Flood Insurance Training Course

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Section I Introduction

A. National Flood Insurance Program (NFIP) Background

Historically, people at risk from flooding could only hope for help from their neighbors and charitable organizations in the event of a flood. Government assistance varied from community to community, and flood insurance was scarce. During the 1920s, the insurance industry concluded that flood insurance could not be a profitable venture because the only people who would want flood coverage would be those who lived in floodplains.

Since they were sure to be flooded, the rates would be too high to attract customers. During the 1960s, Congress became concerned with problems related to the traditional methods of dealing with floods and flood damage- construction of structural projects and federal disaster assistance. Both were proving to be quite expensive, with no end in sight. Congress concluded that:

- Although Federal flood programs were funded by all taxpayers, they primarily helped only residents of floodplains.
- Flood protection structures were expensive and could not protect everyone.
- People continued to build and live in floodplains, thus still risking disaster.
- Disaster relief was both inadequate and expensive.
- The private insurance industry could not sell affordable flood insurance because only those at high risk would buy it.

In 1968, Congress passed the National Flood Insurance Act to correct some of the shortcomings of the traditional flood control and flood relief programs. The act created the National Flood Insurance Program (NFIP) to:

- Transfer the costs of private property flood losses from the taxpayers to floodplain property owners through flood insurance premiums.
- Provide floodplain residents and property owners with financial aid after floods, especially smaller floods that do not warrant federal disaster aid.
- Guide development away from flood hazard areas.
- Require that new and substantially improved buildings be constructed in ways that would minimize or prevent damage in a flood.

Congress charged the Federal Insurance Administration (which at that time was in the Department of Housing and Urban Development) with responsibility for the program. Participation in the NFIP grew slowly. In 1972, Hurricane Agnes devastated a wide area of the eastern United States. Disaster assistance costs were the highest ever, leading

Congress to examine why the NFIP was so little used. Investigators found that few communities had joined the NFIP- there were fewer than 100,000 flood insurance policies in force nationwide.

To remedy this, the Flood Disaster Protection Act was passed in 1973, requiring that buildings located in identified flood hazard areas have flood insurance coverage as a condition of federal aid or loans from federally-insured banks and savings and loans, and as a condition for receiving federal disaster assistance. These "sanctions" for non-participation, which are detailed later in this unit, make it hard for any community that wants federal assistance for properties in floodplains to avoid joining the NFIP. The 1973 Act spurred participation in the program dramatically. By the end of the decade, more than 15,000 communities had signed on and about two million flood insurance policies were in effect.

B. Community Participation

Nearly 20,000 communities across the United States and its territories participate in the NFIP by adopting and agreeing to enforce state and community floodplain management regulations to reduce future flood damage. In exchange, the NFIP makes federally backed flood insurance available to homeowners and other property owners in these communities. Homeowners with mortgages from federally regulated lenders on property in communities identified to be in special high-risk flood hazard areas are required to purchase flood insurance on their dwellings. Optional, lower-cost coverage is also available under the NFIP to protect homes in areas of low to moderate risk. To insure furniture and other personal property items against flood damage, homeowners must purchase separate NFIP personal property coverage. Although premium amounts vary according to the amount of coverage purchased and the location and characteristics of the property to be insured, the average yearly premium for a 1-year policy was $446, as of June 2005.

Communities (i.e., local governments) decide to participate in the NFIP, which enables property owners to purchase insurance protection against losses from flooding. Specifically, communities that agree to manage flood hazard areas by adopting minimum regulatory standards may participate in the NFIP. The NFIP regulations may be accessed through the Guidance Documents and Other Published Resources page on the Federal Emergency Management Agency (FEMA) Website.

If a community chooses not to participate in the NFIP, property owners in that jurisdiction are not able to purchase federally backed flood insurance. In addition, Federal grants, loans, disaster assistance, and Federal mortgage insurance are unavailable for the acquisition or construction of structures in the floodplain shown on the NFIP maps.
If a community chooses not to participate in the NFIP, property owners are not subject to the Federal flood insurance purchase requirements. However, a lender is still required to inspect the effective NFIP flood maps to determine and provide notice of

flood hazards and risks. A lender may require a borrower to obtain flood insurance even in the absence of a Federal requirement.

To determine the participation status of a particular community, interested parties can check with the floodplain administrator in that community or they can look up the community in the Community Status Book (CSB), which can be found online (http://www.fema.gov/fema/csb.shtm).

The CSB report lists all communities participating in the NFIP. The CSB includes status of communities, nonparticipating communities with maps, effective dates of the current map index, and Community Identification Numbers. Community participation in the NFIP is voluntary. Communities that join the NFIP agree to manage flood hazard areas by adopting the minimum regulatory standards of the NFIP. If a community chooses not to participate in the NFIP, property owners in that jurisdiction are unable to purchase Federal flood insurance. In addition, Federal grants, loans, disaster assistance, and Federal mortgage insurance are unavailable for the acquisition or construction of structures located in the floodplain as shown on the NFIP maps.

C. Emergency Program Defined

The "Emergency Flood Insurance Program" or "emergency program" means the Program as implemented on an emergency basis in accordance with section 1336 of the Act. It is intended as a program to provide a first layer amount of insurance on all insurable structures before the effective date of the initial FIRM.

D. Regular Program Defined

The "Regular Program" is also called the "Regular Phase." The phase of community participation in the National Flood Insurance Program that begins on the date of the Flood Insurance Rate Map (FIRM) or when the community adopts an ordinance that meets the minimum requirements of the NFIP and adopts the technical data provided with the FIRM, whichever is later. Nearly all communities participating in the NFIP are in the Regular Program. It is the Program as authorized by the National Flood Insurance Act under which risk premium rates are required for the first half of available coverage (also known as "first layer" coverage) for all new construction and substantial improvements started on or after the effective date of the FIRM, or after December 31, 1974, for FIRM's effective on or before that date. All buildings, the construction of which started before the effective date of the FIRM, or before January 1, 1975, for FIRMs effective before that date, are eligible for first layer coverage at either subsidized rates or risk premium rates, whichever are lower. Regardless of date of construction, risk premium rates are always required for the second layer coverage and such coverage is offered only after the Administrator has completed a risk study for the community.

E. THE COMMUNITY RATING SYSTEM

The Community Rating System (CRS) is a voluntary incentive program that recognizes and encourages community floodplain management activities that exceed the minimum

NFIP requirements. As a result, flood insurance premium rates are discounted to reflect the reduced flood risk resulting from the community actions. The CRS is a useful program for encouraging and recognizing broad based local flood hazard mitigation programs. The CRS provides a reduction in flood insurance premium rates for communities that implement activities above and beyond the minimum requirements of the NFIP. The CRS provides credits for a variety of community flood protection activities.

Benefits

The CRS offers some nonfinancial benefits. First, the community's flood program would receive recognition from a national evaluation program. Second, technical assistance in designing and implementing some activities is available at no charge from the Insurance Services Office (ISO). Third, the CRS keeps track of the community's floodplain management program. If future governing boards consider eliminating a flood-related program or reducing the regulatory requirements for new developments, it could affect the community's CRS status. This may give them second thoughts about reducing the community's flood protection efforts

A similar system used in fire insurance rating has had a strong impact on the level of support local governments give their fire protection programs. In other words, the CRS encourages communities to keep their flood programs going during times of drought and diminished interest.

Credit points earned, classification awarded, and premium reductions given for communities in the National Flood Insurance Program Community Rating System

Credit and Class		Premium Reduction	
Credit Points	Class	SFHA*	Non-SFHA**
4,500+	1	45%	5%
4,000 - 4,499	2	40%	5%
3,500 - 3,999	3	35%	5%
3,000 - 3,499	4	30%	5%
2,500 - 2,999	5	25%	5%
2,000 - 2,499	6	20%	5%
1,500 - 1,999	7	15%	5%
1,000 - 1,499	8	10%	5%
500 - 999	9	5%	5%
0 - 499	10	0	0
*Special Flood Hazard Area			
**Preferred Risk Policies are available only in B, C, and X Zones for properties that are shown to have a minimal risk of flood damage. The Preferred Risk Policy does not receive premium rate credits under the CRS because it already has a lower premium than other policies. Although they are in SFHAs, Zones AR and A99 are limited to a 5% discount. Premium reductions are subject to change.			

The National Flood Insurance Program's (NFIP) Community Rating System (CRS) was implemented in 1990 as a program for recognizing and encouraging community floodplain management activities that exceed the minimum NFIP standards. The

National Flood Insurance Reform Act of 1994 codified the Community Rating System in the NFIP. Under the CRS, flood insurance premium rates are adjusted to reflect the reduced flood risk resulting from community activities that meet the three goals of the CRS: (1) reduce flood losses; (2) facilitate accurate insurance rating; and (3) promote the awareness of flood insurance.

There are ten CRS classes: class 1 requires the most credit points and gives the largest premium reduction; class 10 receives no premium reduction. The CRS recognizes 18 creditable activities, organized under four categories numbered 300 through 600: Public Information, Mapping and Regulations, Flood Damage Reduction, and Flood Preparedness.

CRS Activities
The CRS has 18 floodplain management activities available for credit divided into four categories:

Public Information (Series 300)
This series credits programs that advise people about the flood hazard, flood insurance, and ways to reduce flood damage. These activities also provide data needed by insurance agents for accurate flood insurance rating. They generally serve all members of the community and work toward all three goals of the CRS.

Mapping and Regulations (Series 400)
This series credits programs that provide increased protection to new development. These activities include mapping areas not shown on the FIRM, preserving open space, enforcing higher regulatory standards, and managing stormwater. The credit is increased for growing communities. These activities work toward the first and second goals of the CRS, damage reduction and accurate insurance rating.

Flood Damage Reduction (Series 500)
This series credits programs for areas in which existing development is at risk. Credit is provided for a comprehensive floodplain management plan, relocating or retrofitting floodprone structures, and maintaining drainage systems. These activities work toward the first goal of the CRS, damage reduction.

Flood Preparedness (Series 600)
This series credits flood warning, levee safety, and dam safety programs. These activities work toward the first and third goals of the CRS, damage reduction and hazard awareness.

F. Eligible/Ineligible buildings

Not all building types are flood-coverage eligible. An eligible building is at minimum one with two or more outside rigid walls and a fully secured roof that is affixed to a permanent site. Buildings must resist flotation, collapse and lateral movements. At least

51 percent of the actual cash value of buildings, including machinery and equipment, which are a part of the buildings, must be above ground level,

Examples of eligible risks are provided below.

A. Building Coverage

- Cooperative Building - Entire Building in Name of Cooperative (General Property Form) Cooperative buildings where at least 75% of the area of the building is used for residential purposes are considered as residential occupancies, and can be insured for a maximum building coverage of $250,000 in a Regular Program community under the General Property Form. Since they are *not* in the condominium form of ownership, they cannot be insured under the Residential Condominium Building Association Policy (RCBAP).
- Timeshare Building - Entire Building in Name of Corporation (General Property Form) Timeshare buildings *not* in the condominium form of ownership where at least 75% of the area of the building is used for residential purposes are considered as residential occupancies under the NFIP, and can be insured for a maximum building coverage of $250,000 under the General Property Form.
- Timeshare buildings in the *condominium* form of ownership are eligible for coverage and must be insured under the RCBAP. These buildings are subject to the same eligibility, rating, and coverage requirements as other condominiums, including the requirement that 75% of the area of the building be used for residential purposes.

B. Contents Coverage

Parts and equipment as open stock - not part of specific vehicle or motorized equipment - are eligible for coverage.

C. Condominiums

Condominiums are covered under the RCBAP. More on this later.

Ineligible Property

An ineligible building would be one that is in violation of the floodplain management ordinances, new construction located in coastal barrier resource areas, buildings built over water, container-type buildings, or buildings that are partially underground. Insurance may be written only on a structure that has two or more outside rigid walls affixed to a permanent site with a fully secured roof.

A. Buildings

Coverage may not be available for buildings that are constructed or altered in such a way as to place them in violation of state or local floodplain management laws, regulations, or ordinances. Contents and personal property contained in these buildings are ineligible for coverage.

B. Container-Type Buildings

Gas and liquid tanks, chemical or reactor container tanks or enclosures, brick kilns, and similar units, and their contents are ineligible for coverage.

C. Buildings Entirely Over Water

Buildings newly constructed or substantially improved on or after October 1, 1982, and located entirely in, on, or over water or seaward of mean high tide are ineligible for coverage.

D. Buildings Partially Underground

If 50% or more of the building's actual cash value (ACV), including the machinery and equipment, which are part of the building, is below ground level, the building or units and their contents are ineligible for coverage unless the lowest level is at or above the Base Flood Elevation (BFE) and is below ground by reason of earth having been used as insulation material in conjunction with energy-efficient building techniques.

E. Basement/Elevated Building Enclosures

Certain specific property in basements and under elevated floors of buildings is excluded from coverage. See the Standard Flood Insurance Policy (SFIP) for specific information.

Ineligible Risk Examples

Some specific examples of ineligible risks are provided below. The insured's policy should be reviewed for a definitive listing of property not covered.

