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FEMA

Fact Sheet

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NATIONAL FLOOD INSURANCE PROGRAM

BATON ROUGE, La.—The Department of Homeland Security's Federal Emergency Management Agency (FEMA) understands that during this difficult time accurate information is crucial. To help clear up questions about the National Flood Insurance Program (NFIP), FEMA and NFIP have compiled the following list of common myths about flood insurance, and the **real facts** behind them.

1. **MYTH: Flood insurance is only available for homeowners.**

FACT: Flood insurance is available to protect homes, condominiums, apartments and nonresidential buildings, including commercial structures. A maximum of \$250,000 of building coverage is available for single-family residential buildings; \$250,000 per unit for residential condominiums. The limit for contents coverage on all residential buildings is \$100,000, which is also available to renters. Commercial structures can be insured to a limit of \$500,000 for the building and \$500,000 for the contents.

2. **MYTH: You can't buy flood insurance if your property has been flooded.**

FACT: You are still eligible to purchase flood insurance after your home, apartment or business has been flooded, provided that your community is participating in the NFIP.

3. **MYTH: Only residents of high-flood-risk zones need to insure their property.**

FACT: Even if you live in an area that is not flood-prone, it's advisable to have flood insurance. Between 20 percent and 25 percent of the NFIP's claims come from outside high-flood-risk areas. The NFIP's Preferred Risk Policy, available for just over \$100 per year, is designed for residential properties located in low- to moderate-flood-risk zones.

4. **MYTH: Homeowner's insurance policies cover flooding.**

FACT: Unfortunately, many homeowners are not aware their homeowner's policies do not cover flooding. National Flood Insurance protects your most valuable assets--your home and belongings.

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5. **MYTH: National Flood Insurance can only be purchased through the NFIP directly.**

FACT: NFIP flood insurance is sold through private insurance companies and agents, and is backed by the Federal government.

6. **MYTH: The NFIP does not offer any type of basement coverage.**

FACT: Yes it does. The NFIP defines a basement as any area of a building with a floor that is below ground level on all sides. While flood insurance **does not cover** basement improvements, such as finished walls, floors or ceilings, or personal belongings that may be kept in a basement, such as furniture and other contents, it does cover structural elements, essential equipment and other basic items normally located in a basement. Many of these items are covered under building coverage, and some are covered under contents coverage. The NFIP encourages people to purchase both building and contents coverage for the broadest protection.

The following items **are covered under building coverage**, as long as they are connected to a power source and installed in their functioning location:

- Sump pumps
- Well water tanks and pumps, cisterns and the water in them
- Oil tanks and the oil in them, natural gas tanks and the gas in them
- Fuel tanks and the fuel they contain
- Furnaces, hot water heater, air conditioners and heat pumps
- Electrical junction and circuit breaker boxes and required utility connections
- Foundation elements
- Stairways, staircases, elevators and dumbwaiters.
- Unpainted drywalls and ceilings, including fiberglass insulation
- Cleanup

The following items **are covered under contents coverage**:

- Clothes washers
- Clothes dryers
- Food freezers and the food in them

7. **MYTH: Federal disaster assistance will pay for flood damage.**

FACT: Before a community is eligible for disaster assistance, it must be declared a federal disaster area. Federal disaster assistance declarations are issued in less than 50 percent of flooding incidents. The premium for an NFIP policy, averaging about \$400 a year, is less expensive than interest on federal disaster loans. Furthermore, if you are uninsured and receive federal disaster assistance after a flood, you must purchase flood insurance to remain eligible for future disaster relief.

8. MYTH: The NFIP encourages coastal development.

FACT: One of the NFIP's primary objectives is to guide development away from high-flood-risk areas. NFIP regulations minimize the impact of structures that are built in Special Flood Hazard Areas (SFHAs) by requiring them not to cause obstructions to the natural flow of floodwaters. Also, as a condition of community participation in the NFIP, those structures built within SFHAs must adhere to strict floodplain management regulations. In addition, the Coastal Barrier Resources Act (CBRA) of 1982 relies on the NFIP to discourage building in fragile coastal areas by prohibiting the sale of flood insurance in designated CBRA areas. While the NFIP does not prohibit property owners from building along coastal areas, any Federal financial assistance, including federally backed flood insurance, is prohibited. However, CBRA does not prohibit privately financed development or insurance.

