



Closing the Flood Insurance Gap

Updated October 16, 2024

There is a large [flood insurance gap](#) in the United States, where many people exposed to flood risk are not covered by flood insurance. Early estimates suggest that [very few people had flood insurance in areas flooded by Hurricane Helene](#), perhaps [1%-2% or less](#) in inland counties and [21% in coastal counties](#) affected by Helene.

The [National Flood Insurance Program](#) (NFIP) is the primary source of residential flood insurance. [More than 22,000 communities](#) participate in the NFIP, with [more than five million policies](#) providing [more than \\$1.3 trillion in coverage](#). The NFIP identifies areas at high risk of flooding as [Special Flood Hazard Areas](#) (SFHAs). Property owners are [required to purchase flood insurance](#) only if (1) their properties are in SFHAs, (2) their [communities participate in the NFIP](#), and (3) [they have federally backed mortgages](#). However, the SFHA boundary may create a false belief that flood risk changes abruptly at the boundary and that properties outside the SFHA are safe and do not need flood insurance, but about [40% of NFIP claims](#) are for properties outside SFHAs.

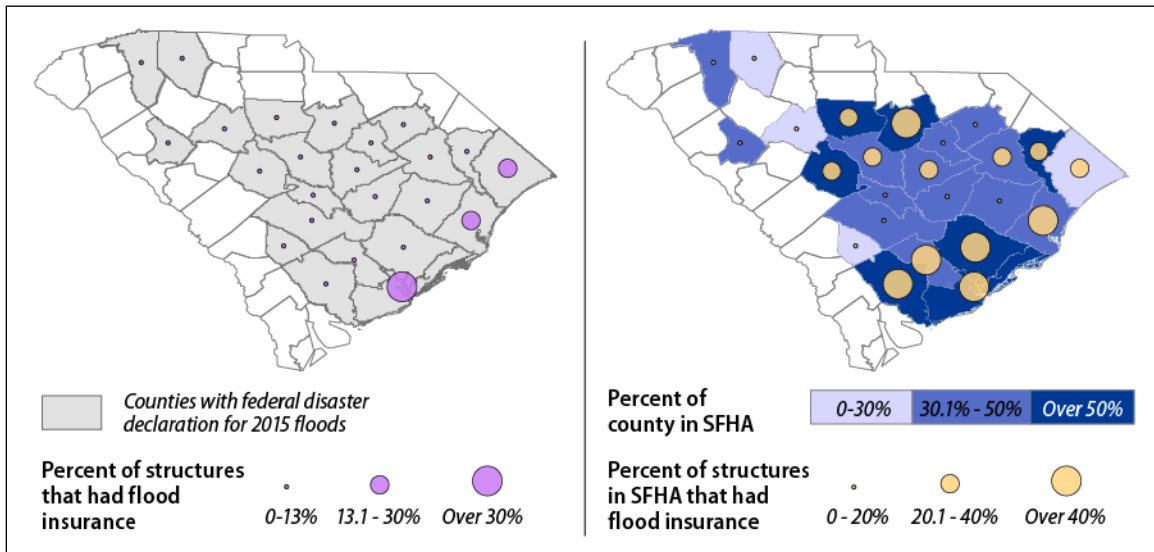
The issue of high uninsured losses is not a new problem. For example, in the [October 2015 South Carolina floods](#), the average NFIP penetration rate in counties with a federal disaster declaration was 5% ([Table 1](#)). Nearly 90% of policies in South Carolina were concentrated at the coast, but the flood damage was primarily inland, where few residents were insured ([Figure 1](#)).

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Figure I. Residential Penetration Rates of NFIP Flood Insurance in South Carolina
 Counties with FEMA Individual Assistance Declarations for 2015 South Carolina Floods (DR-4241)



Source: Data for all figures provided by FEMA Congressional Affairs staff, November 6, 2017.

Notes for all figures: Left: county-wide penetration rate; right: penetration rate for structures in SFHA.