A. Building Coverage 1. Boat Repair Dock 2. Boat Storage Over Water 3. Boathouses (some exceptions) 4. Camper 5. Cooperative Unit within Cooperative Building 6. Decks (except for steps and landing; maximum landing area of 16 sq. ft.) 7. Drive-In Bank Teller Unit (located outside walls of building) 8. Fuel Pump 9. Gazebo (unless it qualifies as a building) 10. Greenhouse (unless it has at least 2 rigid walls and a roof) 11. Hot Tub or Spa (unless it is installed as a bathroom fixture) 12. Open Stadium 13. Pavilion (unless it qualifies as a building) 14. Pole Barn (unless it qualifies as a building) 15. Pumping Station (unless it qualifies as a building) 16. Storage Tank - Gasoline, water, chemicals, sugar, etc. 17. Swimming Pool Bubble	18. Swimming Pool (indoor or outdoor) 19. Tennis Bubble 20. Tent 21. Timeshare Unit within Multi-Unit Building 22. Travel Trailer (unless converted to a permanent onsite building meeting the community's floodplain management permit requirements) 23. Water Treatment Plant (unless at least 51% of its ACV is above ground) **B. Contents Coverage** 1. Automobiles - Including dealer's stock (assembled or not) 2. Bailee's Customer Goods - Including garment contractors, cleaners, shoe repair shops, processors of goods belonging to others, and similar risks 3. Contents Located in a Structure Not Eligible for Building Coverage 4. Contents Located in a Building Not Fully Walled and/or Contents Not Secured Against Flotation 5. Motorcycles - Including dealer's stock (assembled or not) 6. Motorized Equipment - Including dealer's stock (assembled or not)

G. Coastal Barrier Resources System and Other Protected Areas

The Coastal Barriers Resources Act of 1982 (COBRA) and later amendments, removed the Federal government from financial involvement associated with building and development in undeveloped portions of coastal areas (including the Great Lakes). These areas were mapped and designated as Coastal Barrier Resources System units or "otherwise protected areas." They are colloquially called ACOBRA zones.

Any Federal program which may have the effect of encouraging development on coastal barrier islands is restricted by COBRA. These include "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. For example, Federal disaster assistance is limited to emergency relief - there are no loans or grants to repair or rebuild buildings in COBRA zones. COBRA also banned the sale of NFIP flood insurance for structures built or substantially improved on or after a specified date. For the initial COBRA designations, this date is October 1, 1983. For all subsequent designations, this date is the date the COBRA zone was identified. COBRA Zones and their identification dates are shown in the legend of Flood Insurance Rate Maps.

If an owner of a building in a COBRA zone wanted to buy flood insurance, he or she would need a copy of the building permit showing that the building was properly built before the designation date and a signed statement from the floodplain ordinance administrator that it had not been substantially damaged or improved since then. The insurance agent would provide more information on the format for this documentation. The boundaries of the COBRA Zones cannot be revised through the Letter of Map Amendment or Revision process. They can only be revised by the following:

- Congressional action,
- Interpretation of boundaries by the U.S. Department of the Interior, Fish and Wildlife Service, or
- Cartographic modifications by FEMA to correct errors in the transcription of the Department of the Interior maps onto FIRMs.

If an NFIP policy is issued in error in a COBRA zone, it will be cancelled and the premium refunded. No claim can be paid, even if the mistake is not found until a claim is made. If a grandfathered building with flood insurance is substantially improved or substantially damaged, the policy will be cancelled. Banks can only make conventional loans on COBRA properties. They are hesitant to do so because conventional loans are often sold to the secondary loan market, and that transfer will require flood insurance. While they cannot require flood insurance on newer buildings in COBRA zones, lenders are required to notify borrowers of the flood hazard and the lack of disaster assistance. Many lenders are reluctant to lend without protecting their investment with flood insurance, and private flood insurance is not readily available.

H. Who Needs Flood Insurance?

Everyone needs flood insurance. That is the message that state and federal disaster recovery officials are sending. Officials are urging homeowners and renters to purchase flood insurance through the National Flood Insurance Program (NFIP).

Floods are caused by many events: storms, melting snow, or dam or levee failure. Everyone needs flood insurance. More than 90 per cent of all Presidentially-declared disasters include flooding.

Important features of the National Flood Insurance Program are:

- Everyone can, and should, have flood insurance. Even if the home is not in a designated flood zone, flood insurance can be purchased if the community participates in the NFIP. Any property can get flooded, and anyone can buy flood insurance.
- Flood damage is not covered by a standard homeowner's insurance policy. Home and contents can be protected with flood insurance. Coverage for up to $250,000 for the building and up to $100,000 for the contents is available.
- Contents coverage is separate. Contents coverage is not automatically included with a flood insurance policy. Renters also can insure their contents.
- Flood insurance pays even when no disaster is declared. Statistically, federal disaster declarations are issued in less than 50 percent of flooding incidents. An NFIP policy will pay for flood damage whether or not there is a federal disaster declaration.
- Flood insurance is affordable. The average flood insurance policy costs approximately $300 a year for about $100,000 of coverage.
- There is a 30-day waiting period before a flood insurance policy becomes effective. Flood coverage can be purchased at any time, but there is a 30-day waiting period after one has applied and paid the premium before the policy becomes effective.
- Flood insurance is available through insurance agents. NFIP flood insurance is sold through private insurance companies and agents, and is backed by the federal government.

i. Mandatory Purchase of Flood Insurance

The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 made the purchase of flood insurance mandatory for Federally backed mortgages on buildings located in Special Flood Hazard Areas (SFHAs). It also affects all forms of Federal or Federally related financial assistance for buildings located in SFHAs. The SFHA is the base (100-year) floodplain mapped on a Flood Insurance Rate Map (FIRM). It is shown as one or more zones that begin with the letter "A".

The requirement applies to secured mortgage loans from financial institutions, such as commercial lenders, savings and loan associations, savings banks, and credit unions that are regulated, supervised or insured by Federal agencies such as the Federal Deposit Insurance Corporation and the office of Thrift Supervision. It also applies to all mortgage loans purchased by Fannie Mae or Freddie Mac in the secondary mortgage market. Federal financial assistance programs affected by the laws include laws and grants from agencies such as the Department of Veterans Affairs, Farmers Home

Administration, Federal Housing Administration, Small Business Administration, and the Department of Homeland Security's FEMA.

How it Works: Lenders are required to complete a Standard Flood Hazard Determination form whenever they make, increase, extend, or renew a mortgage, home equity, home improvement, commercial, or farm credit loan to determine if the building or manufactured (mobile) home is in an SFHA. It is the Federal agency's or the lender's responsibility to check the current Flood Insurance Rate Map (FIRM) to determine if the building is in an SFHA. Copies of the FIRM are available for review in most local government building or planning departments. Lenders may also have copies or they may use a flood zone determination company to provide the Special Flood Hazard Determination Form (SFHD).

If the building is in an SFHA, the Federal agency or lender is required by law to require the recipient to purchase a flood insurance policy on the building. Federal regulations require building coverage equal to the amount of the loan (excluding appraised value of the land) or the maximum amount of insurance available from the NFIP, whichever is less. The maximum amount available for a single-family residence is $250,000. Government-sponsored enterprises, such as Freddie Mac and Fannie Mae, have stricter requirements. The mandatory purchase requirement does not affect loans or financial assistance for items that are not covered by a flood insurance policy, such as vehicles, business expenses, landscaping, and vacant lots. It does not affect loans for buildings that are not in an SFHA, even though a portion of the lot may be. While not mandated by law, a lender may require a flood insurance policy, as a condition of a loan, for a property in any zone on a FIRM.

ii. Recommended in Moderate and Low Flood Risk Zones

Residents who live in high-risk areas (or Special Flood Hazard Areas) are required to purchase flood insurance if they have a mortgage from a federally-regulated or insured lender. However, even if flood insurance is not required, it is still needed. Coverage is strongly recommended in moderate- to low- flood risk areas; 20-25 percent of all flood claims in the U.S. come from moderate- to low-risk areas. After the flood occurs, it is too late to act.

I. Why Flood Insurance is Better Than Disaster Assistance

Flood insurance will pay for a covered loss while counting on disaster assistance is playing the odds. Before most forms of Federal disaster assistance are offered, the President must declare a major disaster. The Federal Emergency Management Agency's Individual and Family Grant Program (for Personal Property) and Temporary Housing Program (for Home Repair and Rental Assistance) are available only if the President declares a major disaster and makes that assistance available Over 90% of all disasters do not receive the requisite Presidential declaration. The typical form of Federal disaster assistance is a loan that must be paid back with interest while the average Individual and Family Grant payment is less than $2,500. To qualify for Home Repair Assistance, a home must have relatively minor damage that can be repaired quickly. Disaster victims cannot qualify for Rental Assistance unless their homes have been destroyed or significantly damaged.

Section II Flood Maps and Zone Determinations

FEMA has prepared a floodplain map and developed flood hazard data for most communities in the country. The maps and data are used for several purposes:

- Communities, states and Federal agencies use them as the basis for the regulating new flood prone construction,
- Insurance agents use the when rating flood insurance policies, and
- Lenders and Federal agencies used them to determine when flood insurance must be purchased as a condition of a loan or financial assistance.

FEMA has issued two kinds of maps:

- The first map received for most communities was called a Flood Hazard Boundary Map (FHBM). This just showed the boundaries of the floodplain using approximate methods.
- Most communities have had their FHBMs replaced by a Flood Insurance Rate Map, or FIRM. A FIRM usually includes a Flood Insurance Study with flood elevations and other hazard information needed to better protect new construction from flood damage.

Buildings that pre-date the FIRM are treated differently than buildings built after the flood hazard was made public on the FIRM. These existing structures are called "pre-FIRM" buildings, while new construction is called "post-FIRM." The flood insurance rates for post-FIRM buildings are based on how protected they are from the mapped hazard. Therefore, both the NFIP's regulations and insurance coverage depend on the accuracy and utility of the maps.

Flood Hazard Boundary Map (FHBM)

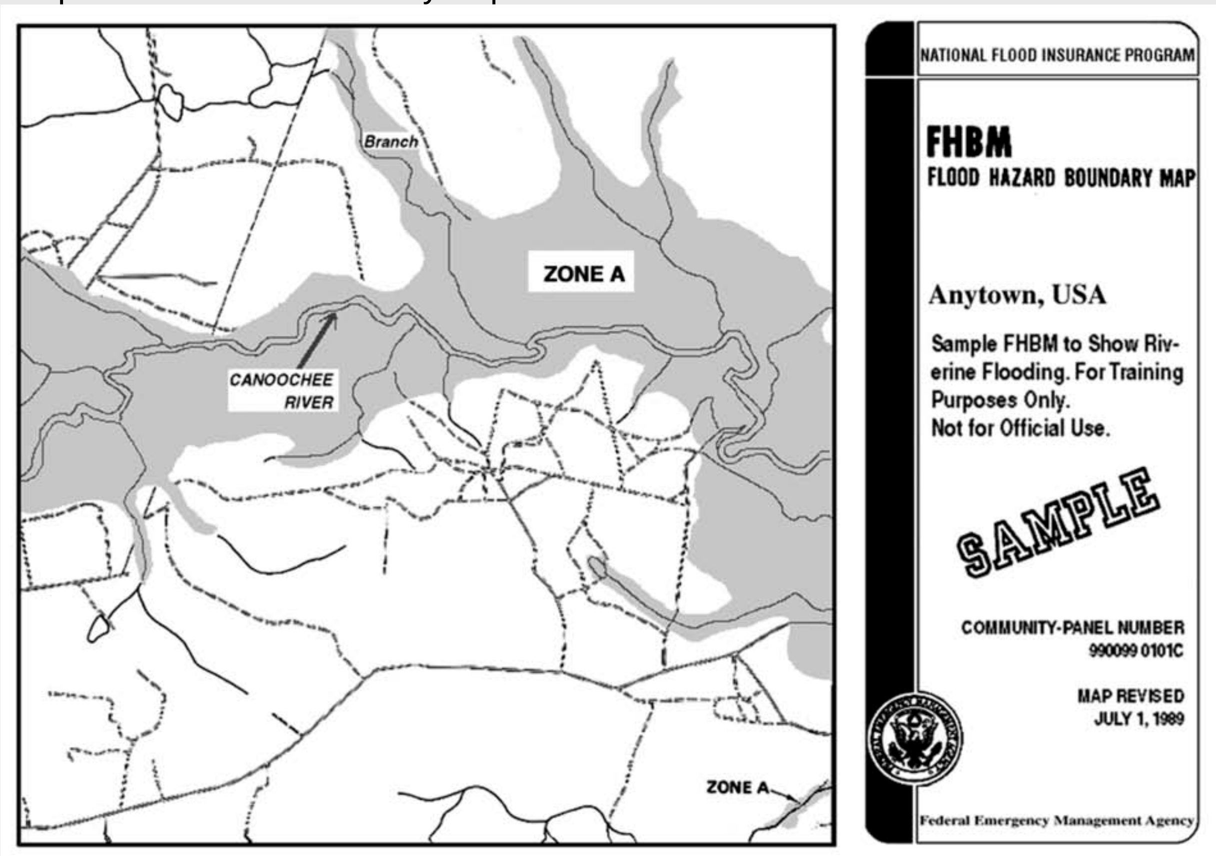
In keeping with the directive of the National Flood Insurance Act of 1968, initial flood study and mapping efforts of the NFIP were focused on identifying all flood prone areas within the United States. Flood data and floodplain information from many sources (such as soils mapping, actual high water profiles, aerial photographs of previous floods, topographic maps, etc.) were used to overlay the *approximate* outline of the base (100-year) floodplain for specific stream reaches on available community maps, usually U. S. Geological Survey topographic quadrangle maps.

