



FEMA



# National Flood Insurance Program

*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 reduce future flood damage. More than 22,000 communities in the United States participate in the NFIP and approximately 5 million NFIP policies are in force, providing \$1.2 trillion of contents and building coverage.*

## Financial Protection Against Flood Loss

Floods are the most common and costly natural disaster in the United States. Fortunately, most 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 over \$57 billion dollars in flood insurance claims that have helped hundreds of thousands of families and businesses recover from flood events.

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

Homeowners, business owners, and renters should discuss flood insurance options with their insurance agents. The NFIP has an arrangement with private insurance companies to sell and service flood insurance policies. For a list of those companies, please visit: [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 and business multiperil policies do not cover flooding. In addition, Federal disaster assistance will not

### Everyone Needs Flood Insurance

- While the mandatory flood insurance purchase requirement does not apply to homeowners and business owners with buildings located outside mapped high-risk areas, referred to as Special Flood Hazard Areas, or SFHAs, anyone can be financially vulnerable to flooding.
- People with buildings located outside of high-risk areas file more than 20 percent of NFIP claims and receive one-third of disaster assistance for flooding.
- FEMA encourages residential and commercial property owners whose buildings are not located in high-risk areas to ask their insurance agents if they are eligible for the Preferred Risk Policy or another option that provides more affordable flood insurance protection.
- For additional information about the NFIP, please visit: [www.fema.gov/national-flood-insurance-program](http://www.fema.gov/national-flood-insurance-program).



**RiskMAP**  
Increasing Resilience Together

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 insurance policy cost about \$700 a year, and the average total paid claim was more than \$60,000.

## Flood Insurance Requirements

Homeowners and business owners who own property in mapped high-risk areas (usually referred to as Special Flood Hazard Areas, or 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.

Homeowners and business owners with mortgages on buildings located outside the mapped high-risk areas (SFHAs) also can 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 1-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 effective date.

## What Is Not Covered by Flood Insurance

Physical damage to buildings or personal property that is directly caused by a flood is 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 NFIP Is Evolving

The NFIP is a comprehensive program that encourages property owners to seriously consider their risks and ways they can mitigate, or lessen, those risks—and flood insurance is a key component.

Purchasing flood insurance is still one of the most powerful actions homeowners, renters, and business owners can take to mitigate the financial risk of a flood before and recover after a flood event. Thus, flood insurance is both a mitigation and recovery tool. Customers need to understand how flood insurance works, the value of the product, and be able to insurance-related 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 engagement with communities. With things like climate change occurring and population movements into floodprone areas, floodplain management has never been more important. Communities must make well-reasoned decisions that will help them reduce damage from future flood events, and the NFIP will continue to support these communities in new, innovative ways.

## For Additional Information

For additional information about the NFIP, please visit: [www.fema.gov/national-flood-insurance-program](http://www.fema.gov/national-flood-insurance-program).



**RiskMAP**  
Increasing Resilience Together