

# Flood Insurance—A Key to Recovery<sup>1</sup>

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## Introduction

Relying solely on federal disaster assistance is a bad strategy!

1. Federal disaster assistance is available only if a flood is declared a federal disaster (more than 90 percent of all disasters in the United States are not so declared).
2. Disaster aid usually comes in the form of loans that must be repaid with interest.
3. Most homeowners' policies do not cover flooding.

Federal flood insurance, however, reimburses you for flood damage even if a flood has not been declared a federal disaster

## The National Flood Insurance Program

The Federal Emergency Management Agency's (FEMA) Federal Insurance Administration makes the National Flood Insurance Program (NFIP) available to residents of communities that adopt and enforce floodplain management ordinances that represent sound land use practices.

Whether your flood risk is high, medium, or low, you can buy flood insurance as long as your community participates in the NFIP. Find out more information on how your community can participate in the NFIP at the FEMA website. Access online at <https://www.fema.gov/national-flood-insurance-program>

It is a good idea to buy flood insurance even if you do not live in a high-risk area, as almost 25 percent of all flood insurance claims come from low-risk to moderate-risk areas. Information about the low-cost policy of homes in low-risk to moderate-risk flood areas is available at the FEMA website. Access online at <http://www.fema.gov/library/viewRecord.do?id=3907>.

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## Why should you get National Flood Insurance?

You do not need to live near water to be flooded. Floods are caused by storms, melting snow, and hurricanes, as well as water backup due to inadequate or overloaded drainage systems and failures of dams and levees. For comparison,

- The average flood insurance policy costs about \$500 a year for \$100,000 of coverage
- A disaster home loan can cost you more than \$300 a month for \$50,000 of coverage

If you live in a Special Flood Hazard Area (SFHA), federally-regulated lending institutions will require flood insurance for you to secure financing to buy, build, or improve structures. You must have flood insurance in an amount equal to the outstanding principal balance of the loan, the value of the building, or the maximum limit of coverage available under federal law, whichever is less. Flood insurance must be maintained for the life of the loan.

## When should you get National Flood Insurance?

PLAN AHEAD! There is usually a thirty-day waiting period before the coverage goes into effect.

## How do you get National Flood Insurance?

You can buy NFIP flood insurance from private insurance companies and agents.

Go to the NFIP website to locate private insurance companies in your area that, through an agreement with the Federal Insurance Administration, sell and service federal flood insurance policies. Access online at <https://www.floodsmart.gov/flood-insurance-provider>

You may also contact your insurance agent or company.

## Sources for This Publication

Federal Emergency Management Agency (FEMA). Answers to Questions about the National Flood Insurance Program. Access online at <https://www.fema.gov/national-flood-insurance-program>

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