

NATIONAL FLOOD INSURANCE PROGRAM

QUESTIONS & ANSWERS

FLOOD INSURANCE FOR REAL ESTATE PROFESSIONALS

Help Clients Protect Their Investment



FEMA





Your clients trust you to help them navigate the exciting – yet sometimes overwhelming – home-buying processes. Being informed and sharing information on ways your customers can protect their investments builds your credibility and eases their minds. The National Flood Insurance Program (NFIP), managed by the Federal Emergency Management Agency (FEMA), seeks to reduce future flood damage by providing people with flood insurance through the government-funded program. Use this resource to understand why flood insurance is important to discuss with future and existing clients.

WHY SHOULD I TALK TO MY CLIENTS ABOUT FLOOD INSURANCE?

Flooding can happen anywhere at any time. You should encourage your clients to purchase flood insurance to protect their properties from flood damage and the economic devastation it can bring.

A property does not have to be near water to flood. Floods can result from storms, melting snow, hurricanes, drainage system backups, broken water mains, and changes to land from new construction, among other things.

It is important to let your client know that homeowners insurance policies typically do not cover floods. If a property is in a Special Flood Hazard Area (SFHA), your client may be required by their lender to purchase flood insurance as a condition of the loan.

In the event of a flood, federal disaster assistance, such as individual assistance from FEMA (including federally funded grants, or loans from the U.S. Small Business Administration) offers very limited help. Federal disaster assistance comes in the form of low-interest disaster loans that recipients must repay with interest in addition to their existing mortgages, other loans, and debts. Such assistance is only available when there is an official Presidential Disaster Declaration for federal disaster assistance, and floods are not always declared as such.

Flood insurance can help with recovery regardless of whether there is a Presidential Disaster Declaration. Your client will never have to repay money received from a verified claim on their NFIP flood insurance policy.

DID YOU KNOW?

On average, 40% of the National Flood Insurance Program (NFIP) flood insurance claims occur outside the high-risk flood areas.

WHO CAN PURCHASE FLOOD INSURANCE?

Anyone in a community that participates in the NFIP can purchase building and/or contents coverage, with few exceptions. Most communities in the U.S. participate in the NFIP, so residents within these communities can obtain coverage. Licensed insurance agents can tell if a specific community participates in the NFIP. Coastal Barrier Resources System Areas (CBRS), undeveloped coastal areas established for wildlife refuge, sanctuary, recreational, or natural resource conservation purposes (Otherwise Protected Areas), and buildings principally below ground or entirely over water may not be eligible for NFIP flood insurance coverage.

HOW MUCH WILL FLOOD INSURANCE COST?

Flood insurance premiums will vary depending on the construction date, type, and flood risk, among other things. A licensed insurance agent can provide an estimated premium rate and you may want to talk to a prospective buyer about obtaining a quote for both building and contents coverage. In most cases, they are separate coverages with separate deductibles. Costs vary depending on whether the property falls within a flood risk designation.



HOW DO CLIENTS OBTAIN A FLOOD INSURANCE POLICY?

The NFIP also has resources to help your client find an agent. Your client can visit [FloodSmart.gov](https://www.floodsmart.gov) or call their local insurance agent for more information on purchasing a policy. Your client can purchase NFIP flood insurance from the many companies writing and servicing flood insurance on behalf of FEMA or from NFIP Direct, a FEMA program that assists in issuing flood insurance policies under the NFIP. Only a licensed property and casualty insurance agent can sell NFIP flood insurance. Customers can use the Agent Locator Tool at [FloodSmart.gov/flood-insurance-provider](https://www.floodsmart.gov/flood-insurance-provider) to find an insurance company.

Regardless of who writes the policy, NFIP flood insurance is the same. The premium and amount of coverage for an individual risk policy is the same regardless of who the agent is. Keep in mind if your client receives quotes with different premiums, they should compare the levels of coverage and deductibles, as these factors affect the overall policy premium.

If the mortgage company requires flood insurance as a condition of the loan, and the mortgage company escrows for other insurance premiums, the mortgage company must also escrow flood insurance premiums.

WHAT IS AN ELEVATION CERTIFICATE (EC) USED FOR?

If your client's property is located in a high-risk flood area, your client can obtain an optional Elevation Certificate (EC) which may lead to a lower flood insurance quote. If the building is higher than "ground level," your client can complete and submit Section E of the EC (Building Elevation information) which may lead to a lower premium. Although ECs are optional for insurance rating purposes, they may still be required for other matters, like a Letter of Map Change (LOMC) or community documentation.

To find out if a property already has an EC, contact the local building permit office, the local planning and zoning office, or the previous owner or a flood insurance agent. If your client is unable to identify an existing EC for their property, the client may have to hire a licensed land surveyor, engineer, or architect to provide one. Should you or your client need more information about ECs, how the NFIP uses them, and why they may need one, visit [FloodSmart.gov/flood-map-zone/elevation-certificate](https://www.floodsmart.gov/flood-map-zone/elevation-certificate).



WHEN IS THE BEST TIME TO BUY FLOOD INSURANCE COVERAGE?

Now! A 30-day waiting period typically applies between submitting the policy application and premium and the policy effective date. However, there are exceptions to the 30-day waiting period. For example, if a buyer purchases an NFIP policy in connection with a loan closing, there is no waiting period.

If a seller transfers their policy to the new property owner, regardless of whether or not there is a mortgage involved, the policy will not lapse and coverage continues uninterrupted upon sale. Personal property coverage and building coverage for a property under construction do not transfer.

WHAT ARE SPECIAL FLOOD HAZARD AREAS (SFHAS)?

These are the areas with the highest risk for floods or zones beginning with the letters A or V on Flood Insurance Rate Maps.

How will I know if a building is in an SFHA?

Your clients can check with their local community or visit [FloodSmart.gov/flood-map-zone](https://www.floodsmart.gov/flood-map-zone) to learn more about their flood risk. Anyone can view and download flood maps from [msc.FEMA.gov](https://www.msc.fema.gov). Lenders will notify borrowers if they must purchase flood insurance as a condition of a mortgage loan. Coverage may be required by lenders in any area of risk, even in moderate flood risk areas, and the NFIP supports that.

Am I legally liable if I do not disclose the fact that a property is in a high-risk flood area?

Many states have disclosure laws for real estate professionals that address all natural hazards, including floods. Check with your local Board of Realtors for disclosure laws. You can better help your client understand flood risk by learning more about it yourself. Visit [FloodSmart.gov](https://www.floodsmart.gov) to learn more about flood risk and NFIP flood insurance.



Congress created the National Flood Insurance Program (NFIP) in 1968 to reduce future flood damage through floodplain management, and to provide people with flood insurance through individual agents and insurance companies. The Federal Emergency Management Agency (FEMA) manages the NFIP. If you are deaf, hard of hearing, or have a speech disability and use relay services, call **711** from your TTY.

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