

# NFIP-National Flood Insurance Program

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## ***National Flood Insurance Program***

This booklet is intended to acquaint the public with the National Flood Insurance Program (NFIP). Despite the highly technical nature of the Program, there has been a deliberate effort to minimize the use of technical terms. This publication is designed for readers who do not need a detailed history or refined technical or legal explanations, but do need a basic understanding of the program and the answers to some frequently asked questions. Readers who need legal definitions should refer to the Standard Flood Insurance Policy and to NFIP and related regulations. The information provided is as current as possible, but changes in the NFIP are made periodically. Readers can obtain the most up-to-date insurance information by using the contact information at the back of the booklet.

Use of acronyms and initials has been limited, but some terms are used so often that acronyms are practical and of assistance to the reader. The term will be spelled at its first use in the text with the acronym or initials following in parentheses. For readers' convenience, the following is a listing of acronyms and initials that appear in *Answers to Questions About the National Flood Insurance Program*:

<b>BFE</b> - Base Flood Elevation	<b>LOMC</b> - Letter of Map Change
<b>CBRA</b> - Coastal Barrier Resources Act	<b>LOMR</b> - Letter of Map Revision
<b>CBRS</b> - Coastal Barrier Resources System	<b>LOMR-F</b> - Letter of Map Revision Based on Fill
<b>CLOMA</b> - Conditional Letter of Map Amendment	<b>NFIP</b> - National Flood Insurance Program
<b>CLOMR</b> - Conditional Letter of Map Revision	<b>NFIRA</b> - National Flood Insurance Reform Act
<b>CLOMR-F</b> - Conditional Letter of Map Revision Based on Fill	<b>OPA</b> - Otherwise Protected Areas
<b>CRS</b> - Community Rating System	<b>PMR</b> - Physical Map Revision
<b>DHS</b> - U.S. Department of Homeland Security	<b>RCBAP</b> - Residential Condominium Building Association Policy
<b>FDPA</b> - Flood Disaster Protection Act	<b>SDF</b> - Special Direct Facility
<b>FEMA</b> - Federal Emergency Management Agency	<b>SFHA</b> - Special Flood Hazard Area
<b>FHBM</b> - Flood Hazard Boundary Map	<b>SFHDF</b> - Standard Flood Hazard Determination Form
<b>FIRM</b> - Flood Insurance Rate Map	<b>SFIP</b> - Standard Flood Insurance Policy
<b>FIS</b> - Flood Insurance Study	<b>WYO</b> - Write Your Own
<b>ICC</b> - Increased Cost of Compliance	
<b>LODR</b> - Letter of Determination Review	
<b>LOMA</b> - Letter of Map Amendment	

## *Introduction to the NFIP*

The NFIP is a Federal program enabling property owners in participating *communities to purchase insurance protection against losses from flooding*. This insurance is designed to provide an insurance alternative to disaster assistance to meet the escalating costs of repairing damage to buildings and their contents caused by floods. Participation in the NFIP is based on an agreement between local communities and the Federal Government that states if a community will adopt and enforce a floodplain management ordinance to reduce future flood risks to new construction in Special Flood Hazard Areas, the Federal Government will make flood insurance available within the community as a financial protection against flood losses.

For decades, the national response to flood disasters was generally limited to constructing flood-control works such as dams, levees, seawalls, and the like, and providing disaster relief to flood victims. This approach did not reduce losses, nor did it discourage unwise development. In some instances, it may have actually encouraged additional development. To compound the problem, the public generally could not buy flood coverage from insurance companies, and building techniques to reduce flood damage were often overlooked. In the face of mounting flood losses and escalating costs of disaster relief to the general taxpayers, the U.S. Congress created the NFIP. The intent was to reduce future flood damage through community floodplain management ordinances, and provide protection for property owners against potential losses through an insurance mechanism that requires a premium to be paid for the protection.

*The U.S. Congress established the NFIP on August 1, 1968, with the passage of the National Flood Insurance Act of 1968.* The NFIP was broadened and modified with the passage of the Flood Disaster Protection Act of 1973 and other legislative measures. It was further modified by the National Flood Insurance Reform Act of 1994, signed into law on September 23, 1994. *The NFIP is administered by the Federal Emergency Management Agency (FEMA), a component of the U.S. Department of Homeland Security (DHS).*

In support of the NFIP, FEMA identifies flood hazard areas throughout the U.S. and its territories by producing Flood Hazard Boundary Maps (FHBMs), Flood Insurance Rate Maps (FIRMs), and Flood Boundary and Floodway Maps (FBFMs). Several areas of flood hazards are commonly identified on these maps. One of these areas is the Special Flood Hazard Area (SFHA), a high-risk area defined as any land that would be inundated by a flood having a 1-percent chance of occurring in any given year (also referred to as the base flood). The high-risk-area standard constitutes a reasonable compromise between the need for building restrictions to minimize potential loss of life and property and the economic benefits to be derived from floodplain development. Development may take place within the SFHA, provided that development complies with local floodplain management ordinances, which must meet the minimum Federal requirements. Flood insurance is required for insurable structures within high-risk areas to protect Federal financial investments and assistance used for acquisition and/or construction purposes within communities participating in the NFIP.

Flood is defined in the Standard Flood Insurance Policy (SFIP), in part, as: A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from *overflow of inland or tidal waters, from unusual and rapid accumulation or runoff of surface waters from any source, or from mudflow.*

The Write Your Own (WYO) Program, begun in 1983, is a cooperative undertaking of the insurance industry and FEMA. The WYO Program allows participating property and casualty insurance companies to write and service the Standard Flood Insurance Policy in their own names.

The companies receive an expense allowance for policies written and claims processed while the Federal Government retains responsibility for underwriting losses. The WYO Program operates within the context of the NFIP, and is subject to its rules and regulations.

The goals of the WYO Program are:

- \_\_\_ Increase the NFIP policy base and the geographic distribution of policies;
- \_\_\_ Improve service to NFIP policyholders through the infusion of insurance industry knowledge; and
- \_\_\_ Provide the insurance industry with direct operating experience with flood insurance. Currently, about 100 insurance companies write flood insurance with FEMA.

As established by the U.S. Congress, the sale of flood insurance under the NFIP is subject to the rules and regulations of FEMA. FEMA has elected to have State-licensed insurance companies' agents and brokers sell flood insurance to consumers. *State regulators hold the insurance companies' agents and brokers accountable for providing NFIP customers with the same standards and level of service that the States require of them in selling their other lines of insurance.* Private insurance companies participating in the Write Your Own (WYO) Program must be licensed and regulated by States to engage in the business of property insurance in those States in which they wish to sell flood insurance. Through the NFIP, property owners in participating communities are able to insure against flood losses. By employing wise floodplain management, a participating community can protect its citizens against much of the devastating financial loss resulting from flood disasters. Careful local management of development in the floodplains results in construction practices that can reduce flood losses and the high costs associated with flood disasters to all levels of government.

A community, as defined for the NFIP's purposes, is any State, area, or political subdivision; any Indian tribe, authorized tribal organization, or Alaska native village, or authorized native organization that has the authority to adopt and enforce floodplain management ordinances for the area under its jurisdiction. In most cases, a community is an incorporated city, town, township, borough, or village, or an unincorporated area of a county or parish. However, some States have statutory authorities that vary from this description.

The National Flood Insurance Act of 1968 allows FEMA to make flood insurance available only in those areas where the appropriate public body has adopted adequate floodplain management regulations for its flood-prone areas. Individual citizens cannot regulate building or establish construction priorities for communities. Without community oversight of building activities in the floodplain, the best efforts of some to reduce future flood losses could be undermined or nullified by the careless building of others. *Unless the community as a whole is practicing adequate flood hazard mitigation, the potential for loss will not be reduced sufficiently to affect disaster relief costs.* Insurance rates also would reflect the probable higher losses that would result without local floodplain management enforcement activities.

Community participation in the NFIP is voluntary (although some States require NFIP participation as part of their floodplain management program). Each identified flood-prone community must assess its flood hazard and determine whether flood insurance and floodplain management would benefit the community's residents and economy. However, a community that chooses not to participate within 1 year after the flood hazard has been identified and an NFIP map has been provided is subject to the ramifications explained later.

A community's participation status can significantly affect current and future owners of property located in Special Flood Hazard Areas (SFHAs). The decision should be made with full awareness of the consequence of each action.

*The Emergency Program is the initial phase of a community's participation in the NFIP and was designed to provide a limited amount of insurance at less than actuarial rates.* A community participating in the Emergency Program either does not have an identified and mapped flood hazard or has been provided with a Flood Hazard Boundary Map (FHBM), and the community is required to adopt limited floodplain management standards to control future use of its floodplains. Less than 1 percent of the 20,000 communities participating in the NFIP remain in the Emergency Program; FEMA hopes to convert all communities to the Regular Program of the NFIP. For additional information on mapping, please refer to the "Flood Hazard Assessment and Mapping Requirements" section of this booklet.

