

National Flood Insurance Program Overview



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Welcome!

- **Introductions**
- **Agenda**
 - **History of the NFIP**
 - **Insurance Basics**



National Flood Insurance Program

Created by Congress in 1968 as a way of reducing the financial and human toll of flooding disasters on the nation

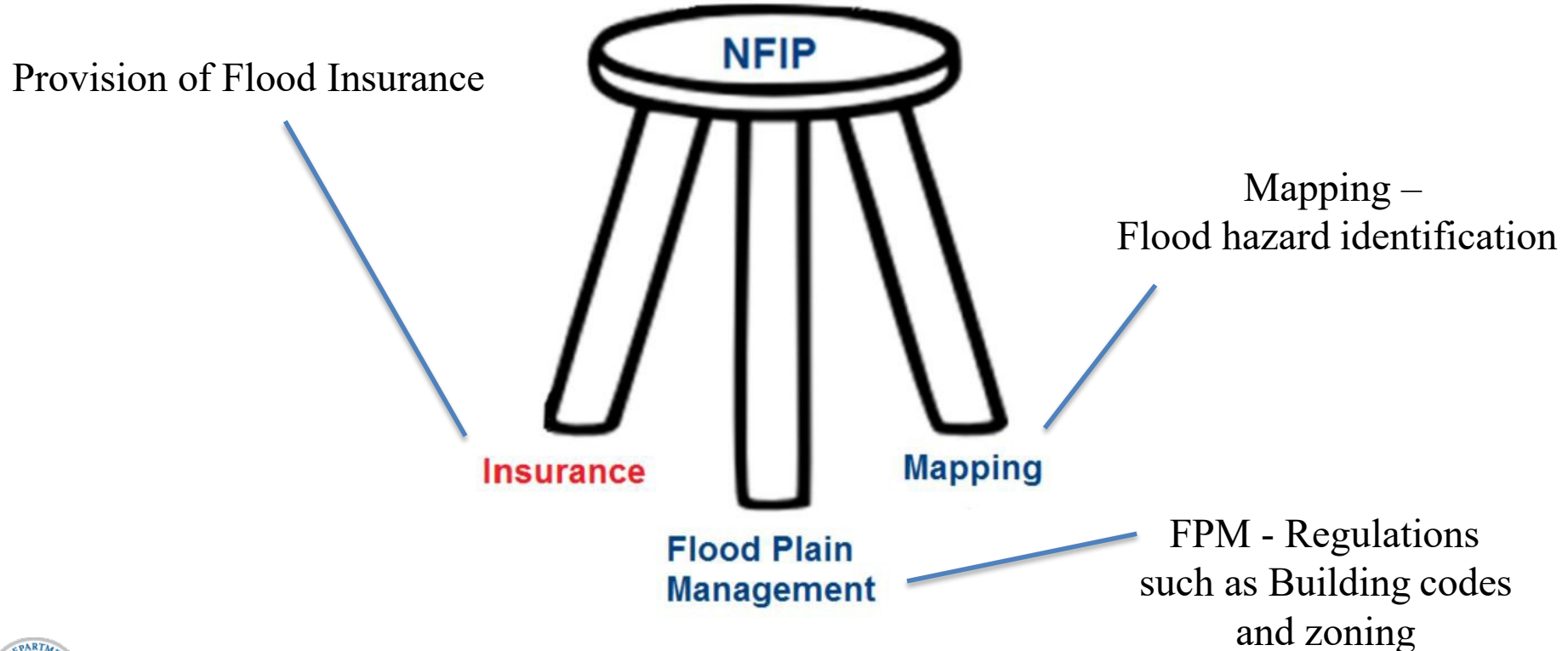
Primary purpose of the NFIP

- To provide flood insurance, generally unavailable in the private insurance market
- To accelerate recovery from flood damage
- To mitigate future flood losses through local floodplain regulation
- To reduce the personal and national costs of disaster



NFIP

The NFIP is a voluntary federal program enabling homeowners, renters, and businesses in participating communities to purchase insurance against flood losses in exchange for adopting and enforcing regulations that reduce future flood damages.