Table I. Average Residential Penetration Rates for Recent Flood Events
 Counties with FEMA Individual Assistance Declarations

Flood Event	Location	Average County Penetration Rate	Average SFHA Penetration Rate	Counties with Highest SFHA Penetration Rate	County-wide Penetration Rate	Percentage of County in SFHA
October 2015 (DR-4241)	South Carolina	5%	30%	Berkeley 93%	Berkeley 10%	Berkeley 64%
				Charleston 83%	Charleston 44%	Charleston 73%
August 2016 (DR-4277)	Louisiana	17%	31%	St. Tammany 73%	St. Tammany 53%	St. Tammany 27%
				Livingstone 54%	Livingstone 38%	Livingstone 62%
Hurricane Harvey (DR-4332)	Texas	10%	21%	Aransas 72%	Aransas 43%	Aransas 32%
				Galveston 64%	Galveston 47%	Galveston 35%
Hurricane Irma (DR-4337)	Florida	12%	31%	St. Johns 73%	St. Johns 35%	St. Johns 52%
				Monroe 54%	Monroe 51%	Monroe 88%
Hurricane Irma (DR-4335), Hurricane Maria (DR-4340)	U.S. Virgin Islands	2.5%	n/a	n/a	n/a	n/a

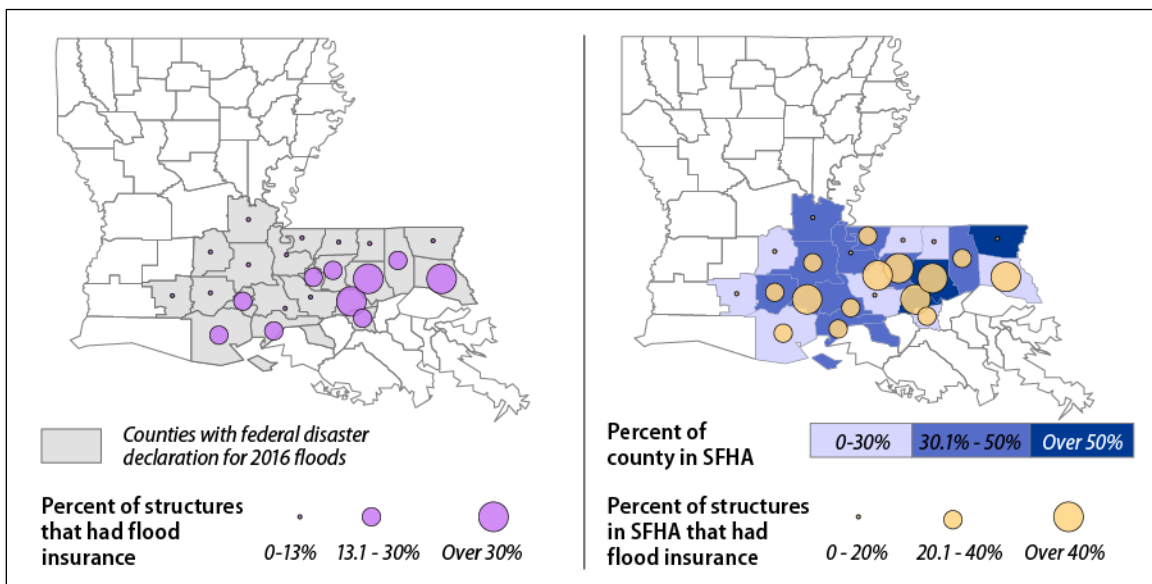
Flood Event	Location	Average County Penetration Rate	Average SFHA Penetration Rate	Counties with Highest SFHA Penetration Rate	County-wide Penetration Rate	Percentage of County in SFHA
Hurricane Irma (DR-4336), Hurricane Maria (DR-4339)	Puerto Rico	0.2%	1.9%	Carolina 3.1%	n/a	Carolina 14%
				Cataño 0.6%	n/a	Cataño 40%

Source: Data provided by FEMA Congressional Affairs staff, November 6, 2017.