A community participating in the Regular Program of the NFIP is usually provided with a Flood Insurance Rate Map (FIRM) and a detailed engineering study, termed a Flood Insurance Study (FIS). (Additional information on FIRMs and FISs is provided in the "Flood Hazard Assessment and Mapping Requirements" section of this booklet.) *Under the Regular Program, more comprehensive floodplain management requirements are imposed on the community in exchange for higher amounts of flood insurance coverage.*

Communities are required to adopt and enforce a floodplain management ordinance that meets minimum NFIP requirements. Communities that do not enforce these ordinances can be placed on probation or suspended from the program. This is done only after FEMA has provided assistance to the community to help it become compliant.

Probation is the formal notification by FEMA to a community that its floodplain management program does not meet NFIP criteria. It is an action authorized under Federal regulations.

A community can be placed on probation 90 days after FEMA provides written notice to community officials of specific deficiencies. Probation generally is imposed only after FEMA has consulted with the community and has not been able to resolve deficiencies. The FEMA Regional Director has the authority to place communities on probation.

Probation may be continued for up to 1 year after the community corrects all Program deficiencies and remedies all violations to the maximum extent possible.

*An additional \$50 charge is added to the premium for each policy sold or renewed in the community.* The additional charge is effective for at least 1 year after the community's probation period begins. The surcharge is intended to focus the attention of policyholders on the community's noncompliance to help avoid suspension of the community, which has serious adverse impacts on those policyholders. Probation does not affect the availability of flood insurance.

Suspension of a participating community (usually after a period of probation) occurs when the community fails to solve its compliance problems or fails to adopt an adequate ordinance. The community is provided written notice of the impending suspension and granted 30 days in which to show cause why it should not be suspended. Suspension is imposed by FEMA. If suspended, the community becomes non-participating and flood insurance policies cannot be written or renewed. Policies in force at the time of suspension continue in force for the policy term.

Flood insurance under the NFIP is not available within that community. Furthermore, Section 202(a) of Public Law 93-234, as amended, prohibits Federal officers or agencies from approving any form of financial assistance for acquisition or construction purposes in a Special Flood Hazard Area (SFHA). For example, this would prohibit loans guaranteed by the Department of Veterans Affairs, insured by the Federal Housing Administration, or secured by the Rural Housing Services. Under Section 202(b) of Public Law 93-234, *if a Presidentially declared disaster occurs as a result of flooding in a non-participating community, no Federal financial assistance can be provided for the permanent*

*repair or reconstruction of insurable buildings in SFHAs.* Eligible applicants may receive those forms of disaster assistance that are not related to permanent repair and reconstruction of buildings. If the community applies and is accepted into the NFIP within 6 months of a Presidential disaster declaration, these limitations on Federal disaster assistance are lifted.

The NFIP's Community Rating System (CRS) recognizes community efforts beyond the NFIP minimum standards by reducing flood insurance premiums for the community's property owners. The discounts may range from 5 to 45 percent. The discounts provide an incentive for new flood mitigation, planning, and preparedness activities that can help save lives and protect property in the event of a flood.

Participation in the CRS is voluntary. A community in compliance with the rules and regulations of the NFIP may apply. The community's Chief Executive Officer must appoint a CRS coordinator to handle the application work and serve as the liaison between the community and FEMA. The first step in the application process is for the community to obtain a copy of the *CRS Coordinator's Manual*, which describes the program and gives details on the eligible activities. The CRS coordinator should fill out and submit an application for participation in the CRS. The CRS will verify the information and arrange for flood insurance premium discounts.

The *CRS Coordinator's Manual*, additional CRS publications, and software may be ordered online or by writing, phoning, or faxing a request to the NFIP/CRS. Contact information is listed in the "Additional Reading" section at the end of the booklet. All publications are free, and the computer software for completing the application is also available at no charge.

## ***Flood Insurance Information for Prospective Buyers***

*NFIP coverage is available to all owners of insurable property (a building and/or its contents) in a community participating in the NFIP. Owners and renters may insure their personal property against flood loss.* Builders of buildings in the course of construction, condominium associations, and owners of residential condominium units in participating communities all may purchase flood insurance. Condominium associations may purchase insurance coverage on a residential building, including all units, and its commonly owned contents under the Residential Condominium Building Association Policy (RCBAP). The unit owner may separately insure personal contents as well as obtain additional building coverage under the Dwelling Form as long as the unit owner's share of the RCBAP and his/her added coverage do not exceed the statutory limits for a single-family dwelling. The owner of a non-residential condominium unit may purchase only contents coverage for that unit.

NFIP coverage is available only in participating communities. Almost all of the nation's communities with serious flooding potential have joined the NFIP. The NFIP provides a listing of participating communities in the *Community Status Book*. To learn if a community participates in the NFIP, refer to this listing online at [www.fema.gov/fema/csb.shtm](http://www.fema.gov/fema/csb.shtm) or contact a community official or insurance agent.

FEMA publishes maps indicating a community's flood hazard areas and the degree of risk in those areas. Flood insurance maps usually are on file in a local repository in the community, such as the planning and zoning or engineering offices in the town hall or the county building. A property owner may consult these maps to find out if the property is in an SFHA. In addition, maps can be viewed and ordered online or by writing, phoning, or faxing a request to the FEMA Map Service Center. Contact information is listed in the "NFIP Program Information" section at the back of this booklet. Delivery is usually within 2 to 4 weeks. There is a minimal charge for maps for most users, so it is advisable to call for detailed information.

Almost every type of walled and roofed building that is principally above ground and not entirely over water may be insured if it is in a participating community. In most cases, this includes manufactured (i.e., mobile) homes that are anchored to permanent foundations and travel trailers without wheels that are anchored to permanent foundations and are regulated under the community's floodplain management and building ordinances or laws. (However, this does not include converted buses or vans.) Contents of insurable walled and roofed buildings also may be insured under separate coverage.

Buildings entirely over water or principally below ground, gas and liquid storage tanks, animals, birds, fish, aircraft, wharves, piers, bulkheads, growing crops, shrubbery, land, livestock, roads, machinery or equipment in the open, and most motor vehicles are not insurable. Most contents and finishing materials located in a basement or in enclosures below the lowest elevated floor of an elevated building constructed after the FIRM became effective are not covered. (See "Coverage" section for coverage limitations in basements and below lowest elevated floors.) Information on the insurability of any special property may be obtained by contacting a property insurance agent or a broker.

*Flood insurance is not available for buildings that FEMA determines have been declared by a State or local zoning authority or other appropriate authority to be in violation of State or local floodplain management regulations or ordinances.* No new policies can be written to cover such buildings; nor can an existing policy be renewed. New construction or substantially improved structures located within a designated Coastal Barrier Resources System (CBRS) area are not eligible for flood insurance, but existing structures that predate CBRS designation are eligible for flood insurance coverage. These areas are located in nearly 400 communities on the Atlantic and Gulf coasts and along the Great Lakes shores, and are delineated on the communities' flood maps. If, at the time of a loss, it is determined that a post-CBRS designation building is located in a CBRS area, the claim will be denied, the policy canceled, and the premium refunded.

After a community joins the NFIP, *a policy may be purchased from any licensed property insurance agent or broker who is in good standing in the State in which the agent is licensed or through any agent representing a Write Your Own (WYO) company*, including an employee of the company authorized to issue the coverage.

The steps leading to the purchase of a flood insurance policy are:

- \_\_\_ A property owner or renter perceives a risk of flooding to an insurable building or its contents and elects to purchase flood insurance, or a lender making, renewing, increasing, or extending a loan, or reviewing its mortgage portfolio at any time during the term of the loan, informs the builder or potential buyer that the building is in a Special Flood Hazard Area (SFHA) and flood insurance must be purchased as required by the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994. The builder or borrower contacts an insurance agent or broker or a Write Your Own (WYO) Company.
- \_\_\_ The insurance agent completes the necessary forms for the builder or buyer. In the case of a building constructed in an SFHA after the issuance of a Flood Insurance Rate Map (FIRM), the builder or buyer must obtain an elevation certificate completed by a licensed engineer, architect, surveyor, or appropriate community official.
- \_\_\_ The insurance agent submits the application, necessary elevation certification, and full premium to the NFIP or to a participating WYO Company.

A number of factors are considered in determining the premium for flood insurance coverage. They include the *amount of coverage purchased; location; age of the building; building occupancy; design of the building; and, for buildings in SFHAs, elevation of the building in relation to the Base Flood Elevation (BFE)*. Buildings eligible for

special low-cost coverage at a pre-determined, reduced premium rate are single-family and one- to four-family dwellings located in Zones B, C, and X. For these exceptions, certain loss limitations exist. (See the "Flood Hazard Assessment and Mapping Requirements" section for definitions of flood zones.)

