



News Release

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MYTHS AND FACTS ABOUT THE NATIONAL FLOOD INSURANCE PROGRAM

BURLINGTON, Vt. – As Vermonters rebuild from the damage caused by Tropical Storm Irene, the provisions of the National Flood Insurance Program may be creating confusion for some.

Officials with the Federal Emergency Management Agency are trying to clear up some myths about the NFIP, which offers federally-backed flood insurance to property owners and renters in communities that participate in the program.

In exchange, those municipalities agree to adopt and enforce floodplain management ordinances that set standards for building or repairing structures in the floodplain to reduce the risk of damage from flooding in the future.

“The NFIP is a key part of our efforts to help prevent flood damage and loss of life,” said FEMA’s Federal Coordinating Officer James N. Russo. “Understanding more about it can make rebuilding after a flood easier for both individuals and communities.”

Nearly 21,000 communities participate in the NFIP nationwide. As of this year, some 231 Vermont towns and cities are participating in the program, which is administered by FEMA but whose policies are sold through private insurance agents throughout Vermont.

More than 25 percent of claims paid are from areas at medium or low risk of flooding. In these areas, NFIP flood insurance can be purchased for as little as \$129 a year to insure a building and its contents, or \$49 for contents only.

Homes can be insured against flood damage for up to \$250,000 and commercial buildings insured for up to \$500,000. Policies can be written to include contents coverage up to \$100,000 for homes and \$500,000 for business owners’ contents. Renters can insure their personal property for up to \$100,000.

The average homeowner pays about \$600 a year for flood insurance, which pays claims even if a disaster is not declared by the president. Less than half of the floods in the U.S. result in a federal disaster declaration.

Since 1973, the NFIP has paid nearly \$40 billion dollars in flood insurance claims, helping hundreds of thousands of families and businesses recover from floods.

Myths and Facts About Flood Insurance

Myth: If you live in the “100-year floodplain,” that means there is only going to be one big flood every 100 years. You don’t really need insurance, since the flood risk is relatively small.

Fact: NFIP now calls areas where flooding is most likely to occur “Special Flood Hazard Areas”(SFHA). Previously, NFIP described these areas as the “100-year floodplain,” a term that continues to cause confusion. The term “100-year floodplain” does not mean there will only be one big flood every 100 years. It means that every single year there is a 1-in-100 chance of a flood. Sometimes there may be two severe floods only a few years apart in these areas.

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

Fact: In Vermont, you can buy flood insurance through the NFIP no matter where you live, as long as your community participates in the NFIP.

Cities or towns that do not join the NFIP after having flood-prone areas identified, or that fail to adopt and enforce floodplain management ordinances, are considered sanctioned. Buildings in those sanctioned communities that could have been insured by the NFIP are not eligible for FEMA grants to repair or rebuild them, and property owners or renters will not be able to purchase a NFIP flood insurance policy.

For property located in a Special Flood Hazard Area – an area with a 1 percent chance of flooding in any year, often mistakenly called the “100-year floodplain” – lenders must require borrowers to purchase flood insurance as a condition of receiving a federally-backed mortgage loan.

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

Fact: You can purchase flood insurance at any time. There is a 30-day waiting period after you’ve applied and paid the premium before the policy is effective.

Myth: Flood insurance is only available for homeowners, not renters.

Fact: Flood insurance can provide up to \$100,000 of coverage for the contents of any residential building, which includes the contents of a renter’s residence.

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

Fact: It doesn't matter if your home, apartment, or business has flooded before. You are still eligible to purchase flood insurance for property anywhere in Vermont if your community participates in the NFIP. But you won’t be covered until the flood insurance goes into effect, 30 days after the premiums are paid.

Myth: Homeowners insurance will pay to repair and replace property that is damaged by flooding.

Fact: Unfortunately, many homeowners do not find out until it is too late that their standard homeowners policy excludes any coverage due to water damage from flooding.

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

Fact: Roughly one-third of NFIP insurance claims involve property not located in an area identified as a high risk zone. Even if you live in an area which is not flood-prone, it's advisable to have flood insurance. Flooding can be caused by snow melt, dam breach, extremely heavy rainfall, new development which decreases ground absorption of water, or a hurricane. The NFIP's Preferred Risk Policy, available for as little as \$80 per year, is designed for residential properties located in low-to-moderate flood risk zones.

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

Fact: Before a community is eligible for disaster assistance, it must receive a federal disaster declaration. Declarations occur in less than 50 percent of flooding incidents. Even if federal grants are available, not everyone is eligible; if there is a grant, the amount may be less than needed to complete repairs and replace property. The annual premium on an NFIP insurance policy will generally be far less expensive than repaying a federal disaster loan.

