

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

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### **Relying solely on federal disaster assistance is BAD STRATEGY!**

1. Federal disaster assistance is only available if a flood is declared a Federal disaster. More than 90 percent of all disasters in the U.S. are not Presidentially declared.
2. Disaster aid usually comes in the form of loans, which must be repaid with interest.
3. Most homeowners' policies do not cover flooding.

Federal flood insurance reimburses you for flood damage! Even if a disaster has not been declared!

### **A. What is 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.

It doesn't matter whether your flood risk is high, medium, or low, you can buy flood insurance as long as your community participates in the National Flood Insurance Program. (Go to [http://www.fema.gov/pdf/nfip/f025\\_how.pdf](http://www.fema.gov/pdf/nfip/f025_how.pdf) to find out how your community can participate in the NFIP.)

And, it's a good idea to buy even in low or moderate risk areas: almost 25 percent of all flood insurance claims come from low- to moderate-risk areas. (Go to <http://www.fema.gov/business/nfip/prphome.shtm> to find out about the low-cost policy for homes in low- to moderate-risk areas.

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## B. Why should you get National Flood Insurance?

You don't need to live near water to be flooded. Floods are caused by storms, melting snow, hurricanes, and water backup due to inadequate or overloaded drainage systems, dam or levee failure, etc.

The average flood insurance policy costs:

- About \$300 a year
- For about \$100,000 of coverage.

In comparison, a disaster home loan can cost you

- More than \$300 a month
- For \$50,000
- Over 20 years.

If you live in a Special Flood Hazard Areas (SFHAs), federally regulated lending institutions will require flood insurance to get secured financing to buy, build, or improve structures. The law requires 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 the Act, whichever is less. It also requires flood insurance to be maintained for the life of the loan.

## C. When should you get National Flood Insurance?

**PLAN AHEAD! There is usually a 30-day waiting period before the coverage goes into effect.**

## D. How do you get National Flood Insurance?

You can buy NFIP flood insurance from private insurance companies and agents; call yours today!

By visiting the following Web site:

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<http://www.floodsmart.gov/floodsmart/pages/agentsearch/searchform.jsp>>,

you can locate private insurance companies in your area that, through an agreement with the Federal Insurance Administration, sell and service Federal flood insurance policies. You may also contact your insurance agent or company.

## Sources of This Publication

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Federal Emergency Management Agency (FEMA). What You Need to Know About Federal Disaster Assistance & National Flood Insurance. Access on the Web at: <[http://www.fema.gov/pdf/nfip/f001\\_know.pdf](http://www.fema.gov/pdf/nfip/f001_know.pdf)>.