NATIONAL FLOOD INSURANCE PROGRAM

AN AGENT'S GUIDE TO SELLING FLOOD INSURANCE

FEMA

NATIONAL FLOOD INSURANCE PROGRAM®

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Selling Flood Insurance with the National Flood Insurance Program

FEMA oversees the National Flood Insurance Program. 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 and provides peace of mind. However, selling flood insurance requires considerable background knowledge.

FEMA and its NFIP have created this guide for both new and experienced insurance 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 20**.

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

Property owners with federally backed mortgages located in Special Flood Hazard Areas (SFHAs) may be required to purchase flood insurance. Provide the services they need to help them protect their investments.

Defining Moment

An **SFHA** is an area on a flood map showing where flooding is highly likely to occur in any given year. By contrast, areas not in an SFHA have a lower chance of flooding occurring in any given year.

For clients who are not required to carry flood insurance, conduct honest conversations on the financial impact of flooding. Cover some of the common misconceptions about flooding, disaster assistance and homeowners insurance coverage like those mentioned on **page 19.** Highlight the security that flood insurance can offer.

ROUND OUT YOUR PORTFOLIO

Like homeowners, renters, life and auto insurance, flood insurance is an important piece of your portfolio. Expanding your offerings to include flood insurance can lessen the probability of clients going elsewhere to get the coverage they need, and help you convert new clients by offering comprehensive services.

PROTECT YOURSELF

Failing to offer proper coverage and providing inadequate 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.'"

— Pablo Pires, Flood Insurance Agent, Houston, Texas

Preparing to Sell

The best way to prepare for selling NFIP flood insurance is to educate yourself about floods, flood risks, 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:

1. "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 (one of which is your property) from:
    b. Overflow of inland or tidal waters;
    c. Unusual and rapid accumulation or runoff of surface waters from any source;
    d. Mudflow.*
2. 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 surface 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 by the SFIP; 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 swift-moving, extensive and last 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 (like concrete and blacktop) that increase runoff and overwhelm storm water systems. This can increase flood risk from construction, changing weather patterns and sudden storms.

Areas Near Levees or Dams

While designed to protect against a certain level of flooding, levees and/or dams can be overtopped or fail during large-scale flood events. No levee or dam provides complete 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 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 for years after. Fire destroys vegetation and sears the soil, increasing the 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.

MASTER FLOOD RISK CALCULATIONS

With the introduction of a new rating system in October 2021, 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.

Under the new system, properties with a lower risk will pay lower premiums. Renewing higher-risk properties 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 is an important rating variable. Remember, your client's property does not have to be in an 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, surrounding ground elevation and First Floor Height. Other variables include key mitigation actions, such as installing flood openings and elevating the property or machinery.

Cost to Rebuild

A building's Replacement Cost Value (RCV) influences the insurance premium. RCV is the cost to rebuild the insured building with the same material and construction without deducting for depreciation. Buildings with a lower RCV may pay lower premiums. Additionally, the building's RCV used for premium calculations does not affect the RCV determined at the time of loss.

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 (if contents only coverage is purchased) are paid based on Actual Cash Value (ACV) only. 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. **Explaining this to property owners may help set reasonable expectations about the claims process.**

Prior NFIP Claims

Prior NFIP claims affect flood insurance premiums when two or more claims have been filed for a property within a 10-year rolling window, counting claims with dates of loss of April 1, 2023, and later. Increased Cost of Compliance (ICC), Closed Without Payment (CWOP) and flood loss avoidance claims are excluded from the Prior NFIP Claims Rating Factor. This allows all policyholders to have a "clean slate" of claims history until they file their first claim.

Selling Flood Insurance Policies

With a background in flooding and flood risk, you can learn more about the policy forms themselves. Below is a brief overview of key topics, or **review each of the Summary of Coverage brochures at** floodsmart.gov/whats-covered#summary **and the NFIP Underwriting Forms at** fema.gov/nfip-underwriting-forms.

EXPLORE POLICY OPTIONS

The NFIP offers building coverage and personal property (also known as 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, however, only need contents coverage to protect their belongings—their landlord may have flood insurance to cover the building itself.

Generally, your clients can insure their homes with an SFIP for up to $250,000 for the building and, if they choose contents 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.

Additionally, condominium associations can insure their property with a Residential Condominium Association Building Policy (RCBAP). This policy offers comprehensive building coverage and contents coverage for the condominium's property in shared spaces (e.g., lobbies). Condominium unit owners can further protect personal belongings in their unit with a contents-only policy to cover furniture, clothing, electronics and more.

For more information on RCBAPs, visit the NFIP Summary of Coverage Residential Condominium Buildings at agents.floodsmart.gov/rcbap-summary-of-coverage.

REVIEW POLICY COVERAGES

The following are examples of property insured under Coverage A – Building:

Electrical systems

Central air-conditioners

Carpet permanently installed over unfinished flooring

Permanently installed cupboards, bookcases, cabinets, paneling and wallpaper

Examples of property insured under Coverage B – Personal Property:

Carpeting not permanently installed

Clothes washers and dryers

Food freezers (excluding walk-in freezers) and the food in them

Personal property including clothing, furniture and electronic equipment

Portable or window air conditioning units

Portable microwave ovens and dishwashers

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.

