

# ARE YOUR CLIENTS AWARE OF THEIR FLOOD RISKS?

THE BASICS OF FLOOD RISK AND  
FLOOD INSURANCE FOR REALTORS



## WHY SHOULD REALTORS UNDERSTAND THE BASICS OF FLOOD INSURANCE?

1. Buyers and sellers trust their Realtor to help them protect their investment, and flooding can negatively impact their real estate investment.
2. It is important for the Realtor to make the home buyer aware that they should examine flooding risks and flood insurance *early* in the home buying process.
3. Potential home buyers may not necessarily pay the same flood insurance premiums after purchase of a property as the current owner.
4. Recent legislation has revised the flood insurance program. These changes may affect how much your clients will pay for coverage. It is important that you and your clients understand these revisions.

## WHAT DO YOUR CLIENTS NEED TO UNDERSTAND ABOUT FLOOD INSURANCE?

1. It is a single-peril policy that will only cover flooding.
2. The policy will pay the replacement cost on your clients' single-family, primary residences (up to \$250,000) if the property is insured to at least 80% of its replacement cost. It will pay only actual cash value (depreciated cost) on second homes and underinsured homes.
3. The contents of your clients' homes will not automatically be included in their policy (with the exception of a Preferred Risk Policy). Additional coverage may be purchased to cover the contents of their home.
4. Typically, there is a 30-day waiting period for a flood insurance policy to go into effect, unless required by lender and then flood insurance is available as of the loan settlement date.
5. Your clients should talk to their insurance agent about their flood insurance options and how their premiums may differ from the seller's.
6. Flood insurance is usually available from the same insurance agent who will provide your clients their homeowner policy.

## WHAT DO YOUR CLIENTS NEED TO UNDERSTAND ABOUT FLOOD RISKS?

1. A property does not have to be located in a flood zone to have flood risks. Anywhere it can rain, it can flood. It is important that your clients know their flood risks and their insurance options.
2. Flooding impacts thousands of homes each year - and they can be costly.
3. Most homeowner policies do *not* cover damages from flood.
4. Disaster assistance may not cover your clients. To receive assistance, the President must declare a federal disaster and your clients must qualify. The assistance then comes in the form of a loan that must be repaid with interest.
5. Even if your clients are not required to purchase flood insurance, it may be beneficial for them to buy flood insurance.

## WHAT SHOULD YOUR CLIENTS KNOW BEFORE BUYING A HOME IN A HIGH-RISK AREA?

1. Over the course of a 30-year mortgage, a home has at least a 1 in 4 chance of flooding in a high-risk area.
2. Your clients will be required to purchase flood insurance before the loan closing if your clients' homes are within a Special Flood Hazard Area *and* the clients' lenders are federally regulated or insured.
3. The lender should notify your client if the building is within a Special Flood Hazard Area and what is the required amount of insurance.
4. Your clients should talk to their insurance agent about flood insurance options even if coverage is not required.

### Buyers in high-risk areas should...

1. Request an Elevation Certificate from the seller, and provide it to their insurance agent to find out how much they will pay for flood insurance.
2. Get a flood insurance quote *well* before closing.

### Sellers in high-risk areas should...

1. Provide the prospective buyer an Elevation Certificate.
2. Transfer any subsidized rate they are receiving to the new owner.
3. Before putting their property for sale, they should consider mitigation improvements to their building to reduce flood risk and premium costs.

## WHAT IF YOUR CLIENTS ARE NOT REQUIRED TO PURCHASE FLOOD INSURANCE?

1. Your clients should know that floodwaters do not stop at a line on a map. They still may be impacted by damaging floods even if they are not in a high-risk area.
2. They should be made aware that more than 20% of flood insurance claims come from people outside of the mapped high-risk areas.
3. Let your clients know that flood insurance may be more affordable than they think, and that they may be eligible for a low-cost Preferred Risk Policy (PRP), a policy for homes in moderate- and low-risk areas.

## WHAT SHOULD YOUR CLIENTS KNOW ABOUT RECENT LEGISLATION?

1. Your clients should know that subsidized rates for buildings constructed before the first Flood Insurance Rate Maps (pre-FIRM) have been restored.
2. These subsidized rates will continue following the sale or purchase of pre-FIRM properties.
3. The rates for pre-FIRM non-primary properties will increase 25% each year until reaching full risk rates.
4. Rates for pre-FIRM business buildings will also continue increasing to full-risk rates.
5. Other subsidized rates will increase more gradually over time.
6. Full risk rates are property-specific and elevation-rated.

## WHERE CAN YOU OR YOUR CLIENTS GET MORE INFORMATION?

1. Realtor can visit [www.Realtors.org](http://www.Realtors.org) for more information and to download materials for your clients.
2. To learn more about flood insurance, flood risks, finding an insurance agent and tips for homeowners, please visit [FloodSmart.gov](http://FloodSmart.gov).
3. To find FIRM maps or find out about flood map changes please contact the Baltimore Office of Sustainability at 410-396-4556.
4. Flood maps can also be obtained by calling 1-800-358-9616 or by visiting [msc.fema.gov](http://msc.fema.gov).
5. More information concerning recent legislation can be found at [FEMA.gov/flood-insurance-reform](http://FEMA.gov/flood-insurance-reform).

