FEMA

Fact Sheet

Federal Insurance and Mitigation Administration

National Flood Insurance Program Fact Sheet

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 aim to reduce future flood damage. More than 22,100 communities in the U.S. participating in the NFIP and more than 5.1 million NFIP policies in force, providing $1.25 trillion of content and building coverage.

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 1978, the NFIP has paid nearly $52.5 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/wyo_company.

Andrea Booher/FEMA Photo

Myths and Misconceptions

A common misconception is that homeowners' policies cover flood damage. In fact, most homeowner . In fact, most homeowner and business multi—peril policies do not cover flooding. In addition, federal disaster assistance will not always pay for flood damage. 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 2016, the average flood policy costs about $700 a year and the average total paid claim has been more than $31,000.

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 percent 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 $137 a year in 2016.

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, damage caused by a sewer backup is covered if the backup is a direct result of flooding. However, if the backup is caused by some other problem, the damage is not covered.

The Flood Insurance Program is Evolving

The NFIP is focusing making America truly "Flood Smart." The NFIP is a comprehensive program that encourages property owners to seriously consider their risks and ways they can lessen those risks—and flood insurance is obviously a key component.

Purchasing flood insurance is still the most powerful action survivors can take to mitigate the financial risk of flood before and recover after a flood event. Flood insurance is both a mitigation and recovery tool. This means customers need to understand how flood insurance works, the value of the product, and be able to navigate processes—like the claims process.

In addition to building trust with policyholders, improving communication and making processes simpler to understand and navigate, the NFIP is also focusing on its commitment to strengthening partnerships and engagements with communities. Historically, with things like Climate Change occurring, and population movements into flood-prone areas, floodplain management

has never been more important. Communities must make excellent decisions that will help them reduce damage from future flood events and the NFIP is supporting them in new, innovative ways.

For Additional Information

For additional information about the NFIP or the FloodSmart campaign, visit: FloodSmart.gov or FEMA.gov.