Examples of noncovered property include:

- Personal property not inside a building.
- Buildings entirely over water or principally below ground.
- Fences, retaining walls, seawalls, bulkheads, wharves, piers, bridges and docks.
- Wells, septic tanks and septic systems.
- Walks, walkways, decks, driveways/roads, patios and other surfaces.
- Damage caused by water, moisture, mildew or mold from any condition that is reasonably within the property owner's control.
- Most motor vehicles.
- Aircraft or watercraft.
- Gas and liquid storage tanks.
- Land, land values, lawns, trees, shrubs, plants, growing crops or animals.
- Hot tubs and spas that are not bathroom fixtures.
- Swimming pools and equipment.

Examples of excluded losses include:

- Loss of access or use to the insured property or described location or any additional living expenses, such as temporary housing.
- Loss of revenue or profits caused by business interruption.
- Damage caused by earth movement, even if the movement is caused by a flood (e.g., earthquakes, landslides, sinkholes or movement of soil from saturated conditions).

- 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).
- Flood loss that occurs before policy purchase or effective date. Generally, it takes 30 days for a new NFIP policy to become effective. **Learn more about the Flood-in-Progress Policy Exclusion at** agents.floodsmart.gov/flood-in-progress.

There is limited coverage for items in basements and below the lowest elevated floor of a post-Flood Insurance Rate Map (FIRM) elevated building in certain zones. Covered items include central air conditioners; furnaces and water heaters; electrical junction and circuit breaker boxes and more. **For more information, visit** agents.floodsmart.gov/basement-coverage-fact-sheet.

PROMOTE SUPPLEMENTARY COVERAGE OPTIONS

If a home, business or condominium is damaged by a flood and is declared substantially damaged or needing substantial improvement, the property owner may be required to meet community-specific building requirements to reduce flood risk before they can repair or rebuild.

To help meet these requirements, the NFIP may provide qualifying policyholders with up to $30,000 in ICC coverage. This coverage can help pay for elevation, relocation and demolition based on how the structure is insured. Note: Coverage for a property under construction for flood mitigation purposes is not available through the NFIP.

Supplemental or excess flood insurance policies are available from private flood insurers and can be purchased by clients seeking coverage beyond what is available under an SFIP policy. For instance, if your client's home is valued higher than the $250,000 (the maximum building coverage available under the NFIP), encourage them to consider adding excess private flood insurance coverage to cover the difference.

EVALUATE PRICES

Financial concerns may discourage some clients from purchasing a flood insurance policy. When a client is cost-conscious, suggesting ways to lower the price of flood insurance could be why your client buys. Offer the following options to help them pay less for flood insurance each year.

Increase Their Deductible

Choosing a higher deductible may lower their premium as with other familiar insurance policies. 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 not required to purchase coverage, they may lower your client's insurance cost. ECs show 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 of flood damage, your clients may lower their insurance costs. Common flood mitigation practices include elevating utilities (e.g., air conditioners and water heaters), installing flood vents, filling 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 recognizing communities for establishing floodplain management practices exceeding 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 of 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/community-rating-system.

PREPARE KEY TALKING POINTS

Since lenders don't always require flood insurance, some clients may not be inclined to purchase it 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, flood insurance policies take effect 30 days after purchase. Typically, damage from a flood already in progress is excluded from coverage since the flood began before insurance was purchased. However, the 30-day waiting period doesn't apply when buying new property. Purchasing flood insurance with new property or before a flood threat are the best ways 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

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.

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. However, private flood insurance premiums may vary.

Flooding can be an emotionally and financially 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.

"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, Flood Survivor, Sparta, Wisconsin

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 insufficient for 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 averages $5,000 per household and must be repaid with interest, or as a FEMA disaster grant through the Individuals and Households Program (IHP). IHP assistance does not compensate for all losses caused by a disaster and only meets your basic needs to supplement disaster recovery efforts.

By comparison, the average NFIP claim payment from 2016 to 2022 was about $66,000.

"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. 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 ensure eligibility. 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

Approximately 50 private insurance companies participate in the Write-Your-Own (WYO) Program with the NFIP. If your existing carrier is a WYO provider, you can write and service flood insurance policies in your name. Contact your carrier to confirm it is a part of the WYO Program or **view the list of WYO providers at** nfipservices.floodsmart.gov/wyo-program-list.

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 carrying 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. Many agents find upselling existing clients to be a successful way to acquire new flood insurance clients.

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.

Remember that your clients must be in an NFIP-participating community to purchase flood insurance. The property must also qualify for coverage. **To find out which communities participate, visit** fema.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 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. Work closely with them to position yourself as a trusted advisor so they feel comfortable referring clients to you.

For example, a new homebuyer may be required to purchase flood insurance by their lender as a condition of their loan. The mortgage lender or real estate agent can refer that buyer to you for flood insurance if you have a strong relationship with them. If flood insurance is not mandated for the property, the real estate agent can still refer them but also help 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.

NOTES

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 oversees the NFIP.

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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