These documents were referred to as Flood Hazard Boundary Maps and were based on approximate studies. Most communities used a Flood Hazard Boundary Map when they first joined the NFIP. As money was appropriated by Congress, FEMA performed more detailed studies for many communities, resulting in the publication of Flood Insurance Study (FIS) reports and Flood Insurance Rate Maps (FIRMs). These studies provide communities with data needed to adopt and implement more comprehensive floodplain management measures and to enter the Regular Phase of the NFIP. FISs, also referred to as detailed studies, were carried out for developed communities and for those areas experiencing rapid growth. FISs contain guidance on understanding the FIRM as well as information needed for new construction allowed in developing and developed areas.

A. FLOOD HAZARD BOUNDARY MAP (FHBM)

FHBMs were initially prepared to provide flood maps to many communities in a short period of time. They were made in the 1970s and early 1980s without benefit of detailed studies or hydraulic analyses for nearly all flood prone communities in the nation (over 21,000). They were intended for interim use in most communities until more detailed studies could be carried out. FHBMs are still being used where detailed Flood Insurance Studies have not been prepared or cannot be justified. They are to be used for floodplain management, in conjunction with other local studies and other available data. On the FHBM, the SFHA is designated as a shaded area labeled "Zone A," and no base flood elevations are given.

Sample Flood Hazard Boundary Map



In some cases, FEMA simply converted the FHBM to a FIRM by issuing a letter to the community stating that the FHBM shall be considered a FIRM. In those cases, the community was instructed to line out FHBM on the map's title box and write in FIRM.

B. Flood Insurance Rate Map (FIRM)

FLOOD INSURANCE RATE MAP (FIRM) - OLD FORMAT (PRE 1986)
The FIRM is used to generally determine:

- Whether a property is in the floodplain.
- The flood insurance zone that applies to the property.
- The approximate base flood elevation (BFE) at the site.

Date: Several dates may be listed in the FIRM legend, including:

- Initial Identification - date of the first Flood Hazard Boundary Map (FHBM).
- Any dates of revisions to the FHBM that have occurred since the initial identification.
- Flood Insurance Rate Map Effective - the date of the initial or first FIRM. This is the date used to determine whether a building is "pre-FIRM" or "post-FIRM."
- Flood Insurance Rate Map Revisions - dates of subsequent revisions to the FIRM.

The FIRM also will show:

- **Base (100-year) floodplain or SFHA:** Designated by the dark-shaded areas (Insurance Zones A, A1-A30, A99, AO, AH, AR, V, V1-V30). **500-year floodplain:** Designated by the lighter-shaded areas (Insurance Zone B).
- **Base Flood Elevation (BFE):** The water surface elevation of the base flood at that point of the stream is denoted in whole numbers by wavy lines running across the floodplain. Coastal Zones within the area of 100-year tidal flooding, as well as some AH Zones, may have BFE lines, and some lake AE Zones have the base flood elevation noted in parentheses beneath the zone designations.
- **Zone break line:** The thin white line separates flood insurance rate zones within the 100-year floodplain.
- **Approximate floodplain areas:** The 100-year floodplain areas are delineated using approximate methods. No BFEs are shown in approximate floodplain areas; these areas are classified as (unnumbered) A Zones.

i. Pre-FIRM/Post-Firm Defined

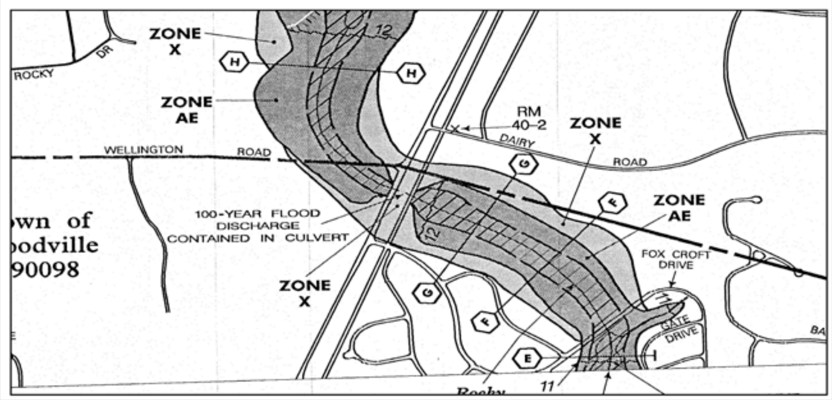
FLOOD BOUNDARY AND FLOODWAY MAP (FLOODWAY MAP) - OLD FORMAT (PRE 1986)
The Flood Boundary and Floodway Map is also known as the FBFM or, simply, the Floodway Map. The Floodway Map shows how the floodplain is divided into the floodway and flood fringe where streams are studied in detail. They also show general floodplain areas where floodplains have been studied by approximate methods.
Floodway Maps have these features:
Title block: Includes the community name, county name, panel number, community number, and the map date. The panel numbers may be different from the FIRM panel numbers.

- **Map scale:** The Floodway Map may have the same or a different scale than the FIRM for the same community.
- **Cross section line:** These lines represent the location of some of the surveyed cross sections used in the computer model of the stream for calculating 100-year

flood elevations. These cross sections can be used to relate a specific point on the Floodway Map to the flood profile and floodway data table.

- **Floodway:** The 100-year floodplain has been divided into two areas, the floodway and the flood fringe. The white area adjacent to and including the channel is the floodway. The shaded area is the fringe. One problem with this method of delineating floodways is that sometimes people confuse the white floodway with the white area representing land that is free from flooding. Also, because the floodway is mapped separately, often property owners, lenders, real estate agents, and others do not have easy access to the Floodway Maps and do not know of the severe flood hazard associated with the floodway. FISs published since 1986 have corrected this problem - they do not have separate FIRM and Floodway Maps. Floodways are delineated on the newer FIRMs as a diagonally hatched area

Newer Firm Map Example



Note that no BFEs or flood zone names are shown on the Floodway Map. The floodway is usually wider in flatter, wider floodplains and narrower in steeper areas where floodplains are narrower.

If a map panel area does not include any detailed study streams or floodways, a Floodway Map will not be printed; only a FIRM panel will be printed. Because coastal studies do not have floodways, all of the data needed are shown in the FIS report and on the FIRM.

Flood fringe: The fringe is shown as a shaded area outside of the floodway but still within the 100-year floodplain.

500-year floodplain: More lightly shaded areas adjacent to, but outside of, the 100-year floodplain delineate the 500-year floodplain for streams studied in detail.

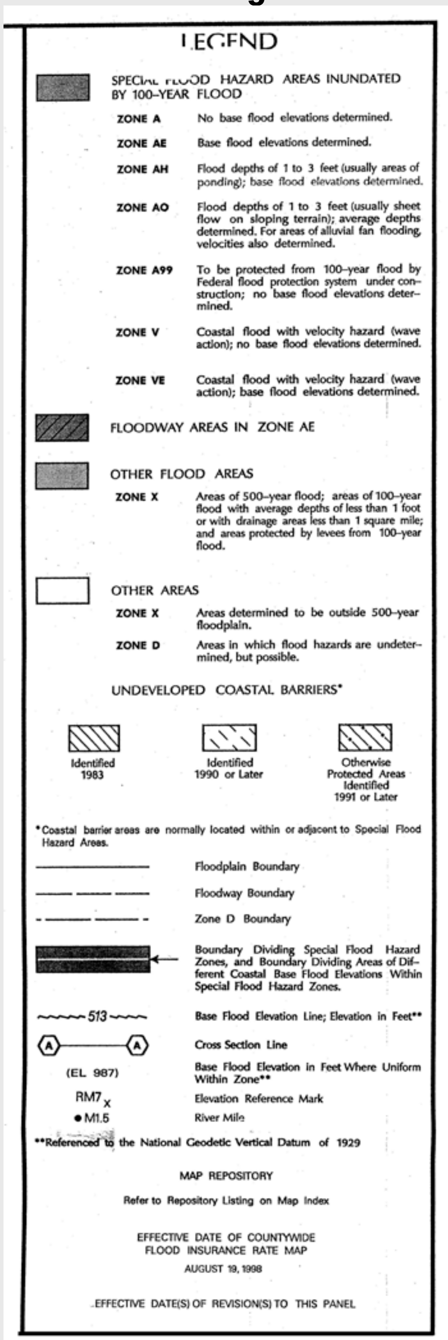
Approximate floodplain areas: The 100-year floodplain areas are determined using approximate methods. The boundaries of the approximate floodplain on the Floodway Map are shown as dashed lines.

FLOOD INSURANCE RATE MAP - NEW FORMAT (SINCE 1986)

Flood maps have been redesigned over the years since the first FISs were prepared in the late 1960s, making them easier to use. A new format for FIRMs was introduced in 1986 that includes:

- Floodways and other floodplain management information, such as cross sections, that were previously provided on separate Flood Boundary and Floodway Maps (Floodway Maps). (Except in a few instances, Floodway Maps are no longer being prepared.)
- Simplified flood insurance zone designations. The previous Zones A1-A30 and V1-V30 were replaced by the designations AE and VE; Zones B and C were replaced by Zone X. The 500-year floodplain is still shown as "shaded" portions of Zone X.

Newer FIRM Legend Formant



The nearby figure shows the legend for the new FIRM format. It is an example of a new format FIRM with a floodway. With these changes, the FIRMs are more easily used by community officials for floodplain management, by lenders to determine the need for flood insurance, by insurance agents to rate policy applications, and by land surveyors, engineers, property owners and others to determine flood hazards in a given location. The Flood County, USA and Incorporated Areas map uses the newer format.

ii. Special Flood Hazard Area Defined

Special Flood Hazard Area and Base Flood Elevation

The land area covered by the floodwaters of the base flood is the base floodplain. On NFIP maps, the base floodplain is called the Special Flood Hazard Area (SFHA). The SFHA is the area where the NFIP's floodplain management regulations must be enforced by the community as a condition of participation in the NFIP and the area where the mandatory flood insurance purchase requirement applies.

C. Base Flood Elevation

The computed elevation to which floodwater is anticipated to rise during the base flood is the Base Flood Elevation **(**BFE). The Base Flood Elevation is also known as the 100-year flood elevation. An Elevation Certificate (discussed later) documents the height of the lowest floor of an existing structure relative to the Base Flood Elevation of the property.

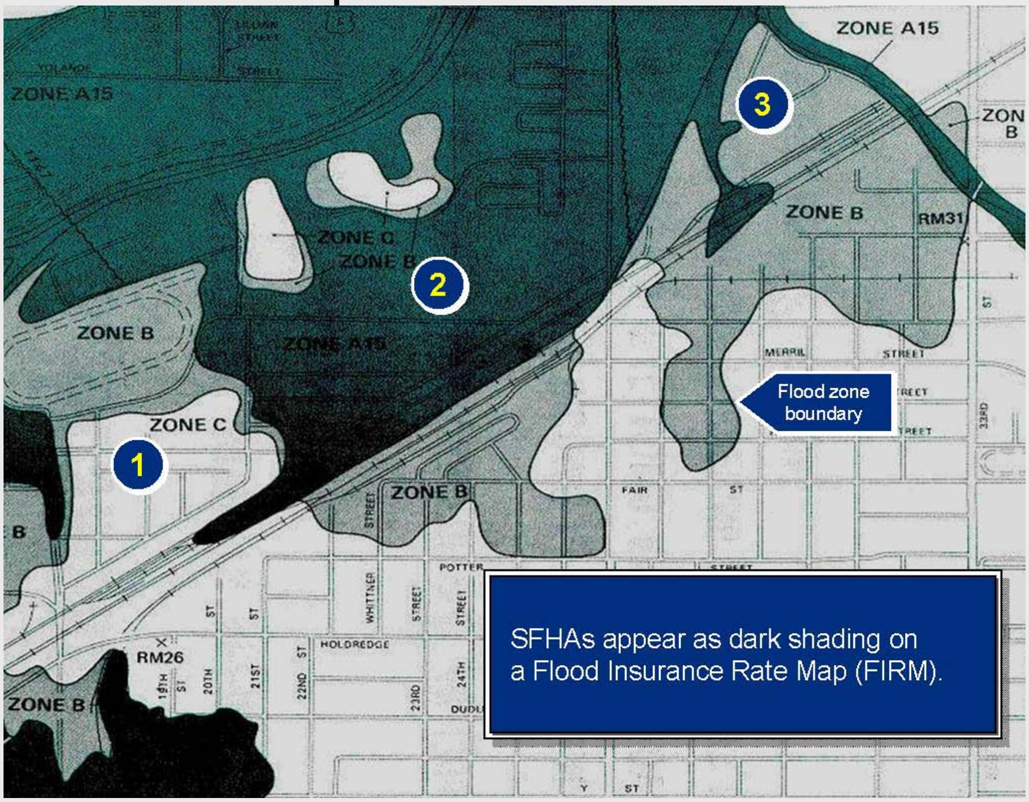
D. Zone Determination

Annexations. The FEMA Elevation Certificate form is self-explanatory. One problem arises when a community annexes or extends its planning or regulatory jurisdiction over Special Flood Hazard Areas for the unincorporated areas of a county or an adjacent community. Some communities enroll in the NFIP before a Flood Hazard Boundary Map or FIRM has been issued for them. Both situations lead to considerable confusion as to flood zone determination, as well as knowing which community number and panel numbers should be used on Elevation Certificates and other NFIP documents.

Flood zone determination: If the subject property is located within areas annexed from the county or within an area of extraterritorial planning jurisdiction, use the county flood maps to determine the appropriate flood zone.

Flood zone determination: If the subject property is located within areas annexed from the county or within an area of extraterritorial planning jurisdiction, use the county flood maps to determine the appropriate flood zone.