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NFIP

Legislative History



- National Flood Insurance Act of 1968
- Flood Disaster Protection Act of 1973
- National Flood Insurance Reform Act of 1994
- Flood Insurance Reform Act of 2004
- Biggert-Waters Flood Insurance Reform Act – July 6, 2012 (BW 12)
- Homeowner Flood Insurance Affordability Act – March 21, 2014 (HFIAA)



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INSURANCE BASICS



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Insurance Basics

- Insurer/carrier
- Agent / Broker
- Underwriter
- Policy Form
- Deductible
- Replacement Cost Value (RCV)
- Actual Cash Value (ACV)



How the NFIP is Delivered

Write Your Own (WYO)

- Financial Assistance/Subsidy Arrangement between insurance carrier and FEMA
- Private Insurance Companies can write and service NFIP policies in their own name/paper
- Service NFIP policies based on NFIP Guidelines

NFIP Direct Servicing Agent

- Insurance Agents write NFIP policies directly through FEMA
- Primarily for agents whose insurance company does not participate in the WYO
- NFIP policies issued based on NFIP Guidelines (same as WYO)



How the NFIP is Delivered

- Insurance agent/producer completes application
- Application and premium is submitted to WYO or NFIP Direct Servicing Agent (insurer)
- Insurer underwrites/review application
- Insurer issues policy declaration page
- Insurer reports policy and financial data to FEMA
- FEMA validates policy and financial data
- Insurer administers policy
 - Issues renewal notice
 - Process change/cancelations requests from agent/producer
 - Continues to report policy/financial data to FEMA



Insurance - Policy Waiting Period

- All newly written policies subject to 30-day waiting period
- Exceptions
 - Made in Connection with a Loan
 - Mapping Revisions (1 day/13 months)
 - Flooding Caused by Post-Wildfire Condition



Insurance- Coverage Limits

USE	Building	Contents
1-4 Dwelling Residential	\$250,000	\$100,000
5+ Dwelling Residential	\$500,000	\$100,000
Non-Residential	\$500,000	\$500,000
Condominium Buildings	\$250,000 x units	\$100,000

Deductibles:

- Separate deductible for building and contents
- Deductible options available – provides premium credit



Insurance – Items that Impact Premium

- Amount of Coverage
- Deductible
- Building Occupancy
- Foundation type
- Pre vs Post FIRM
- Flood Zone
- Elevation Difference
- Grandfathering
- Surcharges/Fees
 - HFIAA Surcharge
 - Federal Policy Fee
 - Probation Surcharge



MAP CHANGE RATING OPTIONS



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Map Change Scenarios

1. Newly mapped into a high risk area
2. Removed from the high risk area
3. Change in type of high risk area
4. Change in BFE
5. No change
6. Key is to Lock In at the lowest flood zone before the map change.



Grandfather Rules

Continuous Coverage
vs. Built-in Compliance

X



- Lock into the previous flood zone or base flood elevation



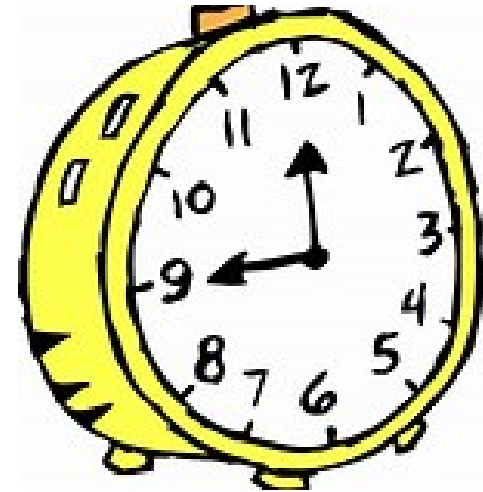
AE or VE



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“Lock” in Your Zone-RE-CAP

1. Which structures can benefit? All structures!
2. Purchase flood insurance BEFORE effective FIRM
3. Maintain continuous coverage
4. Policy can be assigned to a new owner
5. It’s just a matter of timing



Newly Mapped into a High-Risk Area

Flood zone D, B, C, X to A or V

Increased flood risk

Mandatory purchase applies

Newly Mapped Procedure



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Change in Type of High-Risk Area

