

A **Special Flood Hazard Area (SFHA)** is an area that shows where flooding has a high chance of happening in any given year. By contrast, areas not in an SHFA have a lower chance of flooding happening in any given year.

MASTER FLOOD RISK CALCULATIONS

With the introduction of a new rating methodology in October 2021, flood risk is calculated based on several property-specific factors. By evaluating more property characteristics, FEMA can distribute premiums based on home value and an individual property's unique flood risk, so everyone is paying their share of the risk.

Under the new methodology, properties with lower risk will pay lower premiums. Renewing properties with higher risk will transition gradually and within the existing statutory limits set by Congress until reaching the full-risk premium for their property. Review the following rating factors for a better understanding of premium calculations:

Distance to a Flood Source

The distance from your client's property to relevant flooding sources and the ground elevation surrounding a building are important rating variables. Remember, your client's property does not have to be in a Special Flood Hazard Area (SFHA) to be at risk for flooding. **In fact, an average of 40% of the NFIP's flood insurance claims occur outside SFHAs.**

Property Characteristics

A property's unique flood risk is also dependent on how it's built. Relevant characteristics include the building's occupancy type, construction type, number of floors, foundation type and first floor height. Other variables considered include key mitigation actions, such as installing flood openings and elevating machinery.

Cost to Rebuild

Replacement Cost Value (RCV) and Actual Cash Value (ACV) are important rating variables. RCV is the cost to rebuild the insured building with the same kind of material and construction without deducting for depreciation. ACV is the replacement cost of an insured item of property at the time of loss, less the value of physical depreciation of the item damaged. By weighing these factors, buildings with lower RCVs may pay lower premiums.

Prior NFIP Claims

Prior NFIP claims affect flood insurance premiums when they have been filed against policies written or renewed under the new methodology. Claims filed against policies using the old methodology will no longer affect premiums. This equitable change allows all policyholders to start anew with a “clean slate” of claims history.

Deep Dive

Generally, claims for building coverage are settled based on RCV if the property is their principal residence and insured to at least 80% of the replacement cost (cost to rebuild with like kind and quality) or when the home is insured to the maximum coverage available. **Claims for personal property are paid based on ACV only.** Explaining this to property owners may help set reasonable expectations about the claims process.

Selling Flood Insurance Policies

With a background on flooding and flood risk, learn more about the policy forms themselves. A brief overview of key topics is below or **you can review each of the Summary of Coverage brochures at** floodsmart.gov/whats-covered#summary.

EXPLORE POLICY OPTIONS

The NFIP offers building coverage and contents coverage. When working with a home or business owner, provide a quote that includes both coverages to fully protect their home or business. Renters, on the other hand, only need personal property coverage (also known as contents coverage) to protect their belongings. Their landlord may have flood insurance to protect the building itself.

Generally, your clients can insure their homes with an SFIP for up to $250,000 for the building and, if they elect to receive contents-only coverage, up to $100,000 for the contents. They can also insure their commercial property for up to $500,000 for the building and $500,000 for the contents.

If a home or business is damaged by a flood and is declared substantially or repetitively damaged, the property owner may be required to meet community-specific building requirements to reduce flood risk before they can repair or rebuild. To help cover the costs of meeting these requirements, the NFIP may provide policyholders who qualify up to $30,000 in Increased Cost of Compliance (ICC) coverage. This coverage can help pay for elevation, floodproofing, relocation and demolition based on how the structure is insured.

Excess private flood insurance policies can be purchased separately for clients looking for more coverage beyond an SFIP policy or ICC payments. For instance, if your client's property is valued higher than the $250,000 maximum the NFIP provides, encourage them to consider adding excess flood insurance coverage to cover the difference.

Review Policy Coverages

Building coverage includes permanent items such as:

The building & its foundation

Carpet permanently installed over unfinished flooring

Central air-conditioners

Ranges, cooking stoves & ovens

Permanently installed cabinets or wallboard

Electrical systems

Refrigerators or permanent appliances

Debris removal

Personal property coverage includes:

Clothing, furniture & electrical equipment

Curtains

Portable window air conditioners

Portable microwave & dishwasher

Carpeting not permanently installed

Washer & dryer

Food freezers & food in them

Valuables (up to $2,500)

For more information, visit floodsmart.gov/whats-covered. Customers should refer to their policy for the full terms and conditions of coverage.

UNDERSTAND POLICY EXCLUSIONS

No matter the client, outlining policy exclusions—in addition to coverages—is very important for full transparency. A brief list is included below, though clients should refer to their policy for specific details regarding limitations and exclusions.

Common noncovered or excluded losses may include:

- Damage caused by moisture, mildew or mold that could have been avoided by the property owner;
- Additional living expenses, such as temporary housing;
- Most self-propelled vehicles such as cars, including their parts;
- Structures and belongings outside of a building (e.g., patios and decks);
- Financial losses caused by business interruption or loss of use of insured property;
- Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges and docks;
- Swimming pools and equipment;
- Damage caused by earth movement, even if the movement is caused by a flood (i.e., earthquakes, landslides, sinkholes, etc.); and
- The cost of complying with any ordinance of law requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris (unless the loss qualifies for ICC coverage).