Myth: *If I take FEMA assistance, I have to buy flood insurance.*

Fact: Yes and no. When uninsured property owners or renters receive financial assistance from the federal government following a presidentially-declared disaster, they will be required to purchase flood insurance **if their damage occurred in a Special Flood Hazard Area.**

If you are a homeowner in a **Special Flood Hazard Area** and receive federal financial assistance, either as a disaster assistance grant or loan, flood insurance coverage must be purchased and maintained at the address of your home even if the damaged building is replaced by a new one.

If you are a renter and receive federal financial assistance, flood insurance coverage must be maintained on the contents for as long as you live at the flood-damaged rental property. The requirement for flood insurance is lifted once you move from the building.

Homeowners or renters who fail to follow these requirements will **NOT** be eligible to receive any FEMA assistance if the property is subsequently flooded again in the future.

Myth: *I only have to buy flood insurance if I got the maximum grant.*

Fact: No. Any grant or loan, from FEMA or the U.S. Small Business Administration, which relates to damage to a structure located in a Special Flood Hazard Area triggers the requirement to purchase flood insurance.

In addition, to protect you and the SBA, you may be required to purchase flood insurance to obtain an SBA disaster assistance loan **even if the property is not located in a Special Flood Hazard Area.**

Myth: *If I have to get flood insurance from FEMA they will pay for it.*

Fact: No. While FEMA may require that a recipient use part of their Other Needs Assistance (ONA) grant to purchase flood insurance for the first three years, it is the homeowner's or renter's responsibility to maintain coverage for the life of the property or duration of the rental.

If you receive ONA assistance for flood damages in a Special Flood Hazard Area, a portion of your grant money will be withheld and used to purchase flood insurance for you for three years. The terms and coverage of that insurance is on a case by case basis up to the maximum award allowed under the Individuals and Households Program, and is reviewed in correspondence you will receive from the NFIP.

In the case of an SBA loan, the recipient will be required to maintain flood insurance for the duration of the loan.

Myth: Flood insurance doesn't cover flooding in basements.

Fact: Yes, it does. The NFIP defines a basement as any area of a building with a floor which is sub-grade, or below ground level on all sides. An NFIP policy covers basement cleanup expenses and items used to service the building, such as furnaces, hot water heaters, washers and dryers, air conditioners, freezers, utility connections, circuit breaker boxes, pumps, elevators and tanks used in solar energy systems. What the policy does not cover is the contents of a finished basement and any improvements such as finished walls, floors, and ceilings.

Myth: The NFIP does not cover flooding resulting from hurricanes, or the overflow of rivers or tidal waters.

Fact: NFIP flood insurance covers many instances of flooding caused by hurricanes as well as rivers overflowing or tidal surges. The NFIP defines 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
- collapse or destabilization of land along the shore of a lake or other body of water, resulting from erosion or the effect of waves, or water currents exceeding normal, cyclical levels.

Myth: The NFIP encourages development in flood-prone areas.

Fact: The NFIP does not encourage irresponsible development. One of the NFIP's primary objectives is to minimize the impact of structures that are built in Special Flood Hazard Areas by requiring them not to obstruct the natural flow of floodwaters. Also, structures built within SFHAs must adhere to strict floodplain management regulations.

Myth: It's impossible to find an insurance agent who sells flood insurance.

Fact: While it is true that not all insurance agents sell flood insurance, many agents do. To find agents who sell flood insurance in any area, look on the www.FloodSmart.gov website or call the FloodSmart toll-free phone number, 800-427-4661.

Myth: *Flood insurance is too expensive. I can't afford it.*

Fact: As with any type of property insurance, the premium depends on the degree of risk for the particular property and the amount of insurance coverage you need. The average homeowner pays about \$600 a year for flood insurance. To find out what your premium for flood insurance would be, go to the www.FloodSmart.gov website and enter the address of your property.

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FEMA's mission is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.

Disaster recovery assistance is available without regard to race, color, religion, nationality, sex, age, disability, English proficiency or economic status. If you or someone you know has been discriminated against, call FEMA toll-free at 800-621-FEMA (3362). For TTY call 800-462-7585; or call 800-621-3362 if using 711 or Video Relay Service (VRS).

FEMA's temporary housing assistance and grants for public transportation expenses, medical and dental expenses, and funeral and burial expenses do not require individuals to apply for an SBA loan. However, applicants who receive SBA loan applications must submit them to SBA either through the U.S. Mail, online at <https://disasterloan.sba.gov/ela/>, or their local Disaster Recovery Center to be eligible for assistance that covers personal property, vehicle repair or replacement, and moving and storage expenses.

SBA disaster loan information and application forms may be obtained by calling the SBA's Customer Service Center at 800-659-2955 (800-877-8339 for people with speech or hearing disabilities) Monday through Friday from 8 a.m. to 8 p.m. ET; Saturday and Sunday from 9 a.m. to 5:30 p.m. ET or by sending an e-mail to disastercustomerservice@sba.gov. Applications can also be downloaded from www.sba.gov or completed on-line at <https://disasterloan.sba.gov/ela/>.

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