Flood zone AE to VE

Changed risk

Mandatory purchase applies

Grandfathering

Continuous Coverage

Built in Compliance



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Change in Base Flood Elevation

Flood zone remains the same

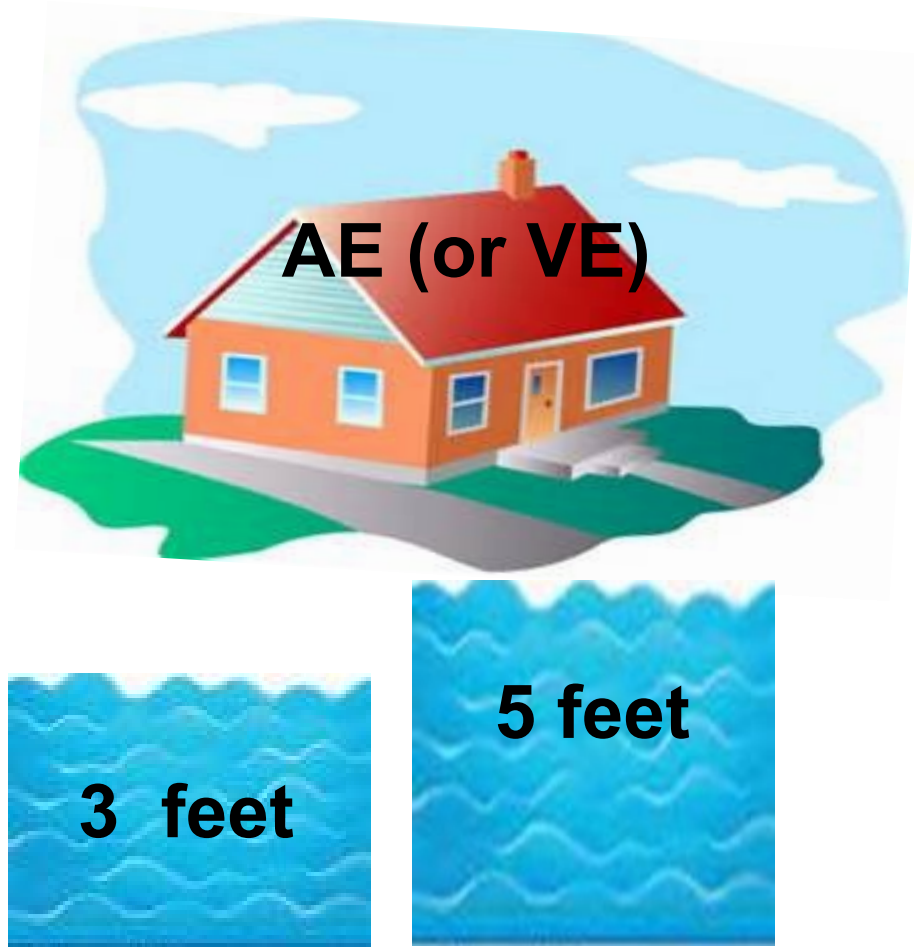
Increased/decreased flood risk

Mandatory purchase applies

Grandfathering

Continuous Coverage

Built In Compliance



Removed from the High-Risk Area

Flood zone A or V to B, C, X

Low risk does not mean no risk

Flood insurance optional, but recommended

Convert to the Preferred Risk Policy



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No Change

Flood zone remains the same

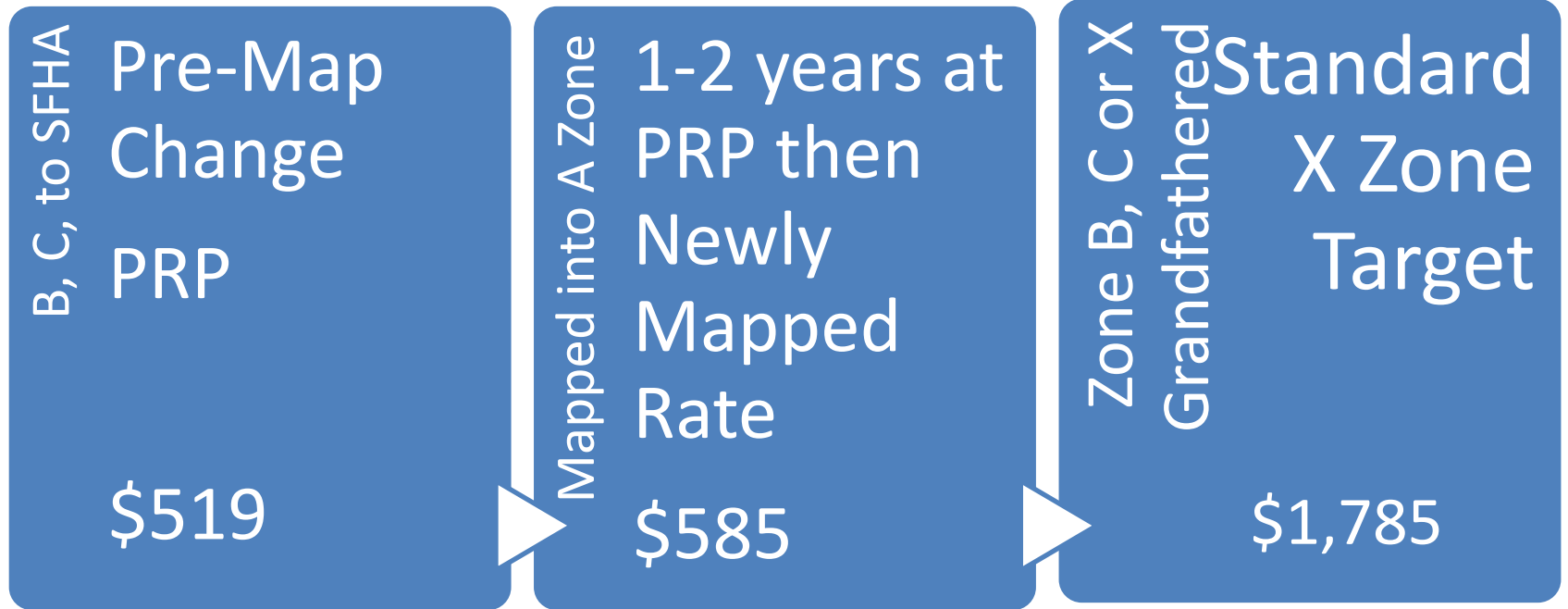
No change in flood risk

Review Coverage



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Insurance Progression



Standard Flood Insurance Policy (SFIP)



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Standard Flood Insurance Policy

- The Standard Flood Insurance Policy (SFIP), issued by the Federal Emergency Management Agency (FEMA), specifies the terms and conditions of the agreement of insurance between FEMA as the Insurer and the Named Insureds.
- One policy with 3 policy forms
 - Dwelling Form
 - General Property Form
 - Residential Condominium Building Association Policy



Standard Flood Insurance Policy

Flood, as used in the SFIP, means:

1. 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:
 - a. Overflow of inland or tidal waters;
 - b. Unusual and rapid accumulation or runoff of surface waters from any source;
 - c. Mudflow



SFIP- Coverages

Dwelling Form

- Issued to homeowner, unit owner, residential renter, or owner of residential building containing 1 to 4 units.
- Replacement Cost Value for building
 - Principal residence (lived in the home \geq 80% of the time), and
 - Insured to $>$ 80% of full replacement cost, or to max NFIP coverage limits
 - Otherwise ACV

General Property

- Issued to an owner of residential building with 5 or more units.
- Non-Residential building
- Building and Contents are ACV

RCBAP

- Issued to residential Condominium association on behalf of association and unit owners.
- For claim pay out, if the building is not insured for $>$ 80 percent of its replacement cost, a penalty will apply
- Eligible for Replacement Cost for building
- Contents – ACV



SFIP- Coverage and Exclusions

- **Coverages**

- Coverage A- Building
- Coverage B- Contents
- Coverage C- Loss Avoidance, Debris Removal
- Coverage D- ICC (Increased Cost of Compliance – ICC)