There is also limited coverage for basements and the lowest elevated floor of post-flood map buildings. **For more information, visit** agents.floodsmart.gov/basement-coverage-fact-sheet **or** agents.floodsmart.gov/lowest-floor-guide.

Additional exclusions to be aware of are the 30-day waiting period and flood-in-progress policy exclusion. It generally takes 30 days for a new NFIP policy to become effective. The exclusion prevents the NFIP from paying a claim for damage sustained within the 30-day waiting period or for damage caused by a flood already in progress prior to the purchase of a policy. **Learn more about the flood-in-progress policy exclusion at** agents.floodsmart.gov/flood-in-progress.

EVALUATE PRICES

Some clients may be discouraged from purchasing a flood insurance policy due to financial concerns. When a client is cost-conscious, suggesting ways to lower the price of flood insurance could be just the reason your client buys. Suggest the following options to help them pay less for flood insurance each year.

Increase Their Deductible

As with other familiar insurance policies, choosing a higher deductible may lower their premium. Keep in mind, using the maximum deductible might not be appropriate in every financial circumstance and may not be allowed by lenders to meet mandatory purchase requirements.

Provide an Elevation Certificate (EC)

Although ECs are no longer required to purchase coverage, they may lower your client's cost of insurance. ECs provide the ground elevation of a property which can inform mitigation actions and ensure compliance with community floodplain management ordinances. **For more information on ECs, visit** agents.floodsmart.gov/write-policy/elevation-certificates.

Enact Mitigation Efforts

By reducing the risk for flood damage, your clients may lower the cost of insurance. Common flood mitigation practices include elevating utilities (e.g., air conditioners and water heaters), installing flood openings, filling in basements, elevating property or relocating homes or businesses. **Review more mitigation efforts and flood loss avoidance practices at** agents.floodsmart.gov/mitigation-practices **and** agents.floodsmart.gov/flood-loss-avoidance.

Plan Ahead

Before implementing any mitigation measures, **discuss your plans with a certified contractor and community official** to ensure compliance with building codes and regulations.

Become a Community Rating System (CRS) Community

The CRS is a voluntary incentive program that recognizes communities for implementing floodplain management practices that exceed the NFIP minimum requirements. In exchange for a community's proactive efforts to reduce flood risk, policyholders within that community can receive discounted flood insurance premiums up to 45%.

As an insurance agent, you should encourage your community officials to participate in the CRS to better protect your community and help obtain lower premiums for your clients. **Learn more about the CRS at** fema.gov/floodplain-management/community-rating-system.

PREPARE KEY TALKING POINTS

Since flood insurance isn't always required by a lender, some clients may not be inclined to purchase flood insurance for their property or contents. Use the following phrases and explanations to help your clients make informed decisions about protecting the lives they've built.

Don't wait until a disaster strikes to realize you're not covered.

In most cases, it takes 30 days after purchase for the policy to take effect. Typically, damage from a flood already in progress is excluded from coverage, since the flood began before insurance was purchased. Purchase flood insurance before a flood threat to ensure you're covered.

Be aware of hidden flood risks.

Even if you're not located near water, your home or business is still at risk of flooding. Changing conditions can alter the landscape and increase your flood risk, such as:

Construction projects

Surface erosion

Natural events

Inadequate drainage systems

Rainfall & snowmelt

"I never imagined that a little creek that's normally a few inches deep would come up over the banks and into the house. I would have lost everything I've been working for all these years but having flood insurance saved my life."

– Marty Severson, Sparta, Wisconsin
Flood Survivor

You don't have to shop around for the best flood insurance rate.

As long as each company or agent is provided with identical rating information, NFIP flood insurance premiums will be the same across companies and representatives.

Flooding can be an emotionally and finacially devastating event for your family.

Just 1 inch of floodwater can cause roughly $25,000 in damage to your home. Review how much flood damage to your home could cost **using the Flood Cost Calculator at** agents.floodsmart.gov/marketing/pricing.

Did You Know?

If your client sells their property, the flood insurance policy can be transferred to the new owners. If the existing flood insurance policy is lower than the full-risk premium, the new owners may be able to keep the lower cost at the time of transfer.

ADDRESS COMMON MISCONCEPTIONS

There are many common misconceptions regarding flooding, flood damage and flood insurance. Have these myth-busting responses prepared when a client issues the following statements.

"If my property is flooded, I can rely on disaster assistance to help me."

Disaster assistance is minimal and often times is insufficient for a full flood recovery. These funds are only available when the President declares a disaster. Also, disaster assistance typically comes in the form of a U.S. Small Business Administration loan that must be repaid with interest or as a FEMA disaster grant through the Individuals and Households Program (IHP), which does not compensate for all losses caused by a disaster. IHP assistance is only intended to meet your basic needs and supplement disaster recovery efforts.

