

# UNDERSTANDING THE BENEFITS OF FLOOD INSURANCE

## A Resource for COMMUNITY OFFICIALS

When communities participate in the National Flood Insurance Program (NFIP), homeowners, business owners, and renters can purchase protection to insure against flood losses.

- Floods are the most common and costly natural disasters in the United States.
- Flood insurance is available in high, moderate, and low risk flood zones.
- Physical damage to a building or contents directly caused by flooding is generally covered by flood insurance.
- Federal disaster assistance will not always pay for flood damage. The President must declare a major disaster before most forms of federal disaster assistance can be offered. Most forms of disaster assistance are loans that must be repaid with interest.
- The NFIP has an arrangement with private insurance companies (known as Write Your Own [WYO]) to sell and service federal flood insurance policies.
- Residents and business owners who own property in high-risk areas (known as Special Flood Hazard Areas [SFHAs]) are required to purchase flood insurance if they have a mortgage from a federally regulated or insured lender. Insurance must be carried for the life of the mortgage.



- Residents and business owners with a mortgage on a building outside the high-risk area can purchase flood insurance and may be eligible for a lower-cost Preferred Risk Policy.
- In general, a policy does not take effect until 30 days after the purchase of flood insurance. However, if a policy is purchased in connection with making, increasing, extending, or renewing a loan there is no waiting period. There is only a one day waiting period if the purchase is related to the revision or update of a Flood Insurance Rate Map (FIRM) within 13 months of the new FIRM's effective date.

### NFIP Building Coverage *(Includes but is not limited to)*

- The building and its foundation
- Electrical and plumbing systems
- Central air-conditioning, equipment, furnaces, and water heaters
- Refrigerators, stoves, and dishwashers
- Permanently installed carpeting
- Window blinds

### NFIP Contents Coverage *(Not automatically included with building coverage for most standard policies)*

- Personal belongings (ex: clothing, furniture, and electronic equipment)
- Carpets
- Washers and dryers
- Food freezers and the food in them
- Portable microwave ovens and dishwashers

### NFIP Flood Insurance Coverage Limits

Residential	\$250,000
Personal Belongings	\$100,000
Nonresidential	\$500,000
Nonresidential Property Contents	\$500,000

### NFIP Basement Coverage

- Structural elements and essential equipment kept in a basement (ex: hot water heaters and furnaces)
- **Does not cover** basement improvements (such as finished walls, floors, or ceilings), or personal belongings such as furniture and other contents)





Where it rains, it can flood - whether a property is inside or outside the high-risk flood zone. More than 25% of flood insurance claims come from outside the high-risk area.



Securing flood insurance can help home owners, business owners, or renters protect their property. Individuals who are insured are able to recover faster and more fully from a flood than their uninsured neighbors.



Just one inch of water in an average-sized home can cause more than \$25,000 in damage. Most homeowners insurance does not cover flood damage.



Flood hazards change over time due to changing weather patterns, land erosion, and construction in and around our community. Updated floodplain mapping provides a more accurate picture of a property owner's flood risk.



The NFIP offers options for flood insurance coverage. Property owners can work with a licensed insurance agent to maximize savings and reduce financial risk

## Where to find information on Flood Insurance?

Many informational resources are available online (at no cost) to help you educate your community about flood risk and the benefits of purchasing flood insurance. *(We've showcased just a few here from Floodsmart for you to see.)* These nontechnical resources have been developed specifically for public use.

**Floodsmart:** <https://www.floodsmart.gov/> provides helpful information about many aspects of flood risk including, costs of flooding, flood insurance policy coverage, using floodplain mapping, and much more.

**Floodsmart for Agents:** <https://agents.floodsmart.gov/> provides information and tools that insurance agents, real estate professionals, AND communities can use for public outreach, including print and email communication, social media outreach, videos, and images.

**FEMA:** [www.fema.gov](http://www.fema.gov) provides detailed information about the NFIP, mapping, regulations, flood insurance, mitigation, etc...



This information has been compiled and shared by the **Ohio Department of Natural Resources (ODNR) Floodplain Management Program**. Contact our staff for more information or available resources to recommend flood insurance as protection against flood loss throughout your community.