*The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 mandate the purchase of flood insurance as a condition of Federal or Federally related financial assistance for acquisition and/or construction of buildings in SFHAs of any community.* The purchase of flood insurance on a voluntary basis is frequently prudent even outside of SFHAs. The Acts prohibit Federal agency lenders, such as the Small Business Administration (SBA) and United States Department of Agriculture's (USDA) Rural Housing Service, and Government-Sponsored Enterprises for Housing (Freddie Mac and Fannie Mae) from making, guaranteeing, or purchasing a loan secured by improved real estate or mobile home(s) in an SFHA, unless flood insurance has been purchased, and is maintained during the term of the loan. The Acts apply to lenders under the jurisdiction of Federal entities for lending institutions. These Federal entities include the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Office of Thrift Supervision, the National Credit Union Administration, and the Farm Credit Administration. The Acts also require Freddie Mac and Fannie Mae to implement procedures designed to ensure compliance with the mandatory purchase requirements of the Acts. The purchase of flood insurance does not apply to conventional loans made by Federally regulated lenders when the community in which the building is located is not participating in the NFIP. Although Federal flood insurance is not available for new construction or substantially improved structures in CBRS areas, conventional loans may be made there by Federally regulated lenders. In these cases, the lending institution is required to notify the borrower that, in the event of a flood related Presidentially declared disaster, Federal disaster assistance will not be available for the permanent repair or restoration of the building. Federally regulated or insured lending institutions are required in all cases to notify the borrower when the building being used to secure a loan is in an SFHA.

A major purpose of the NFIP is to alert communities to the danger of flooding and to assist them in reducing potential property losses from flooding. Therefore, FEMA determines flood risk through the use of all available information for each community. Historical flood data are only one element used in determining flood risk. More critical determinations can be made by evaluating the community's rainfall and river-flow data, topography, wind velocity, tidal surge, flood-control measures, development (existing and planned), community maps, and other data.

For virtually every mortgage transaction involving a structure in the United States, the lender reviews the current NFIP maps for the community in which the property is located to determine its location relative to the published SFHA and completes the Standard Flood Hazard Determination Form (SFHDF). If the lender determines that the structure is indeed located within the SFHA and the community is participating in the NFIP, the borrower is then notified that flood insurance will be required as a condition of receiving the loan. A similar review and notification is completed whenever a loan is sold on the secondary loan market or perhaps when the lender completes a routine review of its mortgage portfolio. *This fulfills the lender's obligation under the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 that requires the purchase of flood insurance by property owners who are being assisted by Federal programs or by Federally regulated institutions in the acquisition or improvement of land, or facilities, or structures located or to be located within an SFHA.*

The statute requiring Federally regulated lenders, their services, and Federal Agency lenders to escrow for flood insurance became effective on October 1, 1996. If escrow for taxes, insurance, and/or other reasons is already required, escrow for flood insurance on loans secured by improved residential real estate or mobile homes is also required. Lenders who escrow will comply 100 percent with the statutory requirement by maintaining flood insurance during the term or life of the loan.

Property owners may not contest the requirement if the lending institution has established the requirements as a part of its own standard lending practices. However, if a lending institution is requiring the insurance to meet mandatory flood insurance purchase requirements, the property owner and lender may jointly request that FEMA review the lending institution's determination. This request must be submitted within 45 days of the date the lending institution notified the property owner that a building or manufactured home is in the SFHA and flood insurance is required. In response, FEMA will issue a Letter of Determination Review (LODR). The LODR does not result in an amendment or revision to the NFIP map. It is only a finding as to whether the building or manufactured home is in the SFHA shown on the NFIP map. The LODR remains in effect until the NFIP map panel affecting the subject building or manufactured home is revised.

A fee of \$80 must be submitted with all LODR requests. The fee payment may be in the form of a check or money order, in U.S. funds, made payable to the "National Flood Insurance Program." The fee must be accompanied by copies of the following:

- (1) the completed SFHDF;
- (2) the dated notification letter to the property owner;
- (3) a letter, signed by the property owner and lending institution, requesting FEMA's review;
- (4) an annotated copy of the effective NFIP map panel for the community showing the location of the structure or manufactured home; and
- (5) a copy of all material used by the lending institution or designated third party to make the determination.

Normally, only one building and its contents can be insured on each policy. The Dwelling Form of the Standard Flood Insurance Policy does provide coverage for up to 10 percent of policy amount for appurtenant detached garages but not for carports, tool and storage sheds, and the like. In addition, the Scheduled Building Policy is available to cover 2 to 10 buildings. The policy requires a specific amount of insurance to be designated for each building, and all buildings must have the same ownership and the same location.

*Flood insurance coverage is available for a 1-year term.*

There is a minimum premium for all flood insurance policies. Because the minimum premium is subject to change, anyone interested in purchasing a flood insurance policy should contact a local property insurance agency or company that writes flood insurance coverage to obtain the current minimum premium amount.

There is normally a 30-day waiting period before flood insurance goes into effect. There are two basic exceptions:

- \_\_\_ If the initial purchase of flood insurance is in connection with the making, increasing, extending, or renewing of a loan, there is no waiting period. The coverage becomes effective at the time of the loan, provided the application and presentment of premium are made at or prior to loan closing.
- \_\_\_ If the initial purchase of flood insurance is made during the 13-month period following the revision or update of a Flood Insurance Rate Map for the community, there is a 1-day waiting period. In addition to the two basic exceptions, FEMA has issued a policy decision specifying the following four exceptions:
  - \_\_\_ The 30-day waiting period will not apply when there is an existing insurance policy and an additional amount of flood insurance is required in connection with the making, increasing, extending, or renewing of a loan, such as a second mortgage, home equity loan, or refinancing. The increased amount of flood coverage will be effective as of the time of the loan closing, provided the increased amount of coverage is applied for and the presentment of additional premium is made at or prior to the loan closing.
  - \_\_\_ The 30-day waiting period will not apply when an additional amount of insurance is required as a result of a

map revision. The increased amount of coverage will be effective at 12:01 a.m. on the first calendar day after the date the increased amount of coverage is applied for and the presentment of additional premium is made.

- \_\_\_The 30-day waiting period will not apply when flood insurance is required as a result of a lender's determining a loan that does not have flood insurance coverage should be protected by flood insurance. The coverage will be effective upon the completion of an application and the presentment of payment of premium.
- \_\_\_The 30-day waiting period will not apply when an additional amount of insurance offered in the renewal bill is being obtained in connection with the renewal of a policy.

"Presentment of payment" is the receipt of premium and is considered to be the time payment is actually received by the NFIP or the WYO company. Delivery to an insurance agent or broker or mailing a premium by ordinary mail with placement of a postmark does not constitute presentment to the NFIP. A premium mailed in a timely manner by certified mail and received by the NFIP is considered to have been delivered to and received by the NFIP as of the date of certification by the delivery service. (In this context, the term "certified mail" extends not only to the U.S. Postal Service but also to such third-party delivery services as Federal Express [FedEx], United Parcel Service [UPS], and courier services and the like that provide proof of mailing.) If time is short and coverage is needed, the certified mail transmittal of payment should be considered.

In calculating the applicable rates for buildings that were constructed or substantially improved in V zones after October 1, 1981, the actuarial formula takes into account the ability of the building to withstand the impact of wave action. The agent must follow the special instructions in the NFIP *Flood Insurance Manual* in preparing an application for coverage for buildings located in V zones. (See the "Flood Hazard Assessment and Mapping Requirements" section for a further explanation of V zones.)

The U.S. Congress passed the Coastal Barrier Resources Act of 1982, and the Coastal Barrier Improvement Act of 1990, defining and establishing a system of protected coastal areas (including the Great Lakes) known as the Coastal Barrier Resources System (CBRS) and Otherwise Protected Areas (OPAs). The Acts define areas within the CBRS as depositional geologic features consisting of unconsolidated sedimentary materials; subject to wave, tidal and wind energies; and protecting landward aquatic habitats from direct wave attack. The Acts further define coastal barriers as "all associated aquatic habitats, including the adjacent wetlands, marshes, estuaries, inlets and near shore waters, but only if such features and associated habitats contain few manmade structures and these structures and man's activities on such features, and within such habitats do not significantly impede geomorphic and ecological processes." Otherwise Protected Areas (OPAs) means an undeveloped coastal barrier within the boundaries of an area established under Federal, State, or local law, or held by a qualified organization, primarily for wildlife refuge, sanctuary, recreational, or natural resource conservation purposes. The Acts provide protection to CBRS areas by prohibiting most expenditures of Federal funds within the CBRS. These prohibitions refer to "any form of loan, grant, guarantee, insurance, payment, rebate, subsidy or any other form of direct or indirect Federal assistance," with specific and limited exceptions.

Federal flood insurance is available in a CBRS area if the subject building was constructed (or permitted and under construction) before the CBRS area's effective date. For CBRS areas designated by the 1982 Act, the sale of Federal flood insurance is prohibited for structures built or substantially improved after October 1, 1983. For subsequent additions to the CBRS, the insurance prohibition date is shown on the Flood Insurance Rate Map (FIRM). For structures located in OPAs, insurance may be obtained if written documentation is provided certifying that the structure is used in a manner consistent with the purpose for which the area is protected. If an existing insured structure is substantially improved or damaged, any Federal flood insurance policy will not be renewed. If a Federal

flood insurance policy is issued in error, it will be canceled and the premium refunded; no claim can be paid, even if the error is not found until a claim is made.

