

# Facts Challenge Myths About Flood Insurance

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AUSTIN, Texas -- As thousands of Texans affected by Hurricane Ike file claims for policies underwritten by the National Flood Insurance Program (NFIP), interest in the program is growing. Following are myths and facts about the program.

**MYTH: You can't buy flood insurance if you are located in a high-flood-risk area.**

**FACT:** You can buy federal flood insurance no matter where you live if your community participates in the NFIP, unless your property is in an area covered by the Coastal Barrier Resources Act of 1982 (CBRA). The NFIP was created in 1968 to provide flood insurance to people who live in areas with the greatest risk of flooding, called Special Flood Hazard Areas (SFHAs) or the regulatory floodplain. In fact, under the National Flood Insurance Act, lenders must require borrowers whose property is located within a regulatory floodplain to purchase flood insurance as a condition of receiving a federally regulated mortgage loan. Lenders should notify borrowers that their property is located in a regulatory floodplain and that affordable federal flood insurance is available. Flood insurance on homes located above or outside the mapped floodplain is very affordable; insurance for homes deep in the floodplain may cost substantially more.

**MYTH: You can't buy flood insurance immediately before or during a flood.**

**FACT:** You can purchase flood coverage at any time. There is a 30-day waiting period after you've applied and paid the premium before the policy is effective, with the following exceptions:

- If the initial purchase of flood insurance is in connection with the making, increasing, extending or renewing of a loan, there is no waiting period. The coverage becomes effective at the time of the loan, provided application and presentment of premium is made at or prior to loan closing.
- If the initial purchase of flood insurance is made during the one-year period following the adoption of a revised Flood Insurance Rate Map for a community, the waiting period is only one day.

The policy does not cover a "loss in progress" defined by the NFIP as a loss occurring as of 12:01 a.m. on the first day of the policy term. In addition, the amount of insurance coverage cannot be increased during a loss in progress.

**MYTH: Homeowners' insurance policies cover flooding.**

**FACT:** Unfortunately, many homeowners do not find out until it is too late that their homeowners' policies do not cover flooding.

**MYTH: Flood insurance is available only for homeowners.**

**FACT:** Flood insurance is available to protect homes, condominiums, apartments and nonresidential buildings, including commercial structures. A maximum of \$250,000 of building coverage is available for single-family residential buildings; \$250,000 per unit for multi-family residences. The limit for contents coverage on all residential buildings is \$100,000, which is also available to renters. Commercial structures can be insured to a limit of \$500,000 for the building and \$500,000 for the contents.

**MYTH: You can't buy flood insurance if your property has been flooded.**

**FACT:** It doesn't matter how many times your home, apartment or business has been flooded. You are still eligible to purchase flood insurance provided that your community participates in the NFIP.

**MYTH: Only residents of high-risk flood zones need to insure their property.**

**FACT:** Even if you live in an area that is not flood-prone, it's advisable to have flood insurance. One-third of the NFIP's claims come from such areas. The NFIP's preferred risk policies, available for as little as \$89 per year, are designed for residential properties located in low- to moderate-risk flood zones.

**MYTH: The NFIP does not offer any type of basement coverage.**

**FACT:** Yes it does. The NFIP defines a basement as any area of a building with a floor that is subgrade, or below the ground level, on all sides. Basement coverage under an NFIP policy includes cleanup expenses and items used to service the building such as elevators, furnaces, hot water heaters, washers and dryers, air conditioners, freezers, utility connections, circuit breaker boxes, pumps, and tanks used in solar energy systems. The policy does not cover the contents of a finished basement or improvements such as finished walls, floors and ceilings.

**MYTH: Federal disaster assistance will pay for flood damage.**

**FACT:** Before a community is eligible for federal disaster assistance, it must be declared a federal disaster area. This happens in less than 50 percent of flooding incidents. The main form of federal assistance after a federally declared disaster is a loan. The average annual premium for an NFIP policy is about \$300, which is less than the annual interest on most low-interest disaster loans. If you are uninsured and receive federal disaster assistance after a flood you must purchase flood insurance to receive disaster relief in the future.

**MYTH: The NFIP encourages coastal development.**

**FACT:** One of the NFIP's primary objectives is to guide development away from high-flood-risk areas. The NFIP requires participating communities to enforce regulations that minimize the impact of structures that are built in the regulatory floodplain by prohibiting them from obstructing the natural flow of floodwaters. Also as a condition of community participation in the NFIP, structures built within the regulatory floodplain must adhere to strict floodplain management regulations. In addition, CBRA relies on the NFIP to discourage building in fragile coastal areas by prohibiting the sale of flood insurance in these areas. Laws do not prohibit property owners from building along coastal areas, but they do transfer the financial risk of such building from federal taxpayers to those who choose to live or invest in these areas.

**MYTH: Federal flood insurance can be purchased only directly through the NFIP.**

**FACT:** Most federal flood insurance is sold and serviced directly by Write Your Own (WYO) companies. These companies write and service policies on a non-risk-bearing basis through a special arrangement with the Federal Insurance Administration.

**MYTH: The NFIP does not cover flooding that results from hurricanes or the overflow of rivers or tidal waters.**

**FACT:** The NFIP defines covered flooding as a general and temporary condition during which the surface of normally dry land is partially or completely inundated. Two adjacent properties or two or more acres must be affected. Flooding can be caused by any one of the following:

- Overflow of inland or tidal waters.
- Unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall.
- Mudslides or mudflows caused by flooding that are comparable to a river of liquid and flowing mud.
- Collapse or destabilization of land along the lakeshore or other body of water resulting from erosion or the effect of waves.
- Water currents exceeding normal, cyclical levels.

**MYTH: Wind-driven rain is considered flooding.**

**FACT:** Rain entering through wind-damaged windows or doors or holes in walls or the roof resulting in standing water or puddles is considered windstorm rather than flood damage. Federal flood insurance covers only damage caused by the general condition of flooding as defined above. Buildings that sustain this type of damage usually have a watermark showing how high the water rose before it subsides. While flood insurance policies specifically exclude wind and hail coverage, most homeowners' policies include this coverage.