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# FEMA

# Fact Sheet

## Federal Insurance and Mitigation Administration

### National Flood Insurance Program Fact Sheet

*The National Flood Insurance Program (NFIP) was established with the passage of the National Flood Insurance Act of 1968. The NFIP is a federal program enabling property owners in participating communities to purchase flood insurance as protection against flood losses, while requiring state and local governments to enforce floodplain management ordinances that aim to reduce future flood damage. More than 22,100 communities in the U.S. participating in the NFIP and more than 5.1 million NFIP policies in force, providing \$1.25 trillion of content and building coverage.*



Andrea Booher/FEMA Photo

#### Financial Protection Against Flood Loss

Floods are the most common and costly natural disaster in the United States. Fortunately, property owners who live in communities participating in the NFIP can purchase affordable protection to insure against flood losses. Since 1978, the NFIP has paid nearly \$52.5 billion dollars in flood insurance claims that have helped hundreds of thousands of families and businesses recover from flood events.

To participate in the NFIP, a community must adopt and enforce floodplain management ordinances that meet or exceed the minimum requirements of the Program. These requirements are intended to prevent loss of life, loss of property, reduce taxpayer costs for disaster relief, as well as minimize economic and social hardships that result from flooding. The specific requirements that a community must adopt depend on the type of flood hazard faced by the community.

The NFIP has an arrangement with private insurance companies to sell and service flood insurance policies. See a list of those companies at: [http://www.fema.gov/wyo\\_company](http://www.fema.gov/wyo_company).

#### Myths and Misconceptions

A common misconception is that homeowners' policies cover flood damage. In fact, most homeowner . In fact, most homeowner and business multi—peril policies do not cover flooding. In addition, federal disaster assistance will not always pay for flood damage. The President must declare a major disaster before most forms of federal disaster assistance can be offered and most forms of disaster assistance are loans that must be repaid with interest. In 2016, the average flood policy costs about \$700 a year and the average total paid claim has been more than \$31,000.

#### Everyone Needs Flood Insurance

While flood insurance is not mandatory for homeowners outside of a high-risk area, anyone can be financially vulnerable to floods. People outside of high-risk areas file more than 20 percent of NFIP claims and receive one-third of disaster assistance for flooding. Residential and commercial property owners who are not located in high-risk areas should ask their agents if they are eligible for the Preferred Risk Policy, which provides affordable flood insurance protection, starting as low as \$137 a year in 2016.



## Flood Insurance Requirements

Residents and business owners who own property in high-risk areas (sometimes referred to as Special Flood Hazard Areas [SFHAs]) are required to purchase flood insurance if they have a mortgage from a federally regulated or insured lender. They also must carry the insurance for the life of the mortgage. Residents and business owners with a mortgage on a building outside high-risk areas can also purchase flood insurance and may be eligible for lower-cost Preferred Risk Policies.

## Waiting Period

In general, a policy does not take effect until 30 days after the purchase of flood insurance. However, if a policy is purchased in connection with making, increasing, extending, or renewing a loan there is no waiting period and only a one day waiting period if purchase is related to the revision or update of a Flood Insurance Rate Map (FIRM) within 13 months of the new FIRM's effective date.

## What Is Not Covered by Flood Insurance

Physical damage to a building or personal possessions that are directly caused by a flood are generally covered by flood insurance. For example, damage caused by a sewer backup is covered if the backup is a direct result of flooding. However, if the backup is caused by some other problem, the damage is not covered.

## The Flood Insurance Program is Evolving

The NFIP is focusing making America truly "Flood Smart." The NFIP is a comprehensive program that encourages property owners to seriously consider their risks and ways they can lessen those risks—and flood insurance is obviously a key component.

Purchasing flood insurance is still the most powerful action survivors can take to mitigate the financial risk of flood before and recover after a flood event. Flood insurance is both a mitigation and recovery tool. This means customers need to understand how flood insurance works, the value of the product, and be able to navigate processes—like the claims process.

In addition to building trust with policyholders, improving communication and making processes simpler to understand and navigate, the NFIP is also focusing on its commitment to strengthening partnerships and engagements with communities. Historically, with things like Climate Change occurring, and population movements into flood-prone areas, floodplain management

has never been more important. Communities must make excellent decisions that will help them reduce damage from future flood events and the NFIP is supporting them in new, innovative ways.