*Flood insurance can be canceled, and a refund can be issued, only in certain circumstances, because all of the premium is fully earned on the first day of the policy term.* Premium will be refunded on a pro-rata basis when the policyholder no longer owns or has an insurable interest in the insured property, provided no claim has been paid or is pending. There are other limited cancellation provisions for the refunding of premium. To discuss cancellation criteria and procedures, policyholders should contact the insurance agent who wrote the policy or call the NFIP toll free at 1-800-427-4661.

All policies expire at 12:01 a.m. on the last day of the effective term. (For the ease and convenience of insurance agents and brokers, lenders, and policyholders, NFIP rules allow for "renewal" of expiring policies and no new application is required.) Coverage remains in force for 30 days after the expiration of the policy, and claims for losses that occur in the period will be honored *providing the full renewal premium is received by the end of the 30-day period.* Coverage also remains in force for any mortgagee named in the policy for 30 days after written notice to the mortgagee of the expiration of a policy.

The NFIRA requires individuals in SFHAs who receive disaster assistance after September 23, 1994, for flood disaster losses to real or personal property to purchase and maintain flood insurance coverage for as long as they live in the dwelling. If flood insurance is not purchased and maintained, future disaster assistance will be denied. If the structure is sold, the current owner is required to notify the buyer of the house of the need to purchase and maintain flood insurance. If the buyer is not notified, suffers uninsured flood losses, and receives Federal disaster assistance, the seller may be required to repay the Federal Government any Federal disaster assistance the buyer received.

## ***Coverage***

The following coverage limits are available under the Dwelling Form and the General Property Form of the Standard Flood Insurance Policy. Coverage limits under the Residential Condominium Building Association Policy are listed in the NFIP *Flood Insurance Manual*.

## ***Emergency Program Regular Program Building Coverage***

Single-family dwelling \$ 35,000\* \$250,000  
Two- to four-family dwelling \$ 35,000\* \$250,000  
Other residential \$100,000\* \$250,000  
Nonresidential \$100,000\* \$500,000

## ***Contents Coverage***

Residential \$ 10,000 \$100,000  
Nonresidential \$100,000 \$500,000

\* Under the Emergency Program, higher limits of building coverage are available in Alaska, Hawaii, the U.S. Virgin Islands, and Guam.

General coverage limitations are explained in the answers to Questions 28 and 29. In addition, items such as artwork, photographs, collectibles, memorabilia, rare books, autographed items, jewelry, watches, gems, articles of gold, silver, or platinum and furs are limited to \$2,500 coverage in the aggregate. This limitation does not apply to other items that are personal property or household contents usual or incidental to the occupancy of the building as a residence. For other limitations under the Standard Flood Insurance Policy, see the current policy or contact a property insurance agent or broker.

The Standard Flood Insurance Policy (SFIP) Forms contain complete definitions of the coverages they provide. *Direct physical losses by "flood" are covered.* Also covered are losses resulting from flood-related erosion caused by waves or currents of water activity exceeding anticipated cyclical levels, or caused by a severe storm, flash flood, abnormal tidal surge, or the like, which result in flooding, as defined. Damage caused by mudflows, as specifically defined in the policy forms, is covered.

Coverage is provided for foundation elements, including posts, pilings, piers, or other support systems for elevated buildings. Coverage also is available for basement and enclosure utility connections, certain mechanical equipment necessary for the habitability of the building, such as furnaces, hot water heaters, clothes washers and dryers, food freezers and the food in them, air conditioners, heat pumps, electrical junctions, and circuit breaker boxes. Finished structural elements such as paneling and linoleum, and contents items such as rugs and furniture are not covered. The SFIP has a complete list of covered elements and equipment.

The NFIP's definition of "basement" includes any part of a building where all sides of the floor are located below ground level. Even though a room may have windows and constitute living quarters, it is still considered to be a basement if the floor is below ground level on all sides.

We will pay for losses from land subsidence under certain circumstances. Subsidence of land along a lake shore or similar body of water which results from the erosion or undermining of the shoreline caused by waves or currents of water exceeding cyclical levels that result in a flood is covered. All other land subsidence is excluded. We do not insure for direct physical loss caused directly or indirectly by any of the following:

- Backups through sewers or drains;
- Discharges or overflows from a sump, sump pump, or related equipment;
- Seepage or leaks on or through the covered property; *unless* there is a general condition of flooding in the area and the flood is the proximate cause of the sewer or drain backup, sump pump discharge or overflow, or seepage of water.

*A minimum deductible is applied separately to a building and its contents*, although both may be damaged in the same flood. Higher deductibles are available, and an insurance agent can provide information on specific amounts of available deductibles. Optional high deductibles reduce policy premiums but will have to be approved by the mortgage lender.

Some are. When an insured building is in imminent danger of being flooded, the reasonable expenses incurred by the insured for removal of insured contents to a safe location and return will be reimbursed up to \$1,000, and the purchase of sandbags and sand to fill them, plastic sheeting and lumber used in connection with them, pumps, fill for temporary levees, and wood will be reimbursed up to \$1,000. No deductible is applied to this coverage.

Only for single-family dwellings and residential condominium buildings, if several criteria are met. Replacement cost coverage is available for a single-family dwelling, including a residential condominium unit that is the policyholder's

principal residence and is insured for at least 80 percent of the unit's replacement cost at the time of the loss, up to the maximum amount of insurance available at the inception of the policy term. Replacement cost coverage does not apply to manufactured (i.e. mobile) homes smaller than certain dimensions specified in the policy. Losses are adjusted on a replacement cost basis for residential condominium buildings insured under the Residential Condominium Building Association Policy (RCBAP). The principal residence and the 80 percent insurance to value requirements for single-family dwellings do not apply to the RCBAP. However, coverage amounts less than 80 percent of the building's full replacement cost value at the time of loss will be subject to a co-insurance penalty.

Contents losses are always adjusted on an actual cash value basis. If the replacement cost conditions are not met, the building loss is also adjusted on an actual cash value basis. Actual cash value means the replacement cost of an insured item of property at the time of loss, less the value of physical depreciation as to the item damaged.

No. The policy only covers direct physical flood damage to the dwelling and does not provide additional living expenses.

Increased Cost of Compliance (ICC) coverage under the Standard Flood Insurance Policy (SFIP) *provides for the payment of a claim to help pay for the cost to comply with State or community floodplain management laws or ordinances from a flood event in which a building has been declared substantially damaged or repetitively damaged.* When an insured building is damaged by a flood and the State or community declares the building to be substantially damaged or repetitively damaged, ICC coverage will help pay for the cost to elevate, flood proof, demolish, or relocate the building up to a maximum benefit of \$30,000. This coverage is in addition to the building coverage for the repair of actual physical damages from flood under the SFIP.

Yes. The maximum amount a policyholder may collect under ICC is \$30,000. This amount is in addition to the amount the policyholder receives for physical damages by flood. The total amount the policyholder receives for combined physical structural damage from flood and ICC is always capped by the maximum limit of coverage established by Congress. The maximum amount collectible for both ICC and physical damage from flood for a single-family dwelling is \$250,000.

Insureds under the Group Flood Insurance Policy and insureds with condominium unit owner's coverage are ineligible for ICC coverage. Policies issued or renewed in Emergency Program communities are not eligible for ICC coverage. All other policies include the coverage.

## Filing a Flood Insurance Claim

A flood insurance policyholder should immediately report any flood loss to the insurance company or agent who wrote the policy. A claims adjuster will be assigned the loss, and the policyholder must file a "proof of loss" within 60 days of the date of loss. A policyholder whose policy is with a WYO company must follow the company's claim procedures. The 60-day time limit for filing a proof of loss remains the same.

A proof of loss—the policyholder's valuation of claimed damages—is a sworn statement made by the policyholder that substantiates the insurance claim and is required to be submitted to the NFIP or WYO company within 60 days of the loss. A printed form usually is available from the adjuster assigned to the claim.

A loss in progress occurs when actual flood damage to a building or its contents started before the inception of the policy.

The NFIP does not cover damage caused by a loss in progress under any of the flood insurance policies.

An insured will never be paid more than the value of the covered loss, less deductible, up to the amounts of insurance purchased. Therefore, purchasing insurance to value is an important consideration. The amount of insurance a property owner needs should be discussed with an insurance agent or broker.

## Floodplain Management Requirements

When the community chooses to join the NFIP, it must adopt and enforce minimum floodplain management standards for participation. FEMA works closely with State and local officials to identify flood hazard areas and flood risks. The floodplain management requirements within the SFHA are designed to prevent new development from increasing the flood threat and to protect new and existing buildings from anticipated flood events.