- **Exclusions**

- Additional Living Expenses (ALE)
- Economic Losses/ Business Interruption
- Earth Movement, land subsidence, gradual erosion
- Cost of Compliance, Other than Coverage D
- Water, moisture, mildew, or mold damage



SFIP- Coverage and Exclusions

- **Coverage Limitations**

- Basements and Enclosures
 - Coverage Limited to specific items listed on Policy form
- Detached Garages (Not occupied, 10% of coverage limit)

- **Property not covered**

- Personal property not inside fully enclosed building
- Vehicles licensed for street use
- Land, lawns, trees, shrubs, plants...
- Bills, coins, currency, deeds, medals, scrip, stored value cards, stamps, manuscripts...
- Underground structures and equipment, wells, septic tanks...
- Fences, retaining walls, piers, bridges, docks...
- Hot tubs, swimming pools (and their equipment; pumps, pipes...)



EFFECTIVE JANUARY 1, 2020
NEWLY MAPPED TABLE 3. COVERAGE LIMITS AND BASE PREMIUMS FOR PROPERTIES
NEWLY MAPPED INTO AN SFHA ON OR AFTER OCTOBER 1, 2008¹

1-4 FAMILY RESIDENTIAL BUILDING AND CONTENTS COVERAGE COMBINATIONS

WITH BASEMENT OR ENCLOSURE²			WITHOUT BASEMENT OR ENCLOSURE³		
BUILDING	CONTENTS	PREMIUM	BUILDING	CONTENTS	PREMIUM
\$ 20,000	\$ 8,000	\$144	\$ 20,000	\$ 8,000	\$113
\$ 30,000	\$ 12,000	\$181	\$ 30,000	\$ 12,000	\$150
\$ 50,000	\$ 20,000	\$242	\$ 50,000	\$ 20,000	\$211
\$ 75,000	\$ 30,000	\$291	\$ 75,000	\$ 30,000	\$255
\$100,000	\$ 40,000	\$322	\$100,000	\$ 40,000	\$288
\$125,000	\$ 50,000	\$341	\$125,000	\$ 50,000	\$305
\$150,000	\$ 60,000	\$362	\$150,000	\$ 60,000	\$328
\$200,000	\$ 80,000	\$404	\$200,000	\$ 80,000	\$362
\$250,000	\$100,000	\$436	\$250,000	\$100,000	\$389



Sample Premiums:

Single Family, 2 floors, no basement/no enclosure, Primary residence, lowest floor of structure is 1 foot above base flood elevation (elevation difference = +1)

Max Coverage of \$250,000 Building and \$100,000 Contents

Rates for Policies effective on or after April 1, 2018

Post-FIRM	Zone AE		Zone D		Zone A		Zone X		Zone VE	
Rates per \$100 of Coverage:										
Building-Basic	0.71	\$426	2.91	\$1,746	2.99	\$1,794	1.09	\$654	2.56	\$1,536
Building-Additional	0.08	\$152	0.28	\$532	0.20	\$380	0.30	\$570	2.56	\$4,864
Contents-Basic	0.38	\$95	1.33	\$333	1.33	\$333	1.67	\$418	1.71	\$428
Contents-Additional	0.12	\$90	0.22	\$165	0.11	\$83	0.53	\$398	1.71	\$1,283
Deductible Discount:	0.02	-\$15	0.02	-\$56	0.02	-\$52	0.02	-\$41	0.02	-\$162
Subtotal:		\$748		\$2,720		\$2,537		\$1,998		\$7,948
ICC Premium		\$5		\$5		\$5		\$5		\$15
CRS Discount		\$0		\$0		\$0		\$0		\$0
Premium Subtotal:		\$753		\$2,725		\$2,542		\$2,003		\$7,963
Reserve Fund Assessment		\$113		\$409		\$381		\$300		\$1,194
Total Premium:										
HFIAA Surcharge		\$25		\$25		\$25		\$25		\$25
Federal Policy Fee		\$50		\$50		\$50		\$50		\$50
Total Amount Due:		\$941		\$3,208		\$2,998		\$2,378		\$9,232
Standard Deductible Bldg/Contents	1250/1250		1250/1250		1250/1250		1250/1250		1250/1250	



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