SFHAs on a FIRM Map



The Flood Insurance Rate Map (FIRM) and how it is used
A FIRM is a map created by the NFIP for floodplain management and insurance purposes. Digital versions of these maps are called DFIRMs.
A FIRM will generally show a community's base flood elevations, flood zones, and floodplain boundaries. A property owner/renter can use this map to get a reliable indication of in what flood zone their dwelling can be found. Maps are constantly being updated due to changes in geography, construction and mitigation activities, and meteorological events. For a truly accurate determination, interested parties should contact their insurance agent or company, or community floodplain manager.

https://msc.fema.gov/webapp/wcs/stores/servlet/info?storeId=10001&catalogId=10001&langId=-1&content=userHelp_realestate&title=Real Estate/Flood Determination Agents

How to Locate a Property

The map associated with a property may be found using the Map Search Feature in the Product Catalog. To access community-wide maps, use the latest available flood maps search method in the Product Catalog;
https://msc.fema.gov/webapp/wcs/stores/servlet/CategoryDisplay?catalogId=10001&storeId=10001&categoryId=12001&langId=-1&userType=G&type=1&dfirmCatId=12009

Looking for a LOMC
If the case number is known (LOMC, or Letters of Map Catalog) follow this link;
https://msc.fema.gov/webapp/wcs/stores/servlet/CategoryDisplay?catalogId=10001&storeId=10001&categoryId=12006&langId=-1&type=LOMC_CASEID&parentCategoryId=12006

If the case number is not known but the community for which the LOMC was issued is, use the Product Catalog to identify the case.

Seeking a community's participation status in the NFIP
This information is contained in the Community Status Book, which is published daily. To check the NFIP Community Status Book online (http://www.fema.gov/fema/csb.shtm).

How to make a FIRMette
Once the flood map of interest has been identified, a FIRMette may be created. For a tutorial, follow this link;
https://msc.fema.gov/webapp/wcs/stores/servlet/info?storeId=10001&catalogId=10001&langId=-1&content=firmetteHelp_2_1&title=STEP%202:%20Make%20the%20FIRMette&parent=firmetteHelp_0&parentTitle=FIRMette%20Tutorial

SFHDF

Agents may receive a copy of the Standard Flood Hazard Determination Form (SFHDF) from their insurance company, or the borrower may receive a copy from their lender.

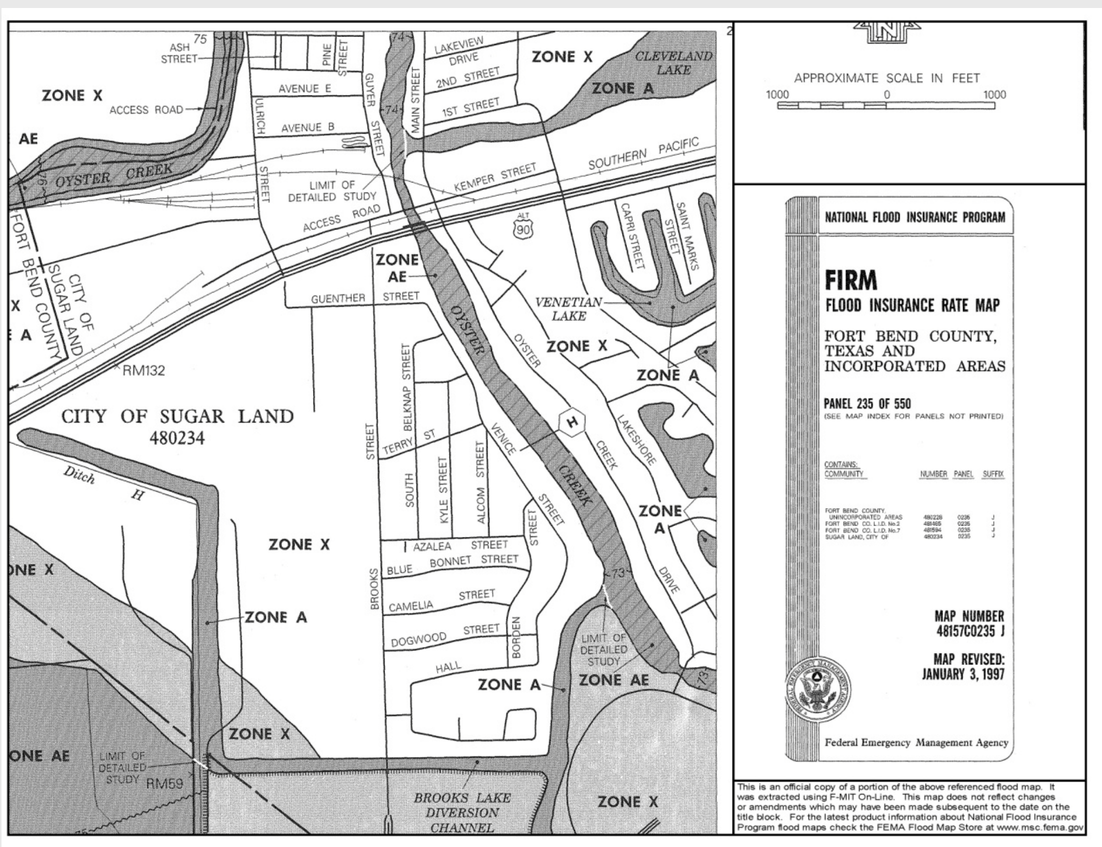
Flood zone determinations can be made by viewing the FIRMs. This can be done online, or, copies are usually maintained at the planning and zoning office where building permits are obtained. Some communities maintain elevation information for newer structures that is available to applicable property owners. For rating of Post-FIRM buildings in SFHAs, except in unnumbered A zones with an estimated BFE or in AO zones, the property owner will need to hire a surveyor, architect, or engineer to prepare an elevation certificate, if the elevation information is not otherwise available.

There is a five step process for making a flood zone determination by viewing the FIRM, which follows. Please note that the insurance company may provide flood zone determinations and premium rating software for their agents who write flood insurance.

Step One

Locate the correct map panel. To find the specific panel for the proper location, refer to the map index for the community. From the index, determine the format and the panel number.

FIRM Rate Map Panel



Step Two

Find the approximate location of the property on the panel.

Step Three

Determine the specific location of the building to be insured. Start with the flood map scale. Refer to a plat map of the property, a tax assessor's map, or the property description found on the deed to find the dimensions of the property. Convert the dimensions to inches, using the flood map scale and measurements on the map panel.

Step Four

Once the property location has been determined, identify the building location and look for the zone label. Zones are labeled on the map and are sometimes separated by white boundary lines. The building is located in an SFHA if the zone label begins with the letter A or V. These are the shaded area of the map.

Step Five

The final step is to identify the BFE at the property location. To find the BFE, refer to the BFE lines (or labels) shown on the map that are closest to the subject property. If a property is located between two flood elevation lines, the BFE may be estimated by interpolation.

Note: AO zones do not have BFE information. Unnumbered A zones may have estimated BFEs, but would not be provided on FIRMs.

Section III Policies and Products Available

A. Dwelling Policy - Types of Buildings Covered

The Dwelling Policy Form may be issued to homeowners, residential renters and condominium unit-owners, owners of residential buildings containing two to four units. In communities participating in the NFIP Regular Program or Emergency Program the dwelling policy provides building and/or contents coverage for:

- Detached, single-family, non-condominium residence with incidental occupancy limited to less than 50% of the total floor area;
- Two- to four- family, non-condominium building with incidental occupancy limited to less than 25% of the total floor area;
- Dwelling unit in residential condominium building;
- Residential townhouse/rowhouse
- Manufactured mobile homes

B. General Property Policy - Types of Buildings Covered

The General Property Policy Form may be issued to owners or lessees of non-residential buildings or units, or residential condominium buildings that are uninsurable under the RCBAP.

In communities participating in the NFIP Regular Program or Emergency Program the General Property Policy provides building and/or contents coverage for these and similar "other residential" risks:

• Hotel, motel, or rooming house; • Apartment building; • Residential cooperative building;	• Dormitory; • Assisted-living facility.

And non-residential risks:	
• Shop, restaurant, or other business; • Mercantile building; • Grain bin, silo, or other farm building; • Agricultural or industrial processing facility; • Factory; • Warehouse; • Pool house, clubhouse, or other recreational building; • House of worship; • School;	• Hotel or motel with normal guest occupancy of less than 6 months; • Licensed bed-and-breakfast inn; • Retail; • Nursing home; • Non-residential condominium; • Condominium building with less than 75% of its total floor area in residential use; • Detached garage; • Tool shed; • Stock, inventory, or other commercial contents.

C. Residential Condominium Building Association (RCBAP) Policy - Types of Buildings Covered

The Residential Condominium Building Association Policy (RCBAP) Form may be issued to condominium associations to insure eligible residential condominium buildings. In participating NFIP Regular Program communities only, condominium associations can purchase flood insurance coverage on a residential building and its contents under a RCBAP. The policy provides building coverage and, if desired, coverage of commonly owned contents for residential condominium building with 75% or more of its total floor area in residential use. In addition to providing coverage for residential condominium buildings without imposing the burden of purchasing individual policies for each unit, the RCBAP expands the eligibility requirements to include all types of residential condominium buildings owned by the association.

D. Preferred Risk Policy- Types of Buildings Covered

The Preferred Risk Policy (PRP) offers low-cost coverage to owners and tenants of eligible buildings located in the moderate-risk **B, C, and X Zones** in NFIP

Regular Program Communities.
The maximum one- to four-family residential coverage combination is $250,000 building and $100,000 contents. Up to $100,000 contents only coverage is available for other residential properties. The maximum non-residential coverage combination is $500,000 building and $500,000 contents. Only one building can be insured per policy, and only one policy can be written on each building.

ELIGIBILITY REQUIREMENTS

Flood Zone
To be eligible for building/contents coverage or contents-only coverage under the PRP, the building must be in a B, C, or X Zone **on the effective date of the policy**. The flood map available at the time of the renewal offer determines a building's continued eligibility for the PRP. NFIP map grandfathering rules do not apply to the PRP.

Occupancy
Combined building/contents amounts of insurance are available for owners of single-family, two- to four-family, and non-residential properties. Combined building and contents coverage is not available for other residential. Contents-only coverage is available for tenants and owners of all eligible occupancies, except when contents are located entirely in a basement.

Loss History
A building's eligibility for the PRP is based on the preceding requirements and on the building's flood loss history. If one of the following conditions exists, regardless of any change(s) in ownership of the building, then the building is **not eligible** for the PRP:
- Two flood insurance claim payments, each more than $1,000; or
- Three or more flood insurance claim payments, regardless of amount; or
- Two Federal flood disaster relief payments (including loans and grants), each more than $1,000; or
- Three Federal flood disaster relief payments (including loans and grants), regardless of amount; or
- One flood insurance claim payment and one Federal flood disaster relief payment (including loans and grants), each more than $1,000.

Exclusions
The PRP is **not available** in Special Flood Hazard Areas or in Emergency Program communities. Other residential properties are **not eligible** for building coverage. Contents located entirely in a basement are **not eligible** for contents-only coverage. However, contents located entirely in an enclosure are eligible

Definitions

i. Flood--
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 the policyholder's property) from:

- Overflow of inland or tidal waters; or
- Unusual and rapid accumulation or runoff of surface waters from any source; or Mudflow; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.

ii. Basement
This is any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.

ii. Enclosure
That portion of an elevated building below the lowest elevated floor that is either partially or fully shut in by rigid walls is an enclosure.

iii. Elevated Building
A building that has no basement and has its lowest elevated floor raised above the ground level by foundation walls, shear walls, posts, piers, pilings, or columns. Solid perimeter foundations walls are not an acceptable means of elevating buildings in V and VE zones. A 'V zone' is an area along coasts subject to inundation by the 1-percent-annual-chance flood event with additional hazards associated with storm-induced waves. **Zone VE** Zone VE is the flood insurance rate zone that corresponds to the 100-year coastal floodplains that have additional hazards associated with storm waves. Base Flood Elevations (BFEs) derived from the detailed hydraulic analyses are shown at selected intervals within this zone. Mandatory flood insurance purchase requirements apply.

F. Damages Not Covered
The following are not covered by the flood insurance policy;

- Damage caused by moisture, mildew, or mold that could have been avoided by the property owner.
- Currency, precious metals, and valuable papers such as stock certificates.
- Property and belongings outside of a building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs, and swimming pools.
- Living expenses such as temporary housing.
- Financial losses caused by business interruption or loss of use of insured property.
- Most self-propelled vehicles such as cars, including their parts.

Even if a general condition of flooding was the proximate cause of the loss, the following perils are among those for which damages are not covered by the Standard Flood Insurance Policy:

- Theft
- Fire
- Windstorm and wind
- Explosion
- Earthquake
- Gradual erosion or any other earth movement (except covered as defined by the policy)

i. Single-Peril Policy
The Standard Flood Insurance Policy (SFIP) is a single-peril (flood) policy that pays for direct physical damage to insured property. The Federal Government backs these single-peril policies covering only flood damage. Additional Living Expenses, Loss of Use, or Loss of Income coverage is not included under the SFIP.

ii. Mudslides vs. Mudflow
The FIA has interpreted the word "mudslide" to mean "mudflow." This means that coverage is provided in such an event only where there is actually a river, or flow, of liquid mud down a hillside, usually as a result of some dual condition of loss of brush cover and subsequent heavy rains. For example, a hillside is logged and generally cleared of the plant life that normally holds the hillside in place. When heavy rains follow, a mudslide may be the result. Mudslide occurrences are generally unforeseeable. They are less common than earth movement from landslide or erosion, and generally have characteristics markedly similar to those of a flood.

G. Property Covered

i. Basements
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.

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.