Notes: Penetration rates are given in all cases for the two counties with the highest penetration rates in the SFHA. For comparison, the penetration rate for the whole county is also given. FEMA describes NFIP penetration rates as the proportion of all properties with NFIP flood insurance. See, for example, U.S. Government Accountability Office, *Flood Insurance*, GAO-14-297R, April 9, 2014, p. 6.

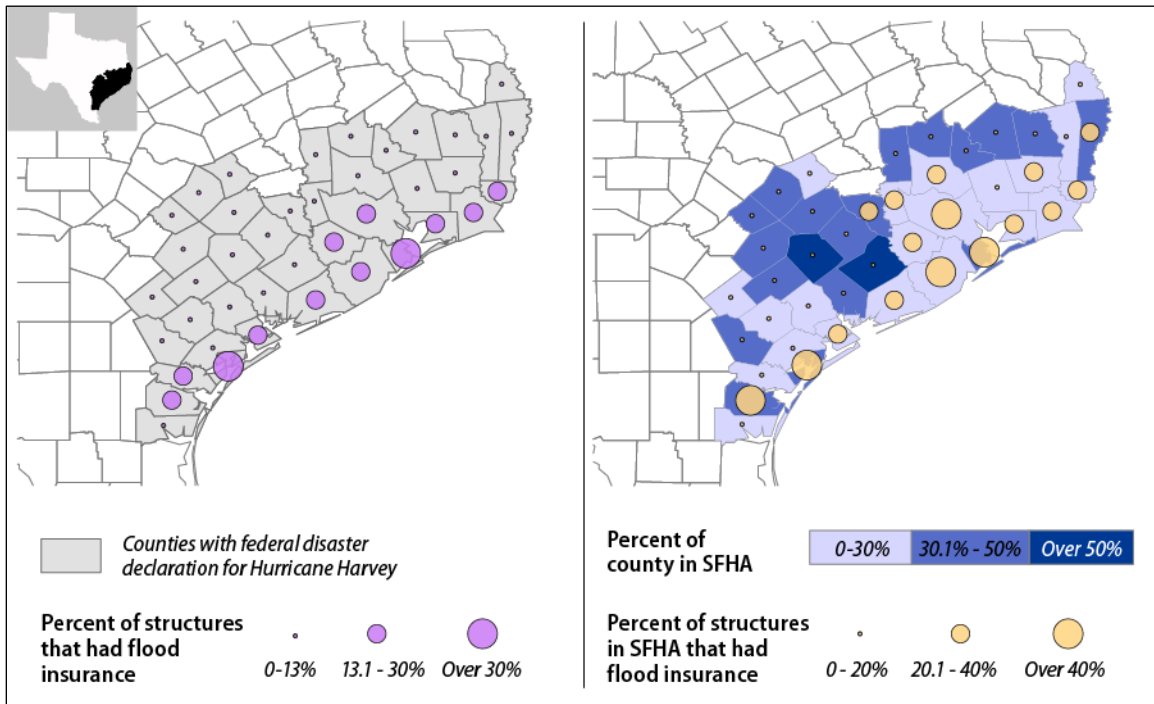
In the 2016 Louisiana floods, about 17% of the flooded properties were insured. The 2016 floods were due to **intense rainfall** rather than coastal flooding, but NFIP policies were concentrated in a band relatively close to the coast (**Figure 2**).

Figure 2. Residential Penetration Rates of NFIP Flood Insurance in Louisiana
Counties with FEMA Individual Assistance Declarations for 2016 Louisiana floods (DR-4277)