When a community chooses to join the NFIP, it must require permits for all development in the SFHA and ensure that construction materials and methods used will minimize future flood damage. Permit files must contain documentation to substantiate how buildings were actually constructed. In return, the Federal Government makes flood insurance available for almost every building and its contents within the community. Communities must ensure that their adopted floodplain management ordinance and enforcement procedures meet program requirements. Local regulations must be updated when additional data are provided by FEMA or when Federal or State standards are revised.

At the request of FEMA, each Governor has designated an agency of State or territorial government to coordinate that State's or territory's NFIP activities. These agencies often assist communities in developing and adopting necessary floodplain management measures. Some States require more stringent measures than those of the NFIP. For contact information, see the list of "State NFIP Coordinating Agencies" in the back of this booklet.

The regulatory requirements set forth by FEMA are the minimum measures acceptable for NFIP participation. More stringent requirements adopted by the local community or State take precedence over the minimum regulatory requirements established for flood insurance availability.

"Floodplain management measures" refers to an overall community program of corrective and preventive measures for reducing future flood damage. These measures take a variety of forms and generally include zoning, subdivision, or building requirements, and special-purpose floodplain ordinances.

The minimum Federal requirements affect existing buildings only when an existing building is substantially damaged or improved. There may also be situations where a building has been constructed in accordance with a local floodplain management ordinance, and the owner subsequently alters it in violation of the local building code, without a permit. Such unapproved modifications to an existing building may not meet the minimum Federal requirements.

"Substantial improvement" means any rehabilitation, addition, or other improvement of a building when the cost of the improvement equals or exceeds 50 percent of the market value of the building before start of construction of the improvement. The term includes buildings that have incurred "substantial damage." "Substantial damage" means damage of any origin sustained by a building when the cost of restoring the building to its pre-damaged condition would equal or exceed 50 percent of the market value of the building before the damage occurred. Substantial damage is determined regardless of the actual repair work performed. Substantial improvement or damage does not,

however, include any project for improvement of a building to correct existing violations of State or local health, sanitary, or safety code specifications identified by local code enforcement officials as the minimum specifications necessary to assure safe living conditions. Also excluded from the substantial improvement requirement are alterations to historic buildings as defined by the NFIP.

The local floodplain management regulations required by the NFIP apply only in SFHAs. However, communities may regulate development in areas of moderate flood hazard.

In developing their floodplain management ordinances, participating communities must meet at least the minimum regulatory standards issued by FEMA. NFIP standards and policies are reviewed periodically and revised whenever appropriate.

Elevating a structure on posts or pilings does not remove a building from the SFHA. If the ground around the supporting posts or pilings is within the floodplain, the building is still at risk. The structure is considered to be within the floodplain, and flood insurance will be required as a condition of receipt of Federal or Federally regulated financing for the structure. The reason for this, even in cases where the flood velocity is minimal, is that the hydrostatic effects of flooding can lead to the failure of the structure's posts or pilings foundation. The effects of ground saturation can lead to decreased load bearing capacity of the soil supporting the posts or pilings, which can lead to partial or full collapse of the structure. Even small areas of ponding will be subject to the hydrodynamic effects of flooding; no pond or lake is completely free of water movement or wave action. This movement of water can erode the ground around the posts or pilings and may eventually cause collapse of the structure.

## Flood Hazard Assessment and Mapping Requirements

*An FHBM is based on approximate data and identifies, in general, the SFHAs within a community.* It is used in the NFIP's Emergency Program for floodplain management and insurance purposes. *A FIRM usually is issued following a flood risk assessment conducted in connection with the community's conversion to the NFIP's Regular Program.* If a detailed assessment, termed a Flood Insurance Study (FIS), has been performed, the FIRM will show base flood elevations and insurance risk zones in addition to floodplain boundaries. The FIRM may also show a delineation of the regulatory floodway. After the effective date of the FIRM, the community's floodplain management ordinance must be in compliance with appropriate Regular Program requirements. Actuarial rates, based on the risk zone designations shown on the FIRM, are then applied for newly constructed, substantially improved, and substantially damaged buildings.

Flood hazard areas are determined using statistical analyses of records of riverflow, storm tides, and rainfall; information obtained through consultation with the community; floodplain topographic surveys; and hydrologic and hydraulic analyses. The FIS covers those areas subject to flooding from rivers and streams, along coastal areas and lake shores, or shallow flooding areas.

In conducting a FIS, FEMA considers all available information for use in the study. Public meetings are usually held with community officials and other interested parties in an effort to obtain all relevant information to help ensure accurate study results. FEMA also works closely with community officials before and during the study to describe technical and administrative procedures and to obtain community input before the FIRM and collateral FIS report are published. Before the FIS is initiated, FEMA representatives, the selected contractor, and community officials meet to discuss the areas to be studied and the level of study required. This meeting is called a "time and cost" meeting.

Several areas of flood hazard are commonly identified on the FIRM. One of these areas is the SFHA, which is defined as the area that will be inundated by the flood event having a 1-percent chance of being equaled or exceeded in any given year. The 1-percent-annual-chance flood is also referred to as the base flood. SFHAs are labeled as Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone 99, Zone AR, Zone AR/AE, Zone AR/AH, Zone AR/AO, Zone AR/A1-A30, Zone AR/A, Zone V, Zone VE, and Zones V1-V30. Moderate flood hazard areas, labeled Zone B or Zone X (shaded), are also shown on the FIRM, and are the areas between the limits of the base flood and the 0.2-percent-annual-chance flood. The areas of minimal flood hazard, which are the areas outside the SFHA and higher than the elevation of the 0.2-percent-annual-chance flood, are labeled Zone C or Zone X (unshaded). The definitions for the various flood hazard areas are presented below.

**Zone V:** Areas along coasts subject to inundation by the 1-percent-annual-chance flood event with additional hazards associated with storm-induced waves. Because detailed hydraulic analyses have not been performed, no base flood elevations or depths are shown. Mandatory flood insurance purchase requirements apply.

**Zones VE and V1-V30:** Areas along coasts subject to inundation by the 1-percent-annual-chance flood event with additional hazards due to storm-induced velocity wave action. Base flood elevations derived from detailed hydraulic analyses are shown within these zones. Mandatory flood insurance purchase requirements apply. (Zone VE is used on new and revised maps in place of Zones V1-V30.)

**Zone A:** Areas subject to inundation by the 1-percent-annual-chance flood event. Because detailed hydraulic analyses have not been performed, no base flood elevation or depths are shown. Mandatory flood insurance purchase requirements apply.

**Zones AE and A1-A30:** Areas subject to inundation by the 1-percent-annual-chance flood event determined by detailed methods. Base flood elevations are shown within these zones. Mandatory flood insurance purchase requirements apply. (Zone AE is used on new and revised maps in place of Zones A1-A30.)

**Zone AH:** Areas subject to inundation by 1-percent-annual-chance shallow flooding (usually areas of ponding) where average depths are 1-3 feet. Base flood elevations derived from detailed hydraulic analyses are shown in this zone. Mandatory flood insurance purchase requirements apply.

**Zone AO:** Areas subject to inundation by 1-percent-annual-chance shallow flooding (usually sheet flow on sloping terrain) where average depths are 1-3 feet. Average flood depths derived from detailed hydraulic analyses are shown within this zone. Mandatory flood insurance purchase requirements apply.

**Zone A99:** Areas subject to inundation by the 1-percent-annual-chance flood event, but which will ultimately be protected upon completion of an under-construction Federal flood protection system. These are areas of special flood hazard where enough progress has been made on the construction of a protection system, such as dikes, dams, and levees, to consider it complete for insurance rating purposes. Zone A99 may only be used when the flood protection system has reached specified statutory progress toward completion. No base flood elevations or depths are shown. Mandatory flood insurance purchase requirements apply.

**Zone AR:** Areas that result from the decertification of a previously accredited flood protection system that is determined to be in the process of being restored to provide base flood protection. Mandatory flood insurance purchase requirements apply.

**Zones AR/AE, AR/AH, AR/AO, AR/A1-A30, and AR/A:** Dual flood zones that, because of flooding from other water sources that the flood protection system does not contain, will continue to be subject to flooding after the flood protection system is adequately restored. Mandatory flood insurance purchase requirements apply.

**Zones B, C, and X:** Areas identified in the community FIS as areas of moderate or minimal hazard from the principal source of flood in the area. However, buildings in these zones could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local stormwater drainage systems are not normally considered in the community's FIS. The failure of a local drainage system creates areas of high flood risk within these rate zones. Flood insurance is available in participating communities but is not required by regulation in these zones. (Zone X is used on new and revised maps in place of Zones B and C.)

**Zone D:** Unstudied areas where flood hazards are undetermined, but flooding is possible. No mandatory flood insurance purchase requirements apply, but coverage is available in participating communities.