Basement improvements such as finished walls and floors, and personal belongings in a basement are not covered by flood insurance, structural elements and essential equipment within a basement are. The following items are covered under building coverage, as long as they are connected to a power source, if required, and installed in their functioning location:

- Sump pumps
- Well water tanks and pumps, cisterns, and the water in them
- Oil tanks and the oil in them, natural gas tanks and the gas in them
- Pumps and/or tanks used in conjunction with solar energy
- Furnaces, water heaters, air conditioners, and heat pumps
- Electrical junction and circuit breaker boxes and required utility connections
- Foundation elements
- Stairways, staircases, elevators, and dumbwaiters
- Unpainted drywall walls and ceilings, including fiberglass insulation
- Cleanup

ii. Appurtenant Structure

This is a structure which is on the same parcel of property as the principal structure to be insured and the use of which is incidental to the use of the principal structure.
The only appurtenant structure covered by the SFIP is a detached garage at the described location, which is covered under the Dwelling Form. Coverage is limited to no more than 10% of the limit of liability on the dwelling. Use of this insurance is at the policyholder's option but reduces the building limit of liability. Appurtenant structure coverage does not apply to any detached garage used or held for use for residential (dwelling), business, or farming purposes.

iii. Loss Avoidance Measures

Coverage for the two loss avoidance measures (sandbagging and relocation of property to protect it from flood or the imminent danger of flood) has been increased is included in the SFIP. Beginning in 2012, coverage is scheduled at $1,000 for each.

iv. Debris Removal

The policy pays for the expense to remove non-owned debris on or in insured property and owned debris anywhere. If the property owner or members of the household perform the removal work, the value of the work will be based on the Federal minimum wage. This coverage does not increase the Coverage **A** or Coverage **B** limit of liability.

v. Improvements and Betterments

Under the Dwelling Form and General Property Form, coverage for improvements and betterments is provided for tenants who have purchased personal property and/or building coverage.

1. Personal Property Coverage
   The maximum amount payable for this coverage, which applies to fixtures, alterations, installations, or additions in the dwelling or apartment in which the insured resides, made or acquired solely at the tenant's expense, is 10% of the personal

property limit of liability shown on the declarations page. Use of this tenant's coverage reduces the amount of insurance available for personal property.

2. Building Coverage
   A tenant may purchase higher limits of coverage for improvements and betterments under the building coverage if the lease agreement with the building owner:
   - Requires that the tenant purchase insurance coverage for the tenant's improvements and betterments that are made or acquired; *and*
   - States that the tenant is responsible for the repair of the building and/or improvements and betterments that become damaged.

NOTE: Duplicate coverage is not permitted under the NFIP, so only one policy can be issued for building coverage, and the amount of building coverage cannot exceed the maximum allowable under the Act. The policy may be issued either in the name of the building owner or in the names of the building owner and the tenant.

H. Property and Expenses Not Covered

The following is a partial list of building and personal property items that are excluded under all three policy forms:

- Fences, retaining walls, sera walls, bulkheads, wharves, piers, bridges & docks
- Building or units and all their contents if more than 49 percent of the actual cash value of the building or unit is below ground, unless the lowest level is at or able the Base Flood Elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques
- Land values, lawns, treed, shrubs, plants, growing crops or animals
- Underground structures and equipment, including wells, septic tanks, and septic systems
- Property in the open
- Walks, walkways, decks driveways, patios, and other surfaces located outside the perimeter, exterior walls or an insured building
- Self-propelled vehicles or machines, including their parts and equipment
- Recreational vehicles other than travel trailers described in the policy, whether affixed to a permanent foundation or on wheels
- Aircraft and watercraft, including their furnishing and equipment
- Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located

Insured should read the Flood Insurance Policy for more complete information

i. Decks

Decks (except for steps and landing; maximum landing area of 16 sq. ft.) are excluded from coverage. Stairways and staircases are covered if directly attached to the insured building.

ii. Finished Items in Basements

Contents and finished items in basements are excluded from coverage;
Contents such as furniture, clothing and finished materials used in basement area would be excluded from coverage.

iii. Property in Enclosures

Enclosures are enclosed walled in areas below the lowest floor of an elevated building. Enclosures below the BFE may only be used for building access, vehicle parking, and storage. Enclosed areas below the lowest floor must be adequately anchored, built using flood resistant building material, and any utilities or service facilities must be designed and/or located to prevent flood damage. Flood insurance coverage for enclosures below the BFE is very limited. enclosures below the BFE must be unfinished and used solely for parking, storage, or building access.

iv. Additional Living Expenses

The NFIP does not provide coverage for business interruption, extra expense or additional living expenses. However, if a business is large enough and can afford the additional premium, extra coverage - including higher policy limits - for flood losses can be purchased from a private insurance company.

I. Increased Cost of Compliance Coverage

Most NFIP policies include Increased Cost of Compliance (ICC) coverage, which applies when flood damages are severe. ICC coverage provides up to $30,000 of the cost to elevate, demolish, or relocate the home. If the community declares a home "substantially damaged" or "repetitively damaged" by a flood, it will require the homeowner to bring the home up to current community standards. The total amount of the building claim and ICC claim cannot exceed the maximum limit for Building Property coverage ($250,000 for a single-family home). Having an ICC claim does not affect a Personal Property claim (up to $100,000), which is paid separately.

To help homeowners meet the costs of complying with local floodplain management requirements, the National Flood Insurance Program includes Increased Cost of Compliance coverage in all new and renewed Standard Flood Insurance Policies. If the home or business is located in a special flood hazard area and becomes substantially damaged by any covered peril, the property owner may be required to meet certain building requirements designed to reduce future flood damage when the unit is rebuilt or repaired. Communities that participate in the National Flood Insurance Program (NFIP) agree to adopt and enforce a floodplain management ordinance to reduce or eliminate loss of life and property. When a community has determined that a structure within its jurisdiction and located in a special flood hazard area is substantially damaged, the community requires the property owner to obtain a special floodplain building permit prior to beginning the reconstruction process. The floodplain building permit outlines the requirements necessary to comply with a community's adopted and enforced floodplain management ordinance.

Amount of Coverage Available An additional benefit to flood insurance policyholders in high-risk areas is the possibility of receiving up to $30,000 to help pay the costs of bringing their home or business into compliance with their community's floodplain management ordinance.

Four Options There are four options one can choose to comply with a community's floodplain management ordinance and help reduce the risk for future flood damage. Property owners may want to speak with local officials who can help them decide which of these options is best.

1. **Elevation**. This raises the home or business to or above the flood elevation level adopted by the community.
2. **Relocation**. This moves the home or business out of harm's way.
3. **Demolition**. This tears down and removes flood-damaged buildings.
4. **Flood proofing**. This option is available primarily for non-residential buildings. It involves making a building watertight through a combination of adjustments or additions of features to the building that reduces the potential for flood damage.

Section IV General Rules

A. Statutory Coverage Limits

Coverage may be purchased subject to the maximum limits of coverage available under the NFIP Program phase in which the community is participating. The limits are set by law and the maximum limit is all that can be paid in a single claim.

B. Deductibles

Deductibles apply separately to building coverage and to contents coverage.

As shown below, the NFIP standard deductible is either $1,000 or $2,000. An optional deductible amount may be applied to policies insuring properties in either Emergency Program or Regular Program communities. Policyholders who wish to reduce their deductibles from the standard deductibles of $2,000 for Pre-FIRM SFHA risks may opt to purchase separate $1,000 deductibles for building and contents coverages, for an additional premium. Policyholders who wish to reduce their deductibles from the standard deductibles of $2,000 may opt to purchase separate $1,000 deductibles for building and contents coverages, for an additional premium. The deductible factors provided in Flood Insurance Manual (Table 8B) must be used to calculate the deductible surcharge.

Coverage Limits Available	Eligible Properties
1-4 Family Dwelling: Building Coverage: $250,000 Contents Coverage: $100,000 **Commercial (including small business):** Building Coverage: $500,000 Contents Coverage: $500,000 **Other Residential:** Building Coverage: $250,000 Contents Coverage: $100,000 **Residential Condominium:** Building Coverage: $250,000* Contents Coverage: $100,000* (*Coverage amount multiplied by number of units)	**Residential** 1-4 family dwellings Owner or tenant occupied dwellings Seasonal or vacant dwellings Real Estate Owned Property (REO) Condominiums Mobile homes (subject to community tie-down requirements) **Commercial** Occupied or vacant commercial buildings Commercial Real Estate Owned (REO) Residential dwellings of more than four families Apartment buildings, office buildings, farms, and other commercial properties

i. Standard Deductibles

The Standard Deductible is $2,000 for a residential condominium building, located in a Regular Program community in SFHAs, i.e., zones A, AO, AH, A1-A30, AE, AR, AR dual zones (AR/AE, AR/AH, AR/AO, AR/A1-A30, AR/A), V, V1-V30, or VE, where the rates available for buildings built before the effective date of the initial Flood Insurance Rate Map (FIRM), Pre-FIRM rates, are used to compute the premium. For all policies rated other than those described above, e.g., those rated as Post-FIRM and those rated in zones A99, B, C, D, or X, the Standard Deductible is $1,000. When a mortgagee is listed on the policy, their written consent must be secured before requesting a deductible higher than the applicable standard deductible.

STANDARD DEDUCTIBLES

EMERGENCY PROGRAM	REGULAR PROGRAM			
	Flood Zone	**Pre-FIRM**	**Pre-FIRM with Optional Post-FIRM Elevation Rating**	**Post-FIRM**
$2,000	B, C, X, A99, D	$1,000	Xx	$1,000
	A, AO, AH, A1-A30, AE, V1-V30, VE, V, AR, AR/AE, AR/AH, AR/AO, AR/A1-A30, AR/A	$2,000	$1,000	$1,000

ii. Apply Separately for Building and Contents

The standard deductible is applied separately for building and contents.

C. Property Value Determination for Selecting Coverage Amount

Agents should advise clients to purchase sufficient insurance to cover full replacement cost of the structure and contents. Values should not include the cost of foundations, piers or structures below the basement floor. Agents should follow the same general business practice in calculating the flood insurance coverage amount on a building as they do in calculating hazard insurance amounts. The cost of building foundations and supporting structures should be included; as such areas of buildings are highly susceptible to flood damage. FEMA encourages agents/companies to insure buildings to their full insurable value and ensure coverage amounts continue to reflect the replacement cost value of buildings over time. NFIP policies are not automatically increased to keep pace with increasing construction costs.

Lender requirements, typically to cover mortgage loan balances, drive flood insurance purchases for buildings securing loans in high flood risk areas. Federally regulated lenders are obligated to require that "at minimum" loan balance, up to the NFIP program limits, is protected. Lenders may, of their own accord, require buildings protected to their full insurable value, if such rights were reserved in mortgage documents. Agents should help borrowers identify their financial interests, which may exceed mortgage balances, and ensure that buildings are protected for the benefit of the mortgage company and also the property owner. Personal property coverage should also be offered.

D. Loss Settlement

When the insured submits a claim to the insurer because of damage or other occurrences, the parties to the insuring agreement refer to the terms in the loss settlement clause of the contract. The loss settlement element of the contract addresses how losses are to be adjusted under the policy. The Loss Settlement provisions found in the flood insurance policy follow.

i. Actual Cash Value (ACV)

The cost to replace an insured item of property at the time of loss, less the value of physical depreciation is the Actual Cash Value (ACV).

Actual Cash Value (ACV) is Replacement Cost Value at the time of loss, less the value of its physical depreciation. Some building items such as carpeting are always adjusted on an ACV basis. For example, wall-to-wall carpeting could lose between 10-14 percent of its value each year, depending on the quality of the carpeting. This depreciation would be factored in the adjustment. Personal property is always valued at ACV.

ii. Replacement Cost Value (RCV)
Replacement Cost Value (RCV) is the cost to replace the insured item with an item of similar kind and quality. It applies (without depreciation) to that part of a building which has suffered flood damage. To be eligible, three conditions must be met:
1. The building must be a single-family dwelling, and
2. Be a principal residence, meaning the insured lives there at least 80 percent of the year, and
3. Building coverage is at least 80 percent of the full replacement cost of the building, or is the maximum available for the property under the NFIP.

iii. Co-insurance Penalty in RCBAP
Effective October 1, 1994, FEMA issued a new condominium master policy called a Residential Condominium Building Association Policy (RCBAP). If the amount of the policy is 80% or more of the replacement value of the building, no co-insurance deductible is required by the policy. An institution can rely on a RCBAP as the required amount of flood insurance to support the loan if the policy meets the 80% requirement. The amount of possible coverage available to a condominium association is $250,000 per unit multiplied by the total number of units. For instance, the maximum amount of coverage on a 50 unit condominium building would be $12,500,000 ($250,000 x 50). If the replacement value of the building was $10,000,000, the condominium association could purchase a policy of $8,000,000 (or more) and not be required to have a coinsurance payment in the event of a flood. This amount of insurance would meet the requirements of the final rule for any individual unit insurance requirement in the condominium.

The risk arises because the individual unit owner's dwelling policy may contain claim limitations that prevent the dwelling policy from covering the individual unit owner's share of the co-insurance penalty, which is triggered when the amount of insurance under the RCBAP is less than 80 percent of the building's replacement cost value at the time of loss. In addition, following a major flood loss, the insured unit owner may have to rely upon the condominium associations and other unit owners' financial ability to make the necessary repairs to common elements in the building, such as electricity, heating, plumbing, and elevators. It is incumbent on the lender to understand these limitations.

