

HELP CLIENTS PROTECT THEIR INVESTMENT

QUESTIONS & ANSWERS

ABOUT FLOOD INSURANCE FOR REAL ESTATE PROFESSIONALS



FEMA



Why should I talk to my clients about flood insurance?

Flooding can happen anywhere at any time. You should encourage your clients to purchase flood insurance to protect their properties from flood damage and the economic devastation it can bring.

A property does not have to be near water to flood. In fact, more than 20 percent of all National Flood Insurance Program (NFIP) flood claims come from outside of the areas at the highest risk for flood (Special Flood Hazard Areas). Floods can result from storms, melting snow, hurricanes, drainage system backups, broken water mains, and changes to land from new construction, among other things.

It is important to let your client know that homeowner's insurance policies typically do not cover floods. If a property is in a Special Flood Hazard Area or designated high-risk flood area, then federally regulated or insured lenders must require the buyer to purchase flood insurance as a condition of their mortgage loan.

Flood insurance can help with recovery regardless of whether there is a Presidential Disaster Declaration. In the event of flood, federal disaster assistance, such as individual assistance from FEMA, including federally funded grants, or loans from the U.S. Small Business Administration, offers very limited help following a flood loss. Such assistance is only available when there is an official Presidential Disaster Declaration for federal disaster assistance. Most federal disaster assistance comes in the form of low-interest disaster loans that recipients must repay with interest in addition to their existing mortgages, other loans, and debts.

Your client will never have to repay money received from a verified claim on their NFIP flood insurance policy.

Who can purchase flood insurance?

Anyone in a community that participates in the NFIP can purchase building and/or contents coverage, with few exceptions. Licensed insurance agents can tell you if a specific community participates in the NFIP Coastal Barrier Resources System Areas (CBRS), undeveloped coastal areas established for wildlife refuge, sanctuary, recreational, or natural resource conservation purposes (Otherwise Protected Areas), and buildings principally below ground or entirely over water may not be eligible for NFIP flood insurance coverage.

How do clients obtain a flood insurance policy?

The NFIP also has resources to help your client find an agent. Your client can visit [fema.gov/nfip](https://www.fema.gov/nfip) or call their local insurance agent for more information on purchasing a policy. Your client can purchase NFIP flood insurance from the many companies writing and servicing flood insurance on behalf of FEMA or from NFIP Direct. Only a licensed property and casualty insurance agent can sell NFIP flood insurance.

Regardless of who writes the policy, NFIP flood insurance is the same. The premium and amount of coverage for an individual risk policy is the same regardless of who the agent is.

There are other legal requirements to ensure that your client has flood insurance when they need it the most. If the mortgage company requires flood insurance as a condition of the loan, and the mortgage company escrows for other insurance premiums, the mortgage company must also escrow flood insurance premiums.

How much will flood insurance cost?

Flood insurance premiums will vary depending on the construction date and flooding risk for the building, among other things. A licensed insurance agent can provide a price quote and you should encourage a prospective buyer to get a quote for both building and contents coverage. In most cases, they are separate coverages with separate deductibles. Costs vary depending on whether the property falls within a flood risk designation. As an example, if your client's property is outside the high-risk area, they may qualify for a Preferred Risk Policy that starts as low as \$395 a year.

If FEMA maps your client's property into a high-risk flood area, your client may need to obtain an Elevation Certificate (EC) to receive a flood insurance quote. To find out if a property already has an EC, contact the local building permit office, the local planning and zoning office, or the current owner or a flood insurance agent. If your client is unable to identify an existing EC for their property, the client may have to hire a licensed land surveyor, engineer, or architect to provide one. Should you or your client need more information about ECs, how the NFIP uses them, and why they may need one, visit [fema.gov/media-library/assets/documents/32330](https://www.fema.gov/media-library/assets/documents/32330).

When is the best time to buy flood insurance coverage?

Now! A flood can happen anywhere, at any time—even outside of high-risk flood areas. Additionally, there is typically a 30-day waiting period between submitting the policy application and premium and the policy effective date. However, there are exceptions to this rule. For example, if a buyer purchases an NFIP policy in connection with a loan closing, there is no waiting period.

If a seller transfers his/her policy to the new property owner, regardless of whether

or not there is a mortgage involved, the policy will not lapse and coverage continues uninterrupted upon sale. Personal property coverage and building coverage for a property under construction do not transfer.

What are Special Flood Hazard Areas (SFHAs)?

These are the areas with the highest risk for floods or zones beginning with the letters A or V on Flood Insurance Rate Maps.

How will I know if a building is in an SFHA?

Your clients can check with their local community or visit [fema.gov/nfip](https://www.fema.gov/nfip) to learn more about their flood risk. Anyone can view and download flood maps from [msc.fema.gov](https://www.msc.fema.gov). Lenders will notify borrowers if they must purchase flood insurance as a condition of a mortgage loan.

Am I legally liable if I do not disclose the fact that a property is in a high-risk flood area?

Many states have disclosure laws for real estate professionals that address all natural hazards, including floods. Check with your local Board of Realtors for disclosure laws. You can better help your client understand flood risk by learning more about it yourself. Visit [fema.gov/nfip](https://www.fema.gov/nfip) to learn more about flood risk and NFIP flood insurance.



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For more information about NFIP flood insurance, contact your insurer or agent, or call **1-800-427-4661**.

If you are deaf/hard of hearing or have a speech disability and use relay services, call **711** from your TTY.