

National Flood Insurance Program

Myths and Facts

By: Chris Floyd
Emergency Services Director
Capital Area Chapter
American Red Cross

Who needs flood insurance? **EVERYONE**. And everyone in a participation community of the National Flood Insurance Program (NFIP) can buy flood insurance. Nationwide, more than 19,000 communities have joined the program. In some instances, people have been told that they cannot buy flood insurance because of where they live. To clear up this and other misconceptions about the National Flood Insurance Program, the following list of common myths about the program, and the real facts behind them, has been prepared to give you the full story about this valuable protection.

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 National Flood Insurance Program, except in Coastal Barrier Resources System areas. The National Flood Insurance 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. In fact, under the National Flood Insurance Act, lenders must require borrowers whose property is located within a Special Flood Hazard Area to purchase flood insurance as a condition of receiving a federally regulated mortgage loan. There is an exemption for conventional loans on properties within the Coastal Barrier Resources Systems areas.

Lenders should notify borrowers that their property is located in a Special Flood Hazard Area and National Flood Insurance is required.

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 dates 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 a Special Flood Insurance Area when it had not been in a Special Flood Insurance Area.

The policy does not cover a “loss in progress,” defined by the National Flood Insurance Program as a loss occurring as of 12:01AM 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.

MYTH: Homeowners insurance policies cover flooding.

FACT: Unfortunately, many homeowners do not find out until it is too late that their homeowners policies do not cover flooding. National Flood Insurance protects you most valuable assets -your home and belongings.

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.

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

FACT: You are still eligible to purchase flood insurance after you homes, apartment or business has been flooded, provided that you community is participating in the National Flood Insurance Community.

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 National Flood Insurance Programs claims come from outside high flood risk areas. The National Flood Insurance Programs Preferred Risk Policy, available for just over \$100 per year, is designed for residential properties located in low to moderate flood risk zones.

MYTH: National Flood Insurance can only be purchased through the National Flood Insurance Program directly.

FACT: National Flood Insurance Program flood insurance is sold through private insurance companies and agents, and is backed by the Federal government.

MYTH: The National Flood Insurance Program does not offer any type of basement coverage.

FACT: Yes it does. The National Flood Insurance Program 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 National Flood Insurance Program 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
- Pumps and/or tanks used in conjunction with solar energy
- Furnaces, hot water heater, air conditioners and heat pumps
- Electrical junction and circuit breaker boxes
- Foundation elements
- Stairways, staircases, elevators and dumbwaiters
- Unpainted drywalls and sheetrock walls 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

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 a National Flood Insurance Program policy, averaging a little more than \$300 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.

MYTH: *The National Flood Insurance Program encourages coastal development.*

FACT: One of the National Flood Insurance Programs primary objectives is to guide development away from high flood risk areas. National Flood Insurance Program

regulations minimize the impact of structures that are built in Special Flood Hazard Areas by requiring them not to cause obstructions to the natural flow of floodwaters. Also, as a condition of community participation in the National Flood Insurance Program, those structures built within Special Flood Hazard Areas must adhere to strict floodplain management regulations.

In addition, the Coastal Barrier Resources Act (CBRA) of 1982 relies on the National Flood Insurance Program to discourage building in fragile coastal areas by prohibiting the sale of flood insurance in designated Coastal Barrier Resources Act areas. While the National Flood insurance Program does not prohibit property owners from building along coastal areas, any Federal financial assistance, including federally backed flood insurance is prohibited. However, the coastal Barrier Resources Act does not prohibit privately financed development or insurance.

MYTH: The National Flood Insurance Program does not cover flooding resulting from hurricanes or the overflow of rivers or tidal waters.

FACT: The National Flood Insurance Program 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, or
- The unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall, or
- Mudslides, i.e., mudflows, caused by flooding, that could be described as a river of liquid and flowing mud and
- 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.

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, 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 specifically excludes wind and hail damage, most homeowners policies provide such coverage.