## For Additional Information

For additional information about the NFIP or the FloodSmart campaign, visit: [FloodSmart.gov](https://www.floodsmart.gov) or [FEMA.gov](https://www.fema.gov).



## NATIONAL FLOOD INSURANCE PROGRAM

# MAP CHANGES AND FLOOD INSURANCE.

## What property owners need to know.

### What is a flood map and why does it change?

The Federal Emergency Management Agency (FEMA) works with community leaders across the country to identify flood hazards and promote ways to reduce the impact of those and other hazards. Flood maps are used for floodplain management, flood insurance rating, and flood insurance requirements. Flood maps generally show a community's flood zones, regulatory requirements for the elevation or flood-proofing of structures, and floodplain boundaries; together they show the risk of flooding. High-risk zones, known as Special Flood Hazard Areas or SFHAs, show where floodwaters will be in a flood that has a one percent chance of happening in any given year. Moderate- to low-risk zones are where the risk of that level of flooding is less than one percent per year. No matter where you live or work, some risk of flooding exists.

Flood hazards change over time. How water flows and drains can change by new land use and community development or by natural forces such as changing weather, terrain changes, or wildfires. To better reflect the current flood risk conditions, FEMA uses the latest technology to update and issue new flood maps nationwide to aid communities, property owners, and other stakeholders in taking steps to address flood risks.

### How are flood maps used?

**Community officials** use flood maps to help them understand and communicate the local flood risk, manage their floodplains, and require new and substantially-improved buildings to be built more safely and mitigate losses from future floods. These efforts make a safer community in which to live and work.

**Mortgage lenders** use them to help determine a property's flood risk and decide whether to require flood insurance as a requirement for a loan.

**Insurance professionals** use the maps to determine a property's flood risk and insurance cost.

**Developers and builders** use them as part of their location siting and construction decisions.

**Residents and business owners** use flood maps to learn about flood risk as they purchase property and investigate how best, financially and tangibly, to protect their property from flooding.

### How do flood maps show flood risk?

Flood maps show the different flood zones. Moderate-to low-risk areas are labeled Zone X (or Zones B and C on older

maps). High-risk areas begin with the letters A or V. Areas where the risk is not known are shown with the letter D. Base Flood Elevations (BFEs) displayed on flood maps show the lowest height that floodwaters can be expected to reach during a major flood and that participating NFIP communities must consider in making floodplain management decisions.

### How is the risk shown on the flood maps reflected in insurance premiums?

If your building is in a high-risk area, you are likely to pay a higher flood insurance premium than someone in a moderate- to low-risk area. The exact amount you pay is based on several things, including the flood zone and elevation of the building.

In a high-risk area, your insurance premium may also depend on when your building was built compared to the date of the community's first flood map. Some buildings built before the community's first flood map, called pre-flood map, are eligible for discounted rates.

### How can I reduce my rates?

If you find you will have to pay a higher premium for flood insurance, you can take these steps to help reduce the cost:

- **Mitigate.** Lowering your property's exposure to flooding may make you eligible for lower premium rates. For example, you can fill in a basement or install flood vents in the crawlspace beneath the lowest level of your building; these actions help reduce the chance that your building's foundation will be damaged during a flood and may lower your insurance premium. When remodeling or rebuilding, you can consider elevating your entire structure. Also, something as simple as raising heating and cooling systems, water heaters, the electrical panel, and other mechanical items so that they are less likely to be damaged or destroyed in a flood may offer some premium savings. Talk to your local floodplain administrator or review FEMA's Homeowner's Guide to Retrofitting at [fema.gov/homeowners-guide-retrofitting](https://www.fema.gov/homeowners-guide-retrofitting).
- **Encourage community action.** You can encourage your community to participate in the Community Rating Service (CRS), if it doesn't already. CRS is a voluntary incentive program that recognizes communities for implementing floodplain management practices that exceed the National Flood Insurance Program (NFIP) minimum requirements. In exchange for a community's proactive efforts to reduce flood risk, policyholders can receive reduced flood insurance premiums. For more information, visit [fema.gov/national-flood-insurance-program-community-rating-system](https://www.fema.gov/national-flood-insurance-program-community-rating-system).