Coverage Limits for Condominiums

Residential Condominiums (RCBAP)	Commercial Condominium Structure
75% or more of square footage residential Association is named insured Insures all structure, including units $250,000 times the number of units	Less than 75% residential Association is named insured; incl all structure Maximum limit: $500,000

The unit owner purchases contents coverage and the condominium association is responsible for maintaining all forms of property insurance necessary to protect the common property against hazards to which that property is exposed.

E. Reduction and Reformation of Coverage

In the event that the premium payment received is not sufficient to purchase the amounts of insurance requested, the policy shall be deemed to provide only such insurance as can be purchased for the entire term of the policy for the amount of premium received. With two exceptions, where insufficient premium or incomplete rating information is discovered after a loss, the coverage amounts will be reduced if it is discovered that the premium was insufficient; if the amount of additional premium can be determined, the insured has 30 days to pay the additional premium. Only prospective premiums are to be charged. The time required to determine the additional premium must not delay the claim process.

The property must be insured using the correct SFIP form in order for these two exceptions to apply. The two exceptions apply only when, after a loss, it is discovered that the premium is insufficient to provide the coverage requested, or there is critical rating information missing that is necessary to properly rate the policy:
1. Any additional premium due will be calculated prospectively from the date of discovery; *and*
2. The automatic reduction in policy limits is effective the date of discovery.

This will provide policyholders with the originally requested limits at the time of a claim arising before the date of discovery without paying any additional premium. Policyholders will then have 30 days to pay the additional premium that is due for the remainder of the policy term, to restore the originally requested limits without a waiting period. If additional information is needed, policyholders will have 60 days to obtain the additional information, and then 30 days to pay the additional premium due for the remainder of the term, to restore the originally requested limits without a waiting period. In addition, payment of the claim will not be delayed because of additional information needed to calculate the correct payment.

If a claim occurs after the notice requesting additional information or additional premium due is sent to the policyholder, that claim cannot be processed with the originally requested amount of coverage limits until the information, if required, and the premium are received by the company within the required time. However, all claim payments will be based on the coverage limitations provided in accordance with the correct flood zone for the building location and not on the zone shown on the flood policy if it is in error. For example, if a policy for a Post-FIRM, elevated building is written incorrectly in a non-SFHA (e.g., Zone X), and at the time of the loss the property is determined to be located in an SFHA (e.g., Zone AE), then the claim is paid in accordance with the coverage limitations applicable to the SFHA

F. No Binders

A binder is an agreement executed by an agent or insurer putting insurance into force before the contract has been written or the premium paid. The NFIP does not recognize binders. A copy of the Flood Insurance Application and premium payment, or a copy of the declarations page, is sufficient evidence of proof of purchase for new policies.

G. One Building Per Policy- No Blanket Coverage

Blanket coverage means a single amount of insurance that covers either multiple types of property at a single location or one or more types of property at multiple locations. Blanket insurance is not permitted under the NFIP.

H. Building and Contents Coverage Purchased Separately

Contents coverage is not automatically included with the building coverage. If contents coverage is desired a specific amount must be named and a separate premium charged, but it doesn't need to be a separate policy. Contents coverage limits are $100,000 for residential policies and $500,000 for commercial policies.

I. Waiting Period/Effective Date of Policy

The time between the date of application and the policy effective date is the waiting period. There is a standard 30-day waiting period for new applications and for endorsements to increase coverage, with some exceptions. The exceptions are spelled out in the Flood Insurance Manual and a listing of some of them follows.

- <u>New Policy- Standard 30 Day Waiting Period</u>; The effective date of a new policy will be 12:01 a.m., local time, on the 30th calendar day after the application date and the presentment of premium. (*Example*: a policy applied for on May 3 will become effective 12:01 a.m., local time, on June 2.) The rules provided in subsection A. Receipt Date must be used.
- <u>New Policy - No Waiting Period (Loan Transaction)</u>; Flood insurance that is initially purchased in connection with the making, increasing, extending, or renewal of a loan shall be effective at the time of loan closing, provided that the policy is applied for at or before closing. Use the rules below to determine the effective date.
- Premium payment from the escrow account (lender's check), title company, or settlement attorney is considered made at closing if the check is received by the writing company within 30 days of the closing date (closing date plus 29 days) and the Application is dated on or before the closing date. If received after 30 days, the effective date is the receipt date regardless of the flood zone.
- If premium payment is from other than the escrow account (lender's check), title company, or settlement attorney, and the Application is dated on or before the loan closing date, the effective date is the closing date if the Application and premium are received within 10 days of the closing date (closing date plus nine days). If received after 10 days, the effective date is the receipt date regardless of the flood zone. (*Example*: presentment of premium and application date - April 3; refinancing - April 3 at 3:00 p.m.; policy effective date - April 3 at 3:00 p.m.) If a loss occurs during the first 30 days of the policy period, the insurer must obtain documentation, such as settlement papers, to verify the effective date of the policy before adjusting the loss.
- <u>New Policy - No Waiting Period (in connection with lender requirement)</u>; The 30-day waiting period does not apply when flood insurance is required as a result of a lender determining that a loan on a building in an SFHA that does not have flood

insurance coverage should be protected by flood insurance. The coverage is effective upon the completion of an Application and the presentment of premium. The rules provided in subsection A. Receipt Date must be used. Buildings currently located in an SFHA but grandfathered to a non-SFHA for rating are eligible for this exception to the standard 30-day waiting period. This rule also applies to buildings in SFHAs that are eligible for coverage under the 2-year PRP Eligibility Extension. (See the PRP section.) (*Example*: presentment of premium and application date - April 3; policy effective date - April 3.) If a loss occurs during the first 30 days of the policy period, the insurer must obtain a copy of the letter requiring mandatory purchase, to verify the effective date of the policy before adjusting the loss. The letter must be dated on or before the policy effective date.

- New Policy - 1-Day Waiting Period (Map Revision); Flood insurance initially purchased during the 13-month period beginning on the effective date of a map revision shall be effective 12:01 a.m., local time, the day after the date of application and the presentment of premium. The rules provided in subsection A. Receipt Date must be used. The 1 day waiting period rule applies only where the FHBM or FIRM is revised to show the building to be in an SFHA when it had not been in an SFHA. (*Example*: FIRM revised - January 1, 2009; policy applied for and presentment of premium - August 3, 2009; policy effective date - August 4, 2009.) The 1-day waiting period rule applies for all buildings, including those owned by condominium associations. If a loss occurs during the first 30 days of the policy period, the insurer must obtain documentation, such as a copy of the previous and current map or other documentation confirming the map revision or update, to verify the effective date of the policy before adjusting the loss. The 1-day waiting period applies only to the initial purchase of flood insurance, which includes coverage already in effect on the map revision date. The 1-day waiting period rule does not apply to renewals or transfers of business effective after the initial purchase of flood insurance.
- <u>New Policy - No Waiting Period (in connection with the purchase of an RCBAP)</u>; When a condominium association is purchasing an RCBAP, the 30-day waiting period does not apply if the condominium association is required to obtain flood insurance as part of the security for a loan under the name of the condominium association. The coverage is effective upon completion of an Application and presentment of premium. The rules provided in subsection A. Receipt Date must be used unless the premium payment was made from the escrow account (lender's check), title company, or settlement attorney. If a loss occurs during the first 30 days of the policy period, the insurer must obtain documentation, such as settlement papers, to verify the effective date of the policy before adjusting the loss.

J. Policy Term

Policy term is one year for both NFIP Direct business policies and policies written through Write Your Own (WYO) Companies. The Standard Flood Insurance Policy (SFIP) is not a continuous policy. Each policy contract expires at 12:01 a.m. on the last day of the policy term. Renewal of an expiring policy establishes a new policy term and new contractual agreement between the policyholder and the Federal Emergency Management Agency (FEMA). The National Flood Insurance Program (NFIP) must issue a notice of expiration not less than 45 days before the expiration of the flood insurance policy by first-class mail to the owner of the property, the servicer of any loan secured by the property, and (if known) the owner of the loan. Any addition to a building during a policy term that changes the applicable rates must be endorsed to the policy. Any additional premium must be paid by the insured.

K. Cancellations

Flood insurance coverage may be terminated by either canceling or nullifying the policy, only in accordance with a valid reason for the transaction, as described in Paragraphs I.B.1-24. If coverage is terminated, the insured may be entitled to a full or partial refund under applicable rules and regulations. In some instances, the insured might be ineligible for a refund. To cancel a policy, insureds should submit a completed Cancellation/Nullification Request Form and proper documentation to their current National Flood Insurance Program (NFIP) insurer for processing. Here are Transaction Record Reporting and Processing (TRRP) reason codes for reporting purposes.

- Building Sold or Removed (TRRP Reason 01)
- Contents Sold or Removed (TRRP Reason 02)
- Policy Canceled and Rewritten to Establish a Common Expiration Date with Other Insurance Coverage (TRRP Reason 03)
- Duplicate NFIP Policies (TRRP Reason 04)
- Non-Payment (TRRP Reason 05)
- Risk Not Eligible for Coverage (TRRP Reason 06)
- Property Closing Did Not Occur (TRRP Reason 08)
- Policy Not Required by Mortgagee (TRRP Reason 50)
- Insurance No Longer Required by Mortgagee Because Property Is No Longer Located in a Special Flood Hazard Area Because of a Physical Map Revision (TRRP Reason 09)
- Condominium Policy (Unit or Association) Converting to RCBAP (TRRP Reason 45)
- Mortgage Paid Off (TRRP Reason 52)
- Voidance Prior to Effective Date (TRRP Reason 60)
- Insurance No Longer Required Based on FEMA Review of Lender's Special Flood Hazard Area Determination (TRRP Reason 16)
- Duplicate Policies from Sources Other Than the NFIP (TRRP Reason 17)
- Mortgage Paid Off on an MPPP Policy (TRRP Reason 52)
- Policy Was Written to the Wrong Facility (Severe Repetitive Loss Property) (TRRP Reason 21)
- Other: Continuous Lake Flooding or Closed Basin Lakes (TRRP Reason 10)
- Cancel/Rewrite Due to Misrating (TRRP Reason 22)
- Fraud (TRRP Reason 23)
- Cancel/Rewrite Due to Map Revision, LOMA, or LOMR (TRRP Reason 24)

Section V Rating

Generally accepted actuarial principles require at a minimum that a rating system provide protection against the economic uncertainty associated with chance occurrences by exchanging that uncertainty for a predetermined price. This price for insuring the uncertain event must:

- Protect the insurance system's financial soundness;
- Be fair, by allocating costs in proportion to risk; and
- Permit economic incentives to operate and thus encourage widespread availability of coverage.

For the purpose of setting prices, the grouping of risks with similar characteristics is a fundamental precept of a financially sound and equitable system. Because each property at risk is different, a rating system that attempts to identify and reflect in prices every risk characteristic is usually unworkable and costly. The basic features that must be present in sound risk groupings in order to meet the above criteria are that the system should:

- Reflect cost and experience differences on the basis of relevant risk characteristics;
- Be applied objectively and consistently;
- Be practical, cost-effective, and responsive to change;
- Minimize anti-selection; and
- Be acceptable to the public.

Also, in the case of flood insurance authorized under Public Law 90-448 (National Flood Insurance Act), the system of insurance and pricing must further the purposes of the Act, which include, among other things, to "(1) encourage State and local governments to make appropriate land use adjustments to constrict the development of land which is exposed to flood damage and minimize damage caused by flood losses, [and] (2) guide the development of proposed future construction, where practicable [emphasis added], away from locations which are threatened by flood hazards." In order to give practical meaning to these objectives, the standard of a 1% annual chance of flood is now used by virtually all Federal, State, and local agencies and participating communities in the administration of floodplain management programs. The risk of experiencing a flood of this magnitude or larger is one chance in four during a typical 30-year mortgage period. In terms of flood insurance, this standard yields reasonably priced insurance protection to the property owner.

The use of a lesser standard approximating pre-1969 building practices would expose future risks to a greater than 50% chance of being flood damaged during a 30-year mortgage period and result in insurance rates three to four times those reflecting the "1% annual chance of flood" standard. It was just this consideration of unaffordable full-risk (actuarial) premium rates that prompted Congress to "grandfather" existing construction at subsidized rates.

Subsidized Rates

Subsidized rates are countrywide rates by broad occupancy type classifications, which produce a premium income less than the expected expense and loss payments for the flood insurance policies issued on that basis. The difference between the full-risk premiums for these policyholders and the subsidized premiums they actually pay is revenue foregone by the National Flood Insurance Fund.

Pre-FIRM Subsidized Rates

FEMA has promulgated subsidized rates for use in two cases. The first case is for the Emergency Program (added to the NFIP in 1970). Subsidized rates are also used in the Regular Program on construction or substantial improvement started on or before either December 31, 1974, or the effective date of the initial FIRM, whichever is later (This additional "grandfathering" was added to the NFIP in 1973).

Actuarial Rates

Actuarial rates are promulgated by FEMA for use under the Regular Program (the phase of the National Flood Insurance Program that a community may enter after the initial publication of the FIRM). The actuarial rates are applied in the rating of Post-FIRM construction and second layer limits of insurance on all construction (e.g., in the case of 1- to 4-family residences including Pre-FIRM, amounts of insurance in excess of $35,000).

These rates are based on consideration of the risk involved and accepted actuarial principles. An overview of the actuarial rate calculations utilized in developing the indicated rates is beyond the scope of this book. It can be observed that any rate formula employed will follow in principle the "hydrologic method of estimating flood damage risk" first outlined in the 1966 U.S. Department of Housing and Urban Development (HUD) report *Insurance and Other Programs for Financial Assistance to Flood Victims.* This method is still the basis for FEMA's various Mitigation Grant programs and is used by the U.S. Army Corps of Engineers in evaluating their projects. The 1966 HUD report described the hydrologic method of ratemaking as a method that "uses available data on the occurrence of floods and damage, but is considerably more sophisticated than merely averaging losses over a period of time."

