For more information about the NFIP and flood insurance, visit Agents.FloodSmart.gov.

FEMA P-2092 | March 2020

NATIONAL FLOOD INSURANCE PROGRAM

A Real Estate Professional's Guide to Discussing Flood Insurance

1

Most homeowners insurance policies don’t cover flooding.

Where it can rain, it can flood. And just one inch of water in an average-sized home can cause $25,000 of damage. Talking with your clients about flood insurance—even if it’s not required—could inform their decision to protect their properties from flood damage and the economic devastation it can bring.

2

They need to know their options before flooding happens.

Expect a 30-day waiting period between purchasing the policy and the start date, with some exceptions. For example, if the initial purchase of a flood insurance policy is done in connection with a loan closing, there is no waiting period. Also, if a seller transfers their policy to the new property owner, coverage continues uninterrupted upon sale.

3

Flood insurance can protect the lives they are building.

Your clients trust you to help them navigate the exciting—yet sometimes overwhelming—home-buying process. Being informed and sharing information on ways your customers can protect their investments builds your credibility and eases their minds.

DID YOU KNOW?

A property does not need to be near water to flood. In fact, more than 40% of all National Flood Insurance Program (NFIP) flood claims come from outside high-risk areas. Floods can be a result of storms, melting snow, hurricanes, water backup, broken water mains, and changes to land as the result of new construction, among other things.

Many states have disclosure laws for real estate professionals that address natural hazards, including floods. **Check with your state or local real estate professionals association for disclosure laws.**

Transferring policies

If the seller of a property has NFIP coverage on that building, that policy can usually be assigned to the buyer upon the sale. Let your client know that they have to work with the seller and the seller’s insurance agent to assign the policy over to the buyer, and it has to be done on or before the closing date. Working with your client to facilitate this assignment of the flood insurance policy can often save premium money and/or make the purchasing process easier for the buyer.

Generally, if a mortgage company requires flood insurance as a condition of a loan, and the borrower has an escrow account for other insurance premiums, the lender must also escrow flood insurance premiums.

What should my client expect to pay?

Flood insurance premiums vary depending on the construction date and flooding risk, among other things, for each building. The average property owner can purchase an NFIP policy for as little as $2 a day. A licensed insurance agent can provide quotes for both building and contents coverage. In most cases, they are separate coverages with separate deductibles.

Dispel the myth: Federal disaster assistance might not cover all damage.

Disaster assistance may be available to community members under a Presidential Disaster Declaration, but it is unlikely to cover the cost of all damages and often must be repaid. This assistance comes in two forms: a U.S. Small Business Administration loan, which must be paid back with interest, or a FEMA disaster grant, which averages about $5,000 per household. By comparison, the average flood insurance claim payment in the past five years was about $69,000 and does not have to be repaid.

Encourage your clients to visit the resources below for more information:

- **FloodSmart.gov:** Find an agent, understand flood risk, and find useful resources, including the interactive Cost of Flooding tool.
- **MSC.FEMA.gov:** View and download flood maps.