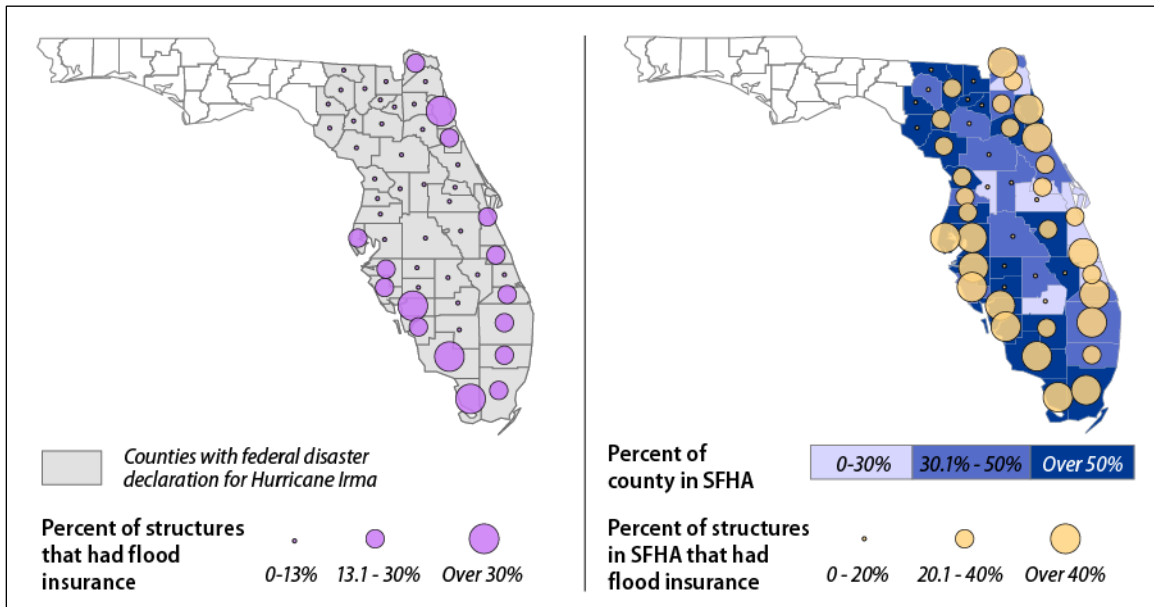
The flooding caused by hurricanes in 2017 further highlighted the issue of low numbers of insured flood victims, with particularly low penetration rates in Puerto Rico and the U.S. Virgin Islands. On average, 10% of flooded structures had NFIP insurance in the counties in Texas with FEMA Individual Assistance (IA) declarations for Hurricane Harvey. In the Florida counties with IA declarations for Hurricane Irma, 12% of the flooded buildings had flood insurance. In both Texas and Florida, penetration rates were highest at the coast (see **Figure 3** and **Figure 4**, respectively). In contrast, many inland counties with a significant proportion of their area within the SFHA had low penetration rates despite the known flood risk.

Figure 3. Residential Penetration Rates of NFIP Flood Insurance in Texas
 Counties with FEMA Individual Assistance Declarations for Hurricane Harvey (DR-4332)



In the floods shown here, less than a third of the structures in SFHAs were insured. Although these structures may not have been covered by the [mandatory purchase requirement](#), the extent of recent flooding suggests that residents in SFHAs might benefit from purchasing flood insurance voluntarily.

Figure 4. Residential Penetration Rates of NFIP Flood Insurance in Florida
 Counties with FEMA Individual Assistance Declarations for Hurricane Irma (DR-4337)



An insured flood victim is likely to recover more quickly and will generally receive more from NFIP insurance than from IA. Homeowners can get up to \$350,000 for buildings and contents together, and renters are able to get up to \$100,000 from an NFIP policy, compared to \$34,900 for per household for housing assistance from the IA Individuals and Households Program (IHP). In addition, most disaster victims do not receive the maximum amount available from FEMA disaster assistance. According to FEMA, the average NFIP payout in calendar years 2016-2023 was \$57,410 and the average FEMA IHP grant during the same period was \$3,014.

The NFIP could achieve greater financial stability with a wider policy base and, in particular, through finding ways to increase coverage outside the SFHA. FEMA has identified the need to increase flood insurance coverage across the nation as a major priority for NFIP reauthorization, and this also forms a key element of FEMA’s 2022-2026 strategic plan. FEMA’s 2017 “moonshot” set a goal of doubling flood insurance coverage by 2023 through the increased sale of both NFIP and private policies. FEMA’s view is that both the NFIP and an expanded private market will be needed in order to increase flood insurance coverage for the nation and reduce uninsured losses after the next flood.

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