The regulatory floodway, which is adopted into the community's floodplain management ordinance, is the stream channel plus that portion of the overbanks that must be kept free from encroachment in order to discharge the 1-percent-annual-chance flood without increasing flood levels by more than 1.0 foot (some states specify a smaller allowable increase). The intention of the floodway is not to preclude development. Rather, it is intended to assist communities in prudently and soundly managing floodplain development and prevent additional damages to other property owners. The community is responsible for prohibiting encroachments, including fill, new construction, and substantial improvements, within the floodway unless it has been demonstrated through hydrologic and hydraulic analyses that the proposed encroachment will not increase flood levels within the community. In areas that fall within the 1-percent-annual-chance floodplain, but are outside the floodway (termed the "floodway fringe"), development will, by definition, cause no more than a 1.0-foot increase in the 1-percent-annual-chance water-surface elevation. Floodplain management through the use of the floodway concept is effective because it allows communities to develop in flood-prone areas if they so choose, but limits the future increases of flood hazards to no more than 1.0 foot.

FEMA has established administrative procedures for changing effective FIRMs and FIS reports based on new or revised scientific or technical data. A physical change to the affected FIRM panels and portions of the FIS report is referred to as a "Physical Map Revision," or "PMR." Changes can also be made by a Letter of Map Change (LOMC). The three LOMC categories are Letter of Map Amendment (LOMA), Letter of Map Revision Based on Fill (LOMR-F), and Letter of Map Revision (LOMR). These LOMC categories are discussed in more detail later.

In general, the scientific or technical data needed to effect a map amendment or revision include certified topographic data and/or hydrologic and hydraulic analyses to support the request for amendment or revision.

A PMR is an official republication of a community's NFIP map to effect changes to base (1-percent-annual-chance) flood elevations, floodplain boundary delineations, regulatory floodways, and planimetric features. These changes typically occur as a result of structural works or improvements, annexations resulting in additional flood hazard areas, or correction to base flood elevations or SFHAs. The community's chief executive officer (CEO) must submit scientific and technical data to FEMA to support the request for a PMR. The data will be analyzed, and the map will be revised if warranted. The community is provided with copies of the revised information and is afforded a review period. When base flood elevations are changed, a 90-day appeal period is provided. A 6-month period for formal approval of the revised map(s) is also provided.

A LOMR-F is an official revision by letter to an effective NFIP map. A LOMR-F states FEMA's determination concerning whether a structure or parcel has been elevated on fill above the base flood elevation and is, therefore, excluded from the SFHA.

*A LOMA is an official revision by letter to an effective NFIP map.* A LOMA results from an administrative procedure that involves the review of scientific or technical data submitted by the owner or lessee of property who believes the property has incorrectly been included in a designated SFHA. A LOMA amends the currently effective FEMA map and establishes that a specific property is not located in an SFHA.

*A LOMR is an official revision to the currently effective FEMA map.* It is used to change flood zones, floodplain and floodway delineations, flood elevations, and planimetric features. All requests for LOMRs should be made to FEMA through the chief executive officer of the community, since it is the community that must adopt any changes and revisions to the map. If the request for a LOMR is not submitted through the chief executive officer of the community, evidence must be submitted that the community has been notified of the request.

NFIP maps must be based on existing, rather than proposed, conditions. Because flood insurance is a financial protection mechanism for real property owners and lending institutions against existing hazards, flood insurance ratings must be made accordingly. However, communities, developers, and property owners often undertake projects that may alter or mitigate flood hazards and would like FEMA's comment before constructing them. A Conditional Letter of Map Revision (CLOMR) is FEMA's formal review and comment as to whether a proposed project complies with the minimum NFIP floodplain management criteria. If it is determined that it does, the CLOMR also describes any eventual revisions that will be made to the NFIP maps upon completion of the project. While obtaining a CLOMR may be desired, obtaining conditional approval is not automatically required by NFIP regulations for all projects in the floodway or 1-percent-annual-chance floodplain. A CLOMR is required only for those projects that will result in a 1-percent-annual-chance water surface elevation increase of greater than 1.0 foot for streams with BFEs specified, but no floodway designated, or any 1-percent-annual-chance water surface elevation increase for proposed construction within a regulatory floodway. The technical data needed to support a CLOMR request generally involve detailed hydrologic and hydraulic analyses and are very similar to the data needed for a LOMR request.

In addition to the situations described above, property owners and developers who intend to place structures in the 1-percent-annual-chance floodplain may need to demonstrate to the lending institutions and local officials before construction that proposed structures will be above the base flood elevation. If the project involves only the elevation of structures on natural high ground, they can request a Conditional Letter of Map Amendment (CLOMA) from FEMA. If the elevation of structures on earthen fill is the sole component of the project (i.e., there is no associated channelization, culvert construction, etc., that would alter flood elevations) and there is no fill placed in the regulatory floodway, they can request from FEMA a CLOMR based on fill or a CLOMR-F. Requests for CLOMAs and CLOMRS should be made by the community and addressed to the Mitigation Division Director at the appropriate FEMA Regional Office. The addresses of all FEMA Regional Offices are provided in the back of this booklet. Until a LOMR is issued, this property remains in the floodplain and is subject to the community floodplain management ordinance and the mandatory flood insurance purchase requirements.

Requests for conditional and final map revisions should be sent to the appropriate FEMA LOMA Depot. Any questions regarding LOMA/LOMR should be directed to one of FEMA's Flood Map Specialists. Contact information is provided in the "FEMA LOMA Depots" section at the back of this booklet.

For single-building or single-lot determinations that do not involve changes to Base Flood Elevations (BFEs) or floodways, a LOMA or LOMR-F generally can be issued within 4 weeks. LOMAs and LOMRs involving multiple lots or multiple buildings require up to 8 weeks to process. Times are specified from the date of receipt of all technical, scientific, or legal documentation. LOMRs involving decreases in BFEs or floodways take approximately 90 days for processing. If changes in flooding conditions are extensive or if BFEs increase, a PMR will be required, which will take 12 months or longer.

Although FEMA may issue a LOMA, it is the lending institution's prerogative to require flood insurance as a condition of its own beyond the provisions of the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994, before granting a loan or mortgage. Those seeking a LOMA should first confer with the affected lending institution to determine whether the institution will waive the requirement for flood insurance if a LOMA is issued. If it will, the policyholder may cancel flood insurance coverage and obtain a premium refund. If not, amending the NFIP map to remove the structure from the SFHA will generally lower the flood insurance premium.

To effect a cancellation of a flood insurance policy, the policyholder must supply a copy of the LOMA, LOMR-F, or LOMR and a waiver for the flood insurance purchase requirement from the lending institution to the insurance agent or broker who services the policy. A completed cancellation form with the LOMA, LOMR-F, or LOMR and the waiver must be submitted by the agent to the NFIP or the appropriate WYO company.

When a LOMA, LOMR-F, or LOMR is issued and cancellation requested, the policyholder may be eligible for a refund of the premium paid for the current policy year only if no claim is pending and no claim has been paid during the current policy year.

FEMA and its Federal and private-sector contractors exercise great care to ensure that analytical methods employed in FISs are scientifically and technically correct, the engineering practices followed meet professional standards, and the results of the FIS are accurate. In making amendments and revisions to NFIP maps and reports, FEMA must adhere to the same engineering standards applied in preparing the effective maps and reports. Therefore, when requesting changes to NFIP maps, community officials and property owners are required to submit adequate supporting data. FEMA would have no justification for changing a flood hazard determination without sufficient evidence that the change is appropriate.

To minimize the financial burden on the policyholders while maintaining the NFIP as self-sustaining, FEMA implemented procedures to recover costs associated with reviewing and processing requests for conditional and final map amendments and map revisions. The fee schedule for these requests is published in the *Federal Register* and applies to all types of requests except those that are specifically exempted in Section 72.5(c) of the NFIP Regulations. Community officials and other individuals who have questions regarding the required review and processing fees should contact the appropriate FEMA Regional Office as listed at the back of this booklet.

*FEMA implemented the use of forms for requesting revisions or amendments to NFIP maps to provide a step-by-step process for requesters to follow.* The forms are comprehensive; therefore, requesters are reasonably assured of preparing a complete request that includes all the necessary support data without having to go through an iterative process of providing additional information in a piecemeal fashion. Experience has shown piecemeal submissions to be time-consuming and expensive. Also, because use of the forms assures the requesters' submissions are complete and more logically structured, FEMA can complete its review in a shorter time frame. While completing the forms may appear to be burdensome, FEMA believes it is prudent to do so because of the advantages that result for the requester.

Technical supporting data may be obtained by contacting a FEMA Flood Map Specialist listed in the "FEMA LOMA Depot". The letter should give the name of the community for which the data are sought, provide specific information as to the portion of the community and type of data needed, and give the requester's name and telephone number. Before the request is serviced, a representative will call to discuss the request. If a charge is necessary for the service, the extent of the service and the costs will be discussed during the call.