9. MYTH: The NFIP does not cover flooding resulting from hurricanes or the overflow of rivers or tidal waters.

FACT: The NFIP defines covered flooding as a general and temporary condition during which the surface of normally dry land is partially or completely inundated. Two properties in the area or two or more acres must be affected. Flooding can be caused by:

- The overflow of inland or tidal waters
- The unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall
- Mudflows, caused by flooding, that could be described as a river of liquid flowing mud
- The collapse or destabilization of land along the shore of a lake or other body of water, resulting from erosion or the effect of waves, or water currents exceeding normal, cyclical levels.

10. MYTH: Wind-driven rain is considered flooding.

FACT: No, it isn't. Rain entering through wind-damaged windows, doors or a hole in a wall or the roof, resulting in standing water or puddles, is considered windstorm rather than flood-damage. National Flood Insurance only covers damage caused by the general condition of flooding (defined above), typically caused by storm surge, wave wash, tidal waves, or the overflow of any body of water over normally dry land areas. Buildings that sustain this type of damage usually have a watermark, showing how high the water rose before it subsided. Although the Standard Flood Insurance Policy (SFIP) specifically excludes wind and hail damage, most homeowner's policies provide such coverage.

11. MYTH: You can't buy flood insurance if you are located in a high-flood-risk area.

FACT: You can buy National Flood Insurance no matter where you live if your community participates in the NFIP, except in Coastal Barrier Resources System (CBRS) areas. The Program was created in 1968 to provide flood insurance to people who live in areas with the greatest risk of flooding, called Special Flood Hazard Areas (SFHAs). In fact, under the National Flood Insurance Act, lenders must require borrowers whose property is located within an SFHA to purchase flood insurance as a condition of receiving a federally regulated mortgage loan. There is an exemption for conventional loans on properties within CBRS areas.

Lenders are required to notify borrowers, under certain conditions, that their property is located in an SFHA and National Flood Insurance is required.

12. MYTH: You can't buy flood insurance immediately before or during a flood.

FACT: You can purchase flood coverage at any time. There is a 30-day waiting period after you've applied and paid the premium before the policy is effective, with the following exceptions: 1) If the initial purchase of flood insurance is in connection with the making, increasing, extending or renewing of a loan, there is no waiting period. The coverage becomes effective at the time of the loan, provided application and payment of premium is made at or prior to loan closing. 2) If the initial purchase of flood insurance is made during the 13-month period following the effective date of a revised flood map for a community, there is a one-day waiting period. This only applies where the Flood Insurance Rate Map (FIRM) is revised to show the building to be in an SFHA when it had not been in an SFHA.

The policy does not cover a “loss in progress,” defined by the NFIP as a loss occurring as of 12:01 a.m. on the first day of the policy term. In addition, you cannot increase the amount of insurance coverage you have during a loss in progress.

For more information about the NFIP and flood insurance, contact your insurance company or agent, or call the NFIP at (888) CALL-FLOOD, (800) 427-5593 (TDD) or visit www.floodsmart.gov.

About the National Flood Insurance Plan

In 1968, Congress created the National Flood Insurance Program (NFIP) in response to the rising cost of taxpayer funded disaster relief for flood victims and the increasing amount of damage caused by floods. FEMA manages the NFIP, and oversees the floodplain management and mapping components of the Program. More than 20,000 communities across the United States and its territories participate in the NFIP by adopting and enforcing floodplain management ordinances to reduce future flood damage. In exchange, the NFIP makes federally backed flood insurance available to homeowners, renters and business owners in these communities. Flood damage is reduced by nearly \$1 billion a year through partnerships with communities, the insurance industry and the lending industry. Further, buildings constructed in compliance with NFIP building standards suffer approximately 80 percent less damage annually than those not built in compliance. And, every \$3 paid in flood insurance claims saves \$1 in disaster assistance payments.

The NFIP is self-supporting for the average historical loss year, which means that operating expenses and flood insurance claims are not paid for by the taxpayer, but through premiums collected for flood insurance policies. The program has borrowing authority from the U.S. Treasury for times when losses are heavy; however, these loans are paid back with interest.

FEMA prepares the nation for all hazards and manages federal response and recovery efforts following any national incident. FEMA also initiates mitigation activities, trains first responders, works with state and local emergency managers, and manages the National Flood Insurance Program and the U.S. Fire Administration. FEMA became part of the U.S. Department of Homeland Security on March 1, 2003

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Editors: For more information on Louisiana disaster recovery, visit www.fema.gov or www.ohsep.louisiana.gov.