

Flood insurance—why have it? Where can I buy it?

National Weather Service Des Moines, Iowa

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Thank you for your interest in flood insurance. Below are frequently asked questions and answers regarding flood insurance and the related National Flood Insurance Program (NFIP). The NFIP is administered by the Federal Emergency Management Agency (FEMA).

Note: in the below document, the term “community” includes counties. In other words, “community” is used synonymously with the word “county.”

Why should I have flood insurance? Doesn't my homeowners or commercial property insurance already cover flood damage?

Most homeowners and commercial property insurance policies do not cover flood damage. Floods are the #1 natural disaster in the United States however. They are more common than tornadoes, earthquakes and fires. They have caused nearly \$24 billion in U.S. flood losses in the last 10 years. There is a 26% chance of experiencing a flood during the life of a 30-year mortgage in high-risk areas. If your home or business is in a high-risk area, it is more than twice as likely to experience a flood than a fire.

What about flood-related disaster assistance? Why not just use that assistance instead of having flood insurance?

When flooding causes extensive and widespread damage, the Governor or President may make a disaster proclamation. These proclamations can make disaster-related money assistance available to affected property owners. It is important to know that this disaster assistance is typically not a grant or forgivable loan however. Instead, it is typically a loan that you must repay with interest. For a \$50,000 loan at 4% interest, your monthly payment would be around \$240 a month (i.e., \$2,880 a year) for 30 years. Compare that to the premium for a \$100,000 flood insurance policy, which is around \$400 a year (\$33 a month).

Why not just wait to purchase flood insurance until the flood is a few days away?

It takes 30 days after purchase for a policy to take effect, so it is important to buy insurance before the floodwaters start to rise. Aside from snow melt floods, most floods occur with much less than 30 days advance notice.

An exception to the 30-day waiting period is when flood insurance is required as part of a mortgage. Flood insurance is mandatory if your property is in a high-risk area or a Special Flood Hazard Area (SFHA) and you have a Federally-backed mortgage.

Is flood insurance available only for my home?

No. You can purchase flood insurance for both residential and commercial coverage.

Is flood insurance available only for locations in the flood plain?

No. You can purchase flood insurance for nearly any location, whether or not it is in a flood plain. Everyone lives in a flood zone—but some areas are at a higher risk of flooding than others. It is good to buy flood insurance for properties outside the flood plain. Nearly 25% of all flood insurance claims come from moderate- to low-risk areas (i.e., outside the flood plain).

I am in a low-risk area for flooding. This risk will never change over time, right?

Not necessarily. The risk of flooding at the same location may increase or decrease over time. New land development can increase flood risk. Increases in precipitation amounts may also increase the flood risk. So just because you are in a low-risk area now does not necessarily mean that your risk of flooding will stay that way. You may be in a moderate- to high-risk area later.

So if I can purchase flood insurance for nearly any location, are there any other limitations?

Yes. You can purchase flood insurance only if your community participates in the NFIP. You can find a list of communities that participate in the NFIP on the FEMA Web site at:

<http://www.fema.gov/fema/csb.shtm>

What if my community does not participate in the NFIP?

Your community must be an active participant in the NFIP in order for you to purchase flood insurance. According to FEMA, a community must submit an application package which includes the below information. Contact your community officials to start this process.

- **Application For Participation in the NFIP (FEMA Form 81-64):** This one-page form asks for the following information:
 - Community name

- Chief Executive Officer
 - Person responsible for administering the community's floodplain management program
 - Community repository for public inspection of flood maps
 - Estimates of land area, population, and number of structures in and outside the floodplain
- **Resolution of Intent:** The community must adopt a resolution of intent, which indicates an explicit desire to participate in the NFIP and commitment to recognize flood hazards and carry out the objectives of the Program.
 - **Floodplain Management Regulations:** The community must adopt and submit floodplain management regulations that meet or exceed the minimum flood plain management requirements of the NFIP.

You can find more information on NFIP application procedures, including contacts on the FEMA Web site at:

<http://www.fema.gov/plan/prevent/floodplain/>

How much does flood insurance cost?

Flood insurance premiums take into account the risk of flooding as well as the amount of coverage you desire. If you live in a moderate- to low-risk area and are eligible for the Preferred Risk Policy, your flood insurance premium may be as low as \$119 a year, including coverage for your property's contents. The average flood insurance policy costs less than \$570 per year.

To find your flood risk and estimate your flood insurance premium, use the One-Step Flood Risk Profile on the left hand side of the FloodSmart.gov Web page at:

<http://www.floodsmart.gov/>

Are discounts available for flood insurance premiums?

Yes. If your community participates in the Community Rating System (CRS), you can qualify for an insurance premium discount of up to 45%.

The CRS is a subset of the NFIP. It is a voluntary incentive program which recognizes and encourages community floodplain management activities which exceed the minimum NFIP requirements. As a result, flood insurance premium rates are discounted to reflect the reduced flood risk resulting from the community actions meeting the three goals of the CRS:

1. Reduce flood losses
2. Facilitate accurate insurance rating

3. Promote the awareness of flood insurance.

Community participation on the CRS is in addition to participation in the NFIP. Participation in the NFIP does not automatically include participation in the CRS. Your community must initiate the process to participate in the CRS.

As of 6/25/2010, two communities in Iowa actively participate in the CRS. The average discount for a properties in high-risk areas or Special Flood Hazard Area (SFHAs) is 13%. The average discount for properties in other locations is 5%.

You can find more information on the CRS, including application instructions and a listing of actively participating communities on the FEMA Web site at:

<http://www.fema.gov/business/nfip/crs.shtm>

My community is StormReady. Does this designation entitle my community to additional discounts under the CRS?

Not necessarily. The National Weather Service designed the StormReady program to help communities better prepare for and mitigate effects of extreme weather-related events. StormReady also helps establish a commitment to creating infrastructure and systems which save lives and protect property. Receiving StormReady recognition does not mean that a community is storm proof, but StormReady communities will be better prepared when severe weather strikes.

If your community is StormReady, then information related to this designation should definitely be included in your community's CRS application materials. The decision to provide an additional discount due to a StormReady designation is at the sole discretion of the NFIP and CRS decision makers.

You can find more information on the StormReady program on the NWS Web site at:

<http://www.stormready.noaa.gov/>

Where exactly do I go to purchase flood insurance?

In most cases, you can purchase flood insurance through those insurance agents who have agreed to work with the NFIP. They may or may not be the insurance agent you presently use for homeowners or commercial property insurance. You can find a list of flood insurance agents near you on the NFIP Web site at:

http://www.floodsmart.gov/floodsmart/pages/choose_your_policy/agent_locator.jsp

Make sure you know the coverage and limitations of flood insurance *before* you buy

Before you purchase a flood insurance policy, it is important to review what is covered and what is not covered by flood insurance. You should also compare the coverage and exclusions of both flood insurance and your existing homeowners or commercial property insurance. Make sure you understand what would be covered and what would not be covered if a flood does impact your property. See your flood insurance agent for details.

For more information

You can find more information on the NFIP at the FloodSmart Web site. You can also use the One-Step Flood Risk Profile on the left hand side of the page to find your flood risk and estimate your flood insurance premium. The FloodSmart Web site is at:

<http://www.floodsmart.gov/>

—Prepared by Jeff Zogg, Senior Hydrologist/NWS Des Moines, IA. Many of the facts and figures came from the FloodSmart.gov Web site.