## ***Repetitive Loss Properties Strategy***

The primary objective of the Repetitive Loss Properties Strategy is to eliminate or reduce the damage to property and the disruption of life caused by repeated flooding of the same properties. A specific target group of repetitive loss properties is identified and serviced separately from other NFIP policies by the Special Direct Facility (SDF). The target group includes every NFIP-insured property that, since 1978 and regardless of any change(s) of ownership during that period, has experienced:

- Four or more paid flood losses of more than \$1,000 each; *or*
- Two paid flood losses within a 10-year period that, in the aggregate, equal or exceed the current value of the insured property; *or*
- Three or more paid flood losses that, in the aggregate, equal or exceed the current value of the insured property.

The loss history includes all flood claims paid on an insured property, regardless of any change(s) of ownership, since the building's construction or back to 1978 if the building was constructed before 1978. Target group policies are afforded coverage, whether new or renewal, only through the SDF.

At least 90 days before the policy renewal date, affected property owners and their flood insurance agents are sent notice by the Write Your Own (WYO) company stating that the policy is ineligible for renewal through the WYO Program and offering renewal in the SDF. A follow-up notice is sent by the SDF 45 days before the renewal date.

The policyholder should renew the NFIP policy with the SDF, not with the present WYO company.

Policyholders who believe that their property has not sustained the loss history indicated by the NFIP may appeal *in writing* to the SDF. All documentation to substantiate the appeal must be included. Until the appeal is settled, the policy will remain in the SDF. If the appeal is successful, the policy will be transferred back to the WYO company that previously serviced it. The policyholder will be notified of the results of the appeal.

The appropriate FEMA Regional Office (see list in the back of this booklet) provides information about the property to state and local floodplain management officials. States or communities may sponsor projects to mitigate flood losses to these properties or may be able to provide technical assistance on mitigation options.

The property will be removed from the target group at the next renewal, and the policy then will be transferred from the SDF to the WYO company that previously serviced the policy.

Depending on individual circumstances, appropriate mitigation measures commonly include elevating buildings above the level of the base flood, demolishing buildings, and removing buildings from the SFHA. Sometimes, mitigation takes the form of a local drainage-improvement project that meets NFIP standards.

## ***Presidential Disaster Declarations and the NFIP***

Although a Presidential disaster declaration is not required for an NFIP policyholder to file a claim, it may provide additional options to the policyholder to mitigate or prevent future damages. The policyholder may gain valuable information from his or her local officials about mitigation opportunities which may become available as a result of the Presidential disaster declaration.

When major flooding disasters have affected a region, it is common for communities and individuals to consider relocation, acquisition or elevation of flood-damaged structures. Property owners who sustained extensive damages are often very interested in avoiding the recurrence of such an experience. The feasibility of such mitigation projects must be established on a case-by-case basis. It is important for a flood insurance policyholder to be aware to these possibilities and contact local officials to learn as much as possible.

The Hazard Mitigation Grant Program, authorized under Section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act is FEMA's primary hazard mitigation program designed to assist States and communities in implementing long-term hazard mitigation measures following a major disaster declaration. States manage this program and may set State-specific project criteria. Individuals with questions should contact their local officials for more information. Through the Small Business Administration, loans may be available to qualifying applicants to assist with the costs of mitigation. Due to the need to coordinate many activities following Presidential declarations, it is important for individual citizens to raise their questions and concerns about these post-disaster mitigation opportunities with their local community officials.

## ***Information for Individuals and Agents***

### ***Condominium Associations***

Boards of Directors of condominium associations typically are responsible under their by-laws for maintaining all forms of property insurance necessary to protect the common property of the association against all hazards to which that property is exposed for either the insurable value (replacement cost) of those common building elements. Boards would be well advised to include their attorneys, as well as their agents, in coverage considerations, because insurance requirements are driven by by-laws and can be affected by state regulations.

This responsibility would typically include providing adequate flood insurance protection for all common property located in high flood risk areas called the Special flood Hazard Areas (SFHAs). Such association document requirements could make the individual members of the boards of directors of associations personally liable for insurance errors or omissions, including those relating to flood insurance. It would be prudent to determine whether the Directors and Officers (E&O) policies provide for such coverage.

### ***Unit Owners***

Condominium is that form of ownership of real property in which each unit owner has an undivided interest in common elements. Therefore, unit owners in apartment style condo buildings have a financial interest in the condominium building, as well as, in the building elements within their unit. Obviously, a unit owner can't insure the entire building, but can encourage the condominium association to purchase adequate flood insurance protection for the entire building. Flood insurance protection for eligible residential buildings and building elements within individual

units is most cost efficiently managed by the condominium association under the Residential Condominium Building Association Policy (RCBAP).

Condominium unit types include detached single-family dwellings, townhouses, rowhouses, or units within a high-rise or low-rise apartment type building, which are considered to be single-family residences by the National Flood Insurance Program (NFIP). Townhouses or rowhouses individually titled and single family structures would be insured under the Dwelling Policy in the name of the building owner.

Unit owners, who may be individuals or associations, have unique coverage needs that merit particular care. Owners should obtain information about the by-laws and building coverages already provided by the association, because such coverage would be primary, while the unit owner's coverage of building elements is excess. The assistance of their agent is needed to coordinate the appropriate coverage combinations. The two policies that address the insurable needs of residential unit owners are the RCBAP and the Dwelling Policy, explained below.

## **Insurance Agents**

When calculating flood insurance coverage, the same general business practice, which is used for hazards other than flood, should be employed. In addition, the replacement cost of the building foundation and its supporting structure should be **included** in the calculation, as it is covered under the RCBAP and typically **excluded** under private commercial policies. Agents should review coverages periodically to ensure that they are adequate, because the Standard Flood Insurance Policy forms RCBAP, General Policy and Dwelling Policy do not include a mechanism that automatically increases the coverage amount to address increasing construction costs due to inflation.

See the Rating Section of the [Flood Insurance Manual](#) for maximum building and contents limits applicable to the policy form.

Deductibles apply separately to buildings and contents coverage. Contents coverage can be purchased separately, or added to all policy forms for an extra premium.

## ***Lenders***

Federal financial institution regulators state that the amount of flood insurance purchased for a structure in a high-risk area must at least equal the outstanding principal balance of the loan, the insurable value of the building, or the maximum amount of coverage available for the particular type of building under the NFIP, whichever is less.

However, the lender may exceed the minimum requirements, if necessary, and compel the purchase of limits that more fully protect the lender and the property owner.

Land is not insurable. Therefore, insurable values of buildings do not include land values and can be determined with the help of property insurance agents. Appraisals that include a current separate replacement cost (cost to reconstruct) for a building are also an appropriate measure of insurable value of buildings. Market values of buildings include uninsurable elements, such as land and property location, and if selected as the insurance coverage cause the property owner to pay flood insurance premiums beyond the necessary amount.

The Federal Home Loan Mortgage Corporation (Freddie Mac) and Federal National Mortgage Association (Fannie Mae), when purchasing loans on the secondary market that are secured by properties located in high-risk areas, may

have more specific requirements. Lenders should review the [Mandatory Purchase of Flood Insurance Guidelines booklet](#), for information concerning secondary lenders and compliance requirements applicable to the NFIP.

Although Federal mandatory purchase laws apply to lenders, the practice of the lending industry, as followed under the RCBAP, is to defer to the association to ensure compliance. The association does not bear mortgage responsibility on the individual units, however, its interest springs from the obligation to maintain and repair the premises for the community benefit and unit owners as tenants in common. A key feature of the condominium insurance format is the separate ownership and mortgaging of the individual units, yet the insuring of the building, as a whole, is with a policy issued to the association only. Because the RCBAP provides flood insurance coverage protection for both the individual units and the common elements of the building, the security interests of individual unit owners and mortgagees should be protected, so long as the amounts reflect insurance to value, as with other forms of property insurance. **Lenders are still responsible to meet their compliance requirements under the law.**

If the lender determines that coverage purchased under the RCBAP is insufficient to meet the mandatory purchase requirements or if there is no RCBAP, the lender can request the borrower to ask the association to carry adequate limits or require the purchase of separate unit owner's building coverage under the Dwelling Policy Form. Although a Dwelling Policy purchased by the unit owner would satisfy the minimum mandatory requirements for federally regulated lending, the lending institution and unit owner assume unknown possible exposures. For example, following a major flood loss, the insured unit owner would have to rely upon the association's and other unit owner's financial ability to make the necessary repairs to common elements in the building, such as electricity, heating, plumbing, elevators, etc. Recovery could be lengthy and the unit owner may incur additional housing costs.