- **Apply for a Letter of Map Change (LOMC).** Flood maps are developed at a mapping scale that is useful for community officials, lenders, and insurance professionals, but not every rise in terrain can be depicted at this scale. If you think your building is incorrectly depicted as being in a high-risk area, FEMA has a process that allows property owners to request an official flood zone determination.
- This process includes the Letter of Map Amendment (LOMAs). A LOMA can be requested if a property is depicted as being in a high-risk flood zone but is actually on naturally high ground. For more information, visit [fema.gov/letter-map-changes](https://www.fema.gov/letter-map-changes).
- **Consider a higher deductible.** Just as with automobile or homeowners insurance, increasing your deductible—the amount you pay out of your pocket to cover a claim before coverage is applied—will lower your premium. Selecting the maximum deductible of \$10,000 will result in up to a 40 percent discount from the base premium. However, using the maximum deductible might not be appropriate in every financial circumstance, and some lenders might not allow that option for meeting the mandatory purchase requirements.

## Where can I learn more?

If a mapping project is occurring in your community, stay in contact with your local floodplain administrator to learn when and where changes are occurring. When a preliminary flood map is released, that map and the current flood map will be available online at [msc.fema.gov/portal](https://msc.fema.gov/portal).

To hear about ways to reduce your insurance premium—such as grandfathering, choosing a higher deductible, mitigating the risk, or the newly mapped rating option—ask your insurance agent or community officials to determine what may be most effective in your situation. To learn more about flood insurance, talk to your insurance agent or visit [FloodSmart.gov](https://www.floodsmart.gov).

To speak with a flood map specialist, contact the FEMA Map Information eXchange (FMIX) at **877-FEMA-MAP (877-336-2627)**.

## What if I am newly mapped into a different flood risk zone?

This chart shows how map changes can impact insurance rates. For rating information specific to your property, contact your insurer or agent.

CHANGE IN RISK	RATE IMPACT
<b>From:</b> Moderate- to low-risk area (Zone B, C, or X) or Unknown (Zone D)  <b>To:</b> High-risk area (Zone A or V)	<p><b>Flood insurance is mandatory in an SFHA.</b> Flood insurance is required if you have a mortgage from a federally regulated or insured lender.</p> <p><b>Rating options can offer savings.</b> Buildings newly mapped into an SFHA may be eligible for a lower premium during the first 12 months after a map change. Rates will then go up no more than 18 percent each year. Buying a policy before the new flood map goes into effect will save more money. Your insurance agent can give you more information on how to save. If the building is sold, the policy can be transferred to the new owners, allowing them to keep the lower rate.</p>
<b>From:</b> High-risk area (Zone A)  <b>To:</b> Higher-risk area (Zone V)  <b>Or:</b> Increase in BFE	<p><b>Flood insurance is mandatory.</b> Flood insurance is required if you have a mortgage from a federally regulated or insured lender.</p> <p><b>Grandfathering can offer savings.</b> The NFIP grandfathering option lets policyholders who have built in compliance with the flood map in effect at the time of construction to use their previous zone to calculate their insurance rate. This could lead to large savings. A policy with a grandfathered rating can be transferred to new owners if the building is sold. In most cases your insurance agent will ask you to provide an Elevation Certificate for use in accurately rating the policy.</p>
<b>From:</b> High-risk area (Zone A or V)  <b>To:</b> Moderate- to low-risk area (Zone X)	<p><b>Flood insurance is optional, but recommended.</b> The risk is lower, but there is still risk. More than 20 percent of NFIP claims come from buildings outside of SFHAs. You can save money by updating your policy. An existing policy can be changed to a lower-cost Preferred Risk Policy, and as long as all PRP eligibility requirements are met you will get a refund for the price difference. Although flood insurance is no longer federally required, your mortgage lender can still require it.</p>
<b>No change</b>	<p><b>No change in insurance rates.</b> This is still a good time to talk with your insurance agent to learn your specific risk and make sure you have enough flood insurance coverage, as well as discuss any mitigating steps you can take to reduce your risk.</p>



FEMA



For more information about NFIP flood insurance call 800-427-4661  
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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