By comparison, the average NFIP claim payment from 2016 to 2021 was about $68,000.

"My house is on a hill, so water drains away. I'm safe."

Your risk may be reduced, but it's not eliminated. If your community's stormwater drainage system clogs or fails, flooding from heavy rain or melting snow could cause damage to your home and belongings. Purchasing a flood insurance policy today can protect your home from unexpected or hidden flood risks.

"My area has never flooded, so I've got history on my side."

Conditions change. What happened in the past is not a guarantee of what will happen in the future. Nearby construction can alter drainage patterns and rainfall can exceed yearly averages. In addition, nearby community stormwater drains can become overwhelmed and back-up during heavy rains, causing flooding in your neighborhood.

"My property insurance will cover flood damage to my building."

Unfortunately, most homeowners, commercial property and renters policies don't cover damage due to flooding. A flood insurance policy can fill gaps in your coverage. In fact, the NFIP encourages everyone to purchase both building and contents coverage for the broadest protection.

Getting Started

By selling flood insurance, you can assist your clients in avoiding significant personal and financial loss. Further, you'll build trust and create more flood-resilient communities.

CONFIRM YOUR ELIGIBILITY

To sell flood insurance in your state(s), you must first ensure you're eligible. Each state's Department of Insurance has minimum training requirements for insurance agents who sell and service flood insurance under the NFIP. **To view materials published by various states and their conditions, visit** nfipservices.floodsmart.gov/training/agent-requirements.

START TRAINING

Once you have confirmed your eligibility, you can begin training. **The NFIP offers webinars, tutorials and more for insurance agents at** agents.floodsmart.gov/agent-training.

FIND A SERVICING AGENT

More than 50 private insurance companies participate in the Write-Your-Own (WYO) Program with the NFIP. If your existing carrier is a WYO provider, you will be able to write and service flood insurance policies in your own name. Contact your carrier to confirm it is a part of the WYO Program, or **use the Find a Flood Insurance Provider tool at** floodsmart.gov/flood-insurance-provider.

The NFIP Direct Service Agency (NFIP Direct) is also an option. It allows insurance agents to write directly with FEMA and the NFIP. **For more information, email** agencyservices@nfipdirect.fema.gov **or call 800-638-6620**.

CHECK IN WITH EXISTING CLIENTS

Look for opportunities to cross-sell. Are there clients in your portfolio who currently carry other lines of coverage with you, but not flood insurance? It's never too late to reach out to clients and remind them of the extra coverage flood insurance can provide.

CAPTURE NEW CLIENT BUSINESS

Identifying new clients can seem tricky; however, many flood insurance customers have similar profiles. The NFIP has identified characteristics often shared among flood insurance customers.

Potential policyholders are single-family homeowners, condominium associations and unit owners, business owners and renters who:

- Possess property in low-lying areas;
- Experience seasonal flood risk;
- Live near visible flood hazards; and/or
- Reside in communities that have experienced flooding in the past several years.

Keep in mind that in order to purchase flood insurance, your clients must be in an NFIP-participating community. The property must also qualify for coverage. **To find out which communities participate, visit** agents.floodsmart.gov/community-status-book.

STAY INFORMED ON YOUR COMMUNITY'S FLOOD RISK

Study your region's flood maps and recent flood history to identify new marketing and selling opportunities. By getting to know—and staying updated on—flooding data in your area, you can identify clients who are at an increased risk of flood loss.

Review your region's flood risk at msc.fema.gov/portal/home **or study the recent flood history at** fema.gov/data-visualization/historical-flood-risk-and-costs.

PARTNER WITH OTHER STAKEHOLDERS

Create a network of real estate professionals, financial advisors and local lenders. By working closely with these stakeholders, you can become a trusted advisor on all things flood insurance.

For example, a new home buyer may be required to purchase flood insurance by their lender as a condition of their loan. If you have a strong relationship with a real estate agent, they can make the referral. If flood insurance is not mandated for the property, the real estate agent can instead set realistic expectations about flood risk, coverage details and costs.

ADDITIONAL GUIDANCE & CONTACT INFORMATION

To learn more about the NFIP, visit agents.floodsmart.gov or call the NFIP at **877-336-2627**.

For specific questions about selling flood insurance, contact your company's underwriting department or marketing representative, connect with a Write Your Own Company or call NFIP Direct at **800-638-6620**.

Attend a flood insurance training seminar. Visit agents.floodsmart.gov/agent-training or contact nfiptraininginfo@h2opartnersusa.com for more information on educational courses.

Visit the NFIP's Resource Library at agents.floodsmart.gov/resourcelibrary for a collection of print and digital resources designed to support agents every step of the way.

Subscribe to emails from the NFIP's Marketing & Outreach Branch for announcements, updated marketing materials and new campaigns. Sign up at agents.floodsmart.gov/sign-up.

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

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