The NFIP's use of the hydrologic model to estimate loss exposure in flood-prone areas also incorporates other relevant factors, such as the building's location, construction, and elevation relative to expected flood levels.

There are a few risk zones (Zones B, C, D, AO, AH, X, unnumbered A, and unnumbered V) where costs to obtain the hydrologic and topographic information needed to develop flood magnitude and frequency relationships would be extremely high in relation to the floodplain management benefits. Average rates based on actuarial and engineering judgments and underwriting experience have been promulgated for these zones.

Flood Insurance Rate Maps delineate and provide information about a community's flood risk. Over time the flood risk in a community may change enough to warrant adoption of a new FIRM reflecting the updated risk. When this occurs structures are permitted to use "grandfathered" rates; that is, they may use the rate based on the most advantageous FIRM in effect since the building's construction, with certain additional requirements. A structure may always be rated based on the FIRM in effect at the time of construction. In order to take advantage of a FIRM effective after the construction date, the structure must maintain continuous coverage. This is achieved by defining actuarial risk classes to include not only those currently meeting the criteria for a certain risk class, but also those previously meeting the criteria. One of the most prominent forms of grandfathering is X Zone grandfathering for properties newly mapped into the SFHA. X Zone actuarial rates are adjusted to reflect the practice of grandfathering. One exception to the general practice of grandfathering is that structures may not use grandfathering to qualify for Preferred Risk Policy (PRP) rates.

The National Flood Insurance Act of 1968 separated the flood insurance ratemaking process into two distinct categories, namely, subsidized rates and actuarial rates.
The NFIP's Flood Insurance Manual contains information, including rate tables, required to accurately rate a National Flood Insurance Program (NFIP) flood insurance policy. Information and rates for the Preferred Risk Policy (PRP) and Residential Condominium Building Association Policy (RCBAP) are found in their respective sections. The detailed drawings, and accompanying text and tables, in the Lowest Floor Guide section are to be used as a guide for identifying the lowest floor for rating buildings. The guide will assist in developing the proper rate for the building.

Rating examples follow.

EXAMPLE 1

EMERGENCY PROGRAM, STANDARD DEDUCTIBLE

Data Essential to Determine Appropriate Rates and Premium:

Emergency Program:

• Flood Zone:	N/A
• Occupancy:	Single-Family Dwelling
• Number of Floors:	1
• Basement/Enclosure:	None
• Deductible:	\$2,000/\$2,000
• Deductible Factor:	1.000
• Contents Location:	Lowest Floor Above Ground Level
• Date of Construction:	Pre-FIRM
• Elevation Difference:	N/A
• Floodproofed (Yes/No):	No
• Building Coverage:	\$35,000
• Contents:	\$10,000
• ICC Premium:	N/A
• CRS Rating:	N/A
• CRS Discount:	N/A

Determined Rates:

Building: .76 Contents: .96

	BASIC LIMITS			ADDITIONAL LIMITS (REGULAR PROGRAM ONLY)			DEDUCTIBLE	BASIC AND ADDITIONAL	
COVERAGE	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	PREM. REDUCTION/ INCREASE	TOTAL AMOUNT OF INSURANCE	TOTAL PREMIUM
BUILDING	\$35,000	.76	\$266				\$0	\$35,000	\$266
CONTENTS	\$10,000	.96	\$ 96				\$0	\$10,000	\$ 96

RATE TYPE (ONE BUILDING PER POLICY – BLANKET COVERAGE **NOT** PERMITTED):

☐ MANUAL ☐ SUBMIT FOR RATING
☐ ALTERNATIVE ☐ V-ZONE RISK RATING FORM
☐ PROVISIONAL RATING ☐ LEASED FEDERAL PROPERTY
☐ MORTGAGE PORTFOLIO PROTECTION PROGRAM

PAYMENT OPTION:

☐ CREDIT CARD
☐ OTHER: ____________

THE ABOVE STATEMENTS ARE CORRECT TO THE BEST OF MY KNOWLEDGE. I UNDERSTAND THAT ANY FALSE STATEMENTS MAY BE PUNISHABLE BY FINE OR IMPRISONMENT UNDER APPLICABLE FEDERAL LAW.

SIGNATURE OF INSURANCE AGENT/BROKER ____________ DATE (MM/DD/YY) ____________

ANNUAL SUBTOTAL	\$362
ICC PREMIUM	–
SUBTOTAL	\$362
CRS PREMIUM DISCOUNT _____ %	–
SUBTOTAL	\$362
PROBATION SURCHARGE	–
FEDERAL POLICY FEE	\$ 40
TOTAL PREPAID AMOUNT	\$402

Premium Calculation:

1.	Multiply Rate × \$100 of Coverage:	Building: \$266 / Contents: \$96
2.	Apply Deductible Factor:	Building: 1.000 × \$266 = \$266 / Contents: 1.000 × \$96 = \$96
3.	Premium Reduction/Increase:	Building: \$0 / Contents: \$0
4.	Subtotal:	\$362
5.	Add ICC Premium:	N/A
6.	Subtract CRS Discount:	N/A
7.	Subtotal:	\$362
8.	Probation Surcharge:	N/A
9.	Add Federal Policy Fee:	\$40
10.	Total Prepaid Amount:	\$402

EXAMPLE 2

REGULAR PROGRAM, PRE-FIRM CONSTRUCTION, $2,000/$1,000 DEDUCTIBLE OPTION, ZONE B

Data Essential to Determine Appropriate Rates and Premium:

Regular Program:

- Flood Zone: B
- Occupancy: Single-Family Dwelling
- Number of Floors: 2
- Basement/Enclosure: None
- Deductible: $2,000/$1,000
- Deductible Factor: 0.95
- Contents Location: Lowest Floor Above Ground Level and Higher Floors
- Date of Construction: Pre-FIRM
- Elevation Difference: N/A
- Floodproofed (Yes/No): No
- Building Coverage: $150,000
- Contents Coverage: $60,000
- ICC Premium: $5
- CRS Rating: N/A
- CRS Discount: N/A

Determined Rates:

Building: .91/.24 Contents: 1.39/.43

COVERAGE	BASIC LIMITS			ADDITIONAL LIMITS (REGULAR PROGRAM ONLY)			DEDUCTIBLE	BASIC AND ADDITIONAL	TOTAL PREMIUM
	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	PREM. REDUCTION/ INCREASE	TOTAL AMOUNT OF INSURANCE	
BUILDING	$60,000	.91	$546	$90,000	.24	$216	-$38	$150,000	$ 724
CONTENTS	$25,000	1.39	$348	$35,000	.43	$151	-$25	$ 60,000	$ 474

RATE TYPE (ONE BUILDING PER POLICY — BLANKET COVERAGE **NOT** PERMITTED):
☐ MANUAL ☐ SUBMIT FOR RATING
☐ ALTERNATIVE ☐ V-ZONE RISK RATING FORM
☐ PROVISIONAL RATING ☐ LEASED FEDERAL PROPERTY
☐ MORTGAGE PORTFOLIO PROTECTION PROGRAM

PAYMENT OPTION:
☐ CREDIT CARD
☐ OTHER: ________

THE ABOVE STATEMENTS ARE CORRECT TO THE BEST OF MY KNOWLEDGE. I UNDERSTAND THAT ANY FALSE STATEMENTS MAY BE PUNISHABLE BY FINE OR IMPRISONMENT UNDER APPLICABLE FEDERAL LAW.

SIGNATURE OF INSURANCE AGENT/BROKER DATE (MM/DD/YY)

ANNUAL SUBTOTAL	$1,198
ICC PREMIUM	$ 5
SUBTOTAL	$1,203
CRS PREMIUM DISCOUNT _____ %	–
SUBTOTAL	$1,203
PROBATION SURCHARGE	–
FEDERAL POLICY FEE	$ 40
TOTAL PREPAID AMOUNT	$1,243

Premium Calculation:

1. Multiply Rate × $100 of Coverage: Building: $762 / Contents: $499
2. Apply Deductible Factor: Building: 0.95 × $762 = $724 / Contents: 0.95 × $499 = $474
3. Premium Decrease: Building: $762 – $724 = $38 / Contents: $499 – $474 = $25
4. Subtotal: $1,198
5. Add ICC Premium: $5
6. Subtract CRS Discount: N/A
7. Subtotal: $1,203
8. Probation Surcharge: N/A
9. Add Federal Policy Fee: $40
10. Total Prepaid Amount: $1,243

EXAMPLE 3

REGULAR PROGRAM, PRE-FIRM CONSTRUCTION, $1,000 DEDUCTIBLE OPTION (SURCHARGE), ZONE AE

Data Essential to Determine Appropriate Rates and Premium:

Regular Program:

- Flood Zone: AE
- Occupancy: Single-Family Dwelling
- Number of Floors: 2
- Basement/Enclosure: Enclosure
- Deductible: $1,000/$1,000
- Deductible Factor: 1.100
- Contents Location: Enclosure and Above
- Date of Construction: Pre-FIRM
- Elevation Difference: N/A
- Floodproofed (Yes/No): No
- Building Coverage: $150,000
- Contents Coverage: $60,000
- ICC Premium: $70
- CRS Rating: N/A
- CRS Discount: N/A

Determined Rates:

Building: .81/1.17 Contents: .96/1.18

	BASIC LIMITS			ADDITIONAL LIMITS (REGULAR PROGRAM ONLY)			DEDUCTIBLE	BASIC AND ADDITIONAL	
COVERAGE	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	PREM. REDUCTION/ INCREASE	TOTAL AMOUNT OF INSURANCE	TOTAL PREMIUM
BUILDING	$60,000	.81	$486	$90,000	1.17	$1,053	+$154	$150,000	$1,693
CONTENTS	$25,000	.96	$240	$35,000	1.18	$ 413	+$ 65	$ 60,000	$ 718

RATE TYPE (ONE BUILDING PER POLICY — BLANKET COVERAGE **NOT** PERMITTED):

- ☐ MANUAL
- ☐ SUBMIT FOR RATING
- ☐ ALTERNATIVE
- ☐ V-ZONE RISK RATING FORM
- ☐ PROVISIONAL RATING
- ☐ LEASED FEDERAL PROPERTY
- ☐ MORTGAGE PORTFOLIO PROTECTION PROGRAM

PAYMENT OPTION:

- ☐ CREDIT CARD
- ☐ OTHER: ____________

THE ABOVE STATEMENTS ARE CORRECT TO THE BEST OF MY KNOWLEDGE. I UNDERSTAND THAT ANY FALSE STATEMENTS MAY BE PUNISHABLE BY FINE OR IMPRISONMENT UNDER APPLICABLE FEDERAL LAW.

SIGNATURE OF INSURANCE AGENT/BROKER ____________ DATE (MM/DD/YY) ____________

ANNUAL SUBTOTAL	$2,411
ICC PREMIUM	$ 70
SUBTOTAL	$2,481
CRS PREMIUM DISCOUNT _____ %	–
SUBTOTAL	$2,481
PROBATION SURCHARGE	–
FEDERAL POLICY FEE	$ 40
TOTAL PREPAID AMOUNT	$2,521

Premium Calculation:

1.	Multiply Rate × $100 of Coverage:	Building: $1,539 / Contents: $653
2.	Apply Deductible Factor:	Building: 1.100 × $1,539 = $1,693 / Contents: 1.100 × $653 = $718
3.	Premium Increase:	Building: $1,693 – $1,539 = $154 / Contents: $718 – $653 = $65
4.	Subtotal:	$2,411
5.	Add ICC Premium:	$70
6.	Subtract CRS Discount:	N/A
7.	Subtotal:	$2,481
8.	Probation Surcharge:	N/A
9.	Add Federal Policy Fee:	$40
10.	Total Prepaid Amount:	$2,521

Important Points For Rating

A. **Basic Limits and Additional Limits** For rating purposes in the Regular Program, separate rates have been established for the Basic Limits and the Additional Limits.

B. **Whole Dollars** NFIP accepts premium only in whole dollars. If the discount for an optional deductible does not result in a whole-dollar premium, round up if 50¢ or more; round down if less. Always submit the gross premium.

C. **Increased Cost of Compliance (ICC) Premium** Total Prepaid Amount will include ICC Premium. The ICC Premium is not subject to deductible factors, but the CRS discount will apply.

D. **Federal Policy Fee** A Federal Policy Fee shall be charged for all new and renewal policies, including the PRP. This fee is fully earned on the effective date of the policy, except as indicated in the Cancellation/Nullification section. This fee is not subject to earned commissions and, as such, is not considered part of the Total Prepaid Premium. The Federal Policy Fee must, however, be added to the Total Prepaid Premium in order to figure the Total Prepaid Amount. Under the RCBAP, the Federal Policy Fee is based on the number of units. (See the Condominiums section.)

E. **Buildings in More Than 1 Flood Zone/BFE** Buildings, not the land, located in more than 1 zone/BFE must be rated using the more hazardous zone/BFE. This condition applies even though the portion of the building located in the more hazardous flood risk zone. BFE may not be covered under the SFIP, such as a deck attached to a building. (*Example:* The building must be rated using the more hazardous flood risk zone/BFE if any portion of the attached deck foundation extends into the more hazardous flood risk zone/BFE. If the attached deck overhangs the more hazardous flood risk zone/BFE, but its foundation system does not extend into more hazardous flood risk zone/BFE, then the building must be rated using the flood risk zone/ BFE where the building foundation is located.)

F. **Different BFEs Reported** When the BFE shown on a Flood Zone Determination is different than that shown on the Elevation Certificate, and the zone and the FIRM number (including panel number and suffix) are the same, the BFE shown on the Elevation Certificate must be used to rate the policy. In all cases, the zone and BFE must be from the FIRM in effect on the application date or renewal effective date, unless grandfathering.

G. **Flood Zone Discrepancies** When presented with 2 different flood zones, use the more hazardous flood zone for rating unless the building is eligible for grandfathering (see XIV.D. on pages RATE 21 - 22). The FIRM number (including panel number and suffix) and BFE must come from the same source as the zone used to rate the policy. NOTE: The NFIP rules allow the continued use of the flood zone and/or BFE that was in effect at the time of application or renewal even when a map revision that changes the zone and/or BFE occurs after the policy effective date.

H. **Mortgagee on Policy - Higher Deductible Requested** When a mortgagee is listed on the policy, their written consent should be secured before requesting a deductible higher than the applicable standard deductible.

A. Types of Buildings

If the community where the property is located is participating in the Community Rating System, the FEMA form must be used for new construction and substantial improvements to existing buildings. Insurance agents writing flood insurance policies also must use the form to properly rate many types of buildings.

For purposes of the NFIP, distinctions have been made among the following building types:

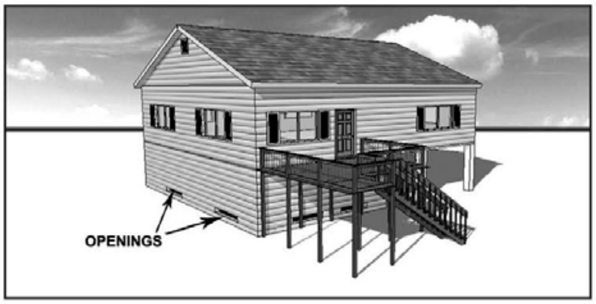
No basement - One floor - Split level - Two or more floors	• Unfinished basement - Split level - Two or more floors	• Finished basement - Split level - Two or more floors	• Manufactured (mobile) home, including doublewide, or travel trailer, on foundation	• Elevated building - No enclosure - With enclosure (including crawl space)

Note: For Post-FIRM buildings in V Zones, elevated on solid perimeter foundation walls, applications for coverage should be submitted to the NFIP Bureau's Underwriting Department for rating.

i. Elevated Buildings

Elevated building type example from the Flood Insurance Manual October, 2011.

ELEVATED BUILDINGS
PRE- AND POST-FIRM RISKS IN FLOOD ZONES B, C, X, A99, AND D



Building Description	1 floor with unfinished enclosed area
Elevating Foundation of Building	Piers, posts, piles, or columns
Type of Enclosure	Unfinished enclosure With proper openings[3]
Machinery or Equipment Servicing Building	With or without machinery or equipment below the lowest elevated floor
Lowest Floor for Rating	No Elevation Certificate required
Application Should Show	Building type — 1 floor Is building elevated? — Yes Is area below the elevated floor enclosed? — No
Pre-FIRM Rating	Use Pre-FIRM rate table ***No Basement/Enclosure*** category.
Post-FIRM Rating	Use Post-FIRM rate table ***No Basement/Enclosure*** category.

[1] LF — Lowest Floor
[2] BFE — Base Flood Elevation
[3] See page LFG 1 for explanation of proper openings
[4] HAG — Highest Adjacent Grade
[5] Pre-FIRM buildings may be rated using Post-FIRM rating if more favorable to the insured
[6] Non-elevated buildings with construction dates of October 1, 1981, and after are Submit-for-Rate

NOTE: *Above references may not apply to this page.*

Note: For policy rating and guidance use the simplified drawings and Elevated Building Drawings in the Flood Insurance Manual.

An elevated building is a building that has no basement and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns.

Elevated Buildings in A Zones
In an elevated building located in an A Zone (any flood zone beginning with the letter *A*), the lowest floor used for rating is the lowest elevated floor, with some exceptions. If a building located in an A Zone has an enclosure below the elevated floor, including an attached garage, the enclosure or garage floor becomes the lowest floor for rating if any of the following conditions exists:

- The enclosed space is finished (having more than 20 linear feet of interior finished wall [paneling, etc.]); or
- The unfinished enclosed space is used for other than building access (stairwells, elevators, etc.), parking, or storage; or
- The unfinished enclosed space has no proper openings (flood vents).

A garage attached to an elevated building is considered an enclosure.

Proper Opening Requirements
An elevated building with an enclosure or crawlspace below the elevated floor with proper flood openings (flood vents) in the enclosure or crawlspace can be rated using the elevated floor as the lowest floor. (For elevated buildings with proper flood openings in an unfinished enclosure or crawlspace, the Application should indicate "None" for enclosure.) This rule applies to buildings in zones A, A1-A30, AE, AO, AH, AR, and AR Dual.

Elevated Buildings in V Zones
In zones V, VE, and V1-V30, the floor of an enclosed area below the lowest elevated floor is the building's lowest floor if any of the following conditions exists:
- The enclosed space is finished (having more than 20 linear feet of interior finished wall [paneling, etc.]); *or*
- The unfinished enclosed space is used for other than building access (stairwells, elevators, etc.), parking, or storage; *or*
- The enclosed space is of any size, and there is machinery or equipment below the BFE located inside or outside the enclosed space. (Machinery or equipment is defined as building items permanently affixed to the building and that provide utility services for the building i.e., furnaces, water heaters, heat pumps, air conditioners, and elevators and their associated equipment. Washers, dryers, and food freezers are contents items and are not considered machinery or equipment.); *or*
- The enclosed space is constructed with nonbreakaway walls. (A non-breakaway wall is
- defined as a wall that is attached to the structural support of the building and is not designed or constructed to collapse under specific lateral loading forces. This type of construction endangers the foundation system of the building.); *or*
- The enclosed space is 300 square feet or more and has breakaway walls; *or*
- The enclosed space has load-bearing (supporting) walls.

If the enclosed space (enclosure) is at or above the BFE, use the "Free of Obstruction" rate table in the Rating or Condominiums section as appropriate. Also use these rates if an enclosure has solid load-bearing walls that provide less than 25% of the building's structural support. The elevation of the bottom enclosure floor is the lowest floor for rating (LFE).

Criteria for Elevation Certificate
The Elevation Certificate (EC) is used to properly rate buildings located in Special Flood Hazard Areas (SFHAs). Use the criteria below in determining whether use of the EC is mandatory or optional. Section D of the Elevation Certificate is signed and sealed by a land surveyor, engineer, or architect authorized by law to certify elevation information. An EC is required for a Post-FIRM building located in zones AE, A1-A30, VE, or V1-V30, or a Pre-FIRM building opting for Post-FIRM rates. An EC is also required for a Post-FIRM building located in Unnumbered A Zones (With or Without BFE) and Zones AH and AO. In Zone AO, a Letter of Compliance is acceptable in lieu of an EC. If the building is Post-FIRM construction located in an unnumbered A Zone, check with the community official to determine whether there is a BFE. If available, an EC that certifies the lowest floor elevation must be submitted.

Optional Rating Using the Elevation Certificate
Buildings located in AR and AR Dual Zones, or constructed prior to publication of the initial Flood Insurance Rate Map (Pre-FIRM), can, at the option of the insured, be elevation-rated using Post-FIRM rates. The insured may select the more advantageous rate.

Post-Firm Rating of Elevated Buildings in Zones B, C, X, A99, and D

Post-FIRM elevated buildings in the above zones with no enclosures beneath the lowest elevated floor are to be rated using the No Basement/Enclosure rates. Post-FIRM elevated buildings in the above zones with one or more enclosures beneath the lowest elevated floor are to be rated using the With Enclosure rates unless all enclosures are properly vented.

Pre-Firm Elevated Building Rated with Pre-Firm Rates

Pre-FIRM elevated buildings with no enclosures beneath the lowest elevated floor are to be rated using the No Basement rates. Pre-FIRM elevated buildings with one or more enclosures beneath the lowest elevated floor are to be rated using the With Enclosure or Elevated on Crawlspace rates as appropriate.

For an elevated building (building on posts, piles, or piers only) rated without an enclosure or obstruction, the zone V, V1-V30, and VE rates do not take into consideration the flood risk associated with any addition of a habitable area (finished or used as living or work area) below the lowest elevated floor. Further, rates do not allow for any flood risk to the machinery or equipment used to service the building located below the lowest elevated floor.

NOTE: A 1975-'81 elevated building with an unfinished enclosure under 300 square feet, with breakaway walls, and without machinery or equipment, can be rated without taking into account the enclosure, but an elevated Post-FIRM building constructed on or after October 1, 1981, cannot. For all Post-FIRM non-elevated buildings constructed on or after October 1, 1981, the Submit-for-Rate procedures should be followed.

ii. Buildings with Basements

Building Type

The NFIP bases its rates on the following building-type factors:
• **Number of floors**- Whether there is one floor or more than one floor.
• **Basement**- Whether there is a basement (i.e., any area having its floor below ground level on all sides).
• **Elevation, and enclosures below the BFE**- Whether the building is elevated (with or without an enclosure below the lowest elevated floor).
• **Manufactured housing**- Whether the building is a manufactured home on a permanent foundation.

NFIP insurance is generally more expensive for buildings with basements and for buildings with enclosures below the BFE.

Flood Insurance Zone

Zones V1-V30, A1-A30, B, and C were used on FIRMs until 1986. FIRMs published since then show VE, AE, and X zones.
Construction in B, C, and X zones is not subject to NFIP floodplain regulations. This summary does not discuss the flood insurance rating of buildings in these zones.
The zones are grouped as follows for rating purposes:

- **V zones (V, VE, and V1-V30)**- The zones closest to the water, subject to "coastal high hazard flooding" (i.e., flooding with wave heights greater than 3 feet). Insurance is most expensive in V zones because of the severity of the hazard. However, the zones are often not very wide, and most coastal buildings are located in A or X zones.
- **A zones (A, AE, AR, AO, and A1-A30)**- In coastal flood hazard areas where the wave heights are less than 3 feet.
- **B, C, and X zones**- The zones outside the 100-year floodplain or SFHA. Insurance is least expensive in these zones and generally not required by mortgage lenders.

FIRMs show areas designated as being within the Coastal Barrier Resources System or "otherwise protected areas." Flood insurance is available for buildings in these zones only if the buildings were walled and roofed before the CBRA designation date shown in the FIRM legend, and only if the community participates in the NFIP.

2. <u>Residential Buildings (With Basements)</u>- The Residential Basement Floodproofing Certificate is available for residential buildings with basements located in zones A1-A30, AE, AR, AR Dual, AO, AH, and A with BFE and located in a FEMA-approved community that is listed in the table below. To receive credit for floodproofing, the completed certificate must be submitted. The Residential Floodproofing Rating Credit may be grandfathered for those residential buildings with a valid Residential Basement Floodproofing Certificate that were constructed between the effective date and rescission date, but not on or after the rescission date.

3. Non-Residential Buildings- A completed Floodproofing Certificate for Non-Residential Structures is required for all such buildings in Regular Program communities, located in zones A1-A30, AE, AR, AR Dual, AO, AH, and A with BFE, in order to receive credit for floodproofing in lieu of elevation.

B. When to Use an Elevation Certificate

The Elevation Certificate (EC) is used to properly rate buildings located in Special Flood Hazard Areas (SFHAs). Use the criteria below in determining whether use of the EC is mandatory or optional.

A. Mandatory Use of Elevation Certificate- An EC is required for a Post-FIRM building located in zones AE, A1-A30, VE, or V1-V30, or a Pre-FIRM building opting for Post-FIRM rates (see "B." below). An EC is also required for a Post-FIRM building located in Unnumbered A Zones (With or Without BFE) and Zones AH and AO. In Zone AO, a Letter of Compliance is acceptable in lieu of an EC. If the building is Post-FIRM construction located in an unnumbered A Zone, check with the community official to determine whether there is a BFE. If available, an EC that certifies the lowest floor elevation must be submitted.

B. Optional Rating Using the Elevation Certificate Buildings located in AR and AR Dual Zones, or constructed prior to publication of the initial Flood Insurance Rate Map (Pre-FIRM), can, at the option of the insured, be elevation-rated using Post-FIRM rates. The insured may select the more advantageous rate.

C. Guidelines for Determining the Conversion from NGVD 1929 to NAVD 1988 NAVD 1988 is replacing NGVD 1929 as the national standard reference datum for elevations. To determine the conversion from NGVD to NAVD, contact the community official.

C. Grandfathering

Flood risks can change over time. Water flow and drainage patterns can change dramatically because of surface erosion, land use, and natural forces. Likewise, the ability of levees and dams to provide the necessary protection can change. As a result, the flood maps for those areas may no longer accurately portray the current flood risks. To reflect the most current flood risks, the Federal Emergency Management Agency (FEMA) is updating and modernizing the nation's flood maps using the latest data gathering and mapping technology. New flood maps (known as Digital Flood Insurance Rate Maps, or DFIRMs) are being issued nationwide.

When the new flood maps become effective, some residents and business owners will find that their property's flood risk has changed. Some will find that their building is mapped into a high-risk flood zone (noted on the flood maps with the letter beginning with "A" or "V"); and if there is a mortgage on the property through a federally regulated or insured lender, they will be required to purchase flood insurance. Others will find that their Base Flood Elevation (BFE) for the property has increased. Either of these changes could result in