### ***Calculating Coverage Amounts***

Lenders should determine whether or not the amount of coverage purchased by the association under the RCBAP adequately protects the lender's and borrower's financial interests by utilizing either of the following practices. Apply the same practice they use when requiring other forms of property insurance on a condominium unit, i.e. require that the entire building be covered up to the Replacement Cost Value of the building, including its foundation and supporting structure. Or follow this general rule of thumb: determine the Replacement Cost Value of the building and divide this value by the number of units in the building. For example, if the estimated value of the building is \$15,000,000 million and there are 100 units in the building, then the estimated value of the unit would be \$150,000, which is less than the \$250,000 allowed per unit. This approach would not take into account price differences that may exist between units due to size and/or location in the building, but it might provide the ability to get a general sense as to the adequacy of the coverage. If such an approach is taken, then it is recommended that full estimated amount of building value (in this case, \$150,000 X 100 units = \$15,000,000 estimated building value), not the 80% value, be used to determine the adequacy of coverage. This may help avoid underestimation of building value for RCBAP purposes and the possibility of co-insurance penalties being applied at the time of loss. If the full estimated replacement cost value were the amount of coverage purchased, it should be adequate to protect the lender's interests, their statutory flood insurance requirements and a good part of the equity interests of the borrower, in the same manner as their other property insurance practices. Lenders also should seek the assistance of property insurance agents who can calculate the replacement cost and periodically review the coverage to ensure that the amount of flood insurance continues to reflect increasing construction costs.

### ***Residential Condominium Building Association Policy Form***

The RCBAP Form is specifically designed for buildings owned by condominium associations that have at least 75% residential occupancy and are located in regular program communities. High-rise and low-rise residential condominium buildings and timeshares (fee or real estate ownership) located in regular program communities can be insured under the RCBAP. Residential condominium buildings that are being used as a hotel or motel, or are being rented must be insured on the RCBAP, if in a regular program community with 75% residential occupancy. The RCBAP enables the association to manage flood insurance needs according to their insurance requirements, which typically require insurance to value. Under the RCBAP, the entire building is covered, including the common areas, individually owned building elements within the units, and personal property owned in common, if contents coverage is purchased. Loss settlement under the RCBAP is on a replacement cost basis, meaning that the RCBAP is not subject to a deduction for depreciation. However, it should be insured to full Replacement Cost Value (RCV), or up to the maximum available limits of \$250,000 per unit times the number of units, whichever is less. Buildings that are not insured to at least 80% of their replacement cost, or the maximum amount of insurance available for that building under the NFIP, at the time of loss, would be subject to a co-insurance penalty. The co-insurance penalty could considerably reduce the amount the association would be entitled to, forcing them to have to make up any such shortfall either by using reserves or having to levy special assessments on individual unit owners. In addition, when such underinsurance occurs it will negate any **assessment coverage** under the Dwelling Policy. Please review the Examples of flood loss assessment against unit owners and settlement outcomes in Section D of the Mandatory Purchase of Flood

Insurance Guidelines; Examples for avoiding the coinsurance penalty are available in Section D of the guidelines booklet.

The RCBAP benefits to associations and unit owners include:

- Convenience to associations that can obtain coverage for buildings without having to rely on the actions of individual unit owners.
- Cost savings to unit owners, because the RCBAP premium is proportionately lower cost than each unit owner's premium if individual policies are used to protect the building, in the absence of an RCBAP.
- RCBAP reduces complaints against associations.

### ***The General Property Policy Form***

The General Property Form is used to cover residential condominium buildings that are not eligible for coverage under the RCBAP, non-residential condominium buildings and other ownership types such as, cooperatives, non-fee interest timeshares (right-to-use timeshares).

The maximum amount of building coverage available under the GP is \$250,000 for residential buildings in regular program communities and \$100,000 in emergency program communities. Owners of timeshare buildings that are non-fee interest, such as right-to-use and owners of residential cooperative buildings, would utilize the GP Form up to the maximum available coverage limits. Cooperatives and timeshare buildings with 75% residential occupancy are defined as residential buildings under the NFIP.

## *Contents Coverage*

Owners of residential condominium units located on a regular program community can purchase contents coverage for their personal belongings. The maximum amount of contents coverage available is \$100,000 for residential buildings located in regular program communities and \$10,000 in emergency program communities.

Non-residential condominium associations can purchase building and commonly owned contents coverage in the name of the association under the General Policy Form up to \$500,000 for buildings and \$500,000 for contents.

Owners of non-residential condominium units, located in a regular program community, can purchase contents only coverage up to \$500,000 and can apply 10% of the contents coverage limit towards flood damage to interior walls, floors and ceilings. The 10% is not an additional amount and reduces the contents coverage.

## *The Dwelling Policy Form*

The Dwelling Policy Form **can** cover building elements within residential condominium units, improvements made by unit owners, flood loss assessments and personal property owned by the unit owner or only the personal property of unit owners.

The Dwelling Policy Form **can not** be used to meet coverage shortfalls in the RCBAP that apply to co-insurance and deductibles. Single unit coverage cannot exceed the \$250,000 building coverage limit that applies to single-family dwellings, in regular program communities, or the \$35,000 building coverage limit, in emergency program communities. In summary, the combined portion of the association's building coverage that pertains to a single unit and the building coverage purchased by the same unit owner to cover the building elements may not exceed the \$250,000 maximum in regular program communities or \$35,000 in the emergency program communities. Again, it is important that the unit owner obtains information about the association by-laws, and existing coverage, which would be primary. It is wise to seek the assistance of an agent who is familiar with the NFIP.

Coverage options for improvements within units made by residential unit owners:

- If the condominium unit owner purchases contents coverage under the coverage is also available for the interior walls, floor and ceiling, if not otherwise covered under the flood insurance policy purchased by the condo association, up to 10% of the contents limit. Use of the contents coverage for improvements is at the discretion of the unit owner and reduces the personal property limit.
- Owners of cooperative and timeshare units that are non-fee interest, right-to-use, where no deed is held by the unit owner, can purchase contents only coverage under the Dwelling Policy Form. If necessary, up to 10% of the contents coverage limit can be applied to improvements made by the unit owner. Use of the contents coverage for improvements within the unit is at the discretion of the unit owner and reduces the personal property limit.

Building losses are generally settled on the ACV basis under the NFIP. The RCBAP has its own loss settlement provision previously explained. Building coverage under the Dwelling Policy is settled on a replacement cost basis, meaning that it is not subject to a deduction for depreciation, only when it meets the requirement one and two below:

1. The Dwelling Policy "Building" coverage settlement on a Replacement Cost basis is applicable to a single family dwelling that is the principal residence, which means that, at the time of loss, the insured or spouse lived there for at least 80% of the 365 days prior. Or, the period of ownership if less than 365 days.

and

2. At the time of loss, the amount of insurance on the building is 80% or more of its full replacement cost immediately before the loss, or is the maximum amount of insurance available under the NFIP.

Contents coverage is always settled at ACV

Note: Coverage limits under the NFIP for buildings and contents can not exceed the insurable value of the building or contents, as with other lines of insurance.

### ***Examples of flood loss assessment against unit owners and settlement outcomes:***

#### Example A - no RCBAP

- If the unit owner purchases building coverage under the Dwelling Policy and there is no RCBAP the Dwelling Policy responds to assessments against unit owners for damages to common areas up to the dwelling limit.
- However, if there is damage to the building elements of the unit as well, the building coverage limit under the Dwelling Policy may not be exceeded by the combined settlement of unit building damages, which would apply first, and the loss assessment.

#### Example B - RCBAP insured to at least 80% of the building replacement cost

- If the unit owner purchases building coverage under the Dwelling Policy and if there is a RCBAP insured to at least 80% of the building replacement cost value, the loss assessment coverage under the Dwelling Policy form will pay that part of a loss that exceeds 80% of the association's building replacement cost.
- The loss assessment coverage under the Dwelling Policy will not cover the association's policy deductible purchased by the condominium association.
- If building elements within units have also been damaged, the dwelling policy pays to repair building elements after the RCBAP limits that apply to the unit have been exhausted. Again, coverage combinations cannot exceed total limit of \$250,000 per unit.

#### Example C –RCBAP insured to less than 80% of the building replacement

- If the unit owner purchases building coverage under the Dwelling Policy and there is a RCBAP that was insured to less than 80% of the building replacement cost value at the time of loss, the loss assessment coverage can not be used to reimburse the association for its coinsurance penalty.
- Loss assessment is only available to cover the building damages in excess of the 80% required amount at the time of loss. Meaning, the covered damages to the condominium association building must be greater than 80% of the building replacement cost at the time of loss before the loss assessment becomes available. Covered repairs to the unit, if applicable, would have priority over loss assessments under the Dwelling Policy.

Assistance in locating a local agent who is familiar with the NFIP can be obtained by calling (888) 435-6637.

All areas are susceptible to flooding, although to varying degrees, and as forests and meadows give way to roads, malls and subdivisions, flooding events are becoming more frequent and severe. In fact, 25% of NFIP flood claims are paid in the low-to-moderate risk areas, where flood insurance premiums are considerably lower. Therefore, the Mitigation Division, which administers the NFIP, recommends that all property owners protect their investments with flood insurance.

Property owners and association managers should always discuss their insurance needs with their agent and consider whether coverage needs may exceed lender requirements and the NFIP program limits.

For more detailed information about Condominium Coverage refer to the [Mandatory Purchase of Flood Insurance Guidelines](#).

**Property owners and association managers should always discuss their insurance needs with their insurance agent and consider whether coverage needs may exceed lender requirements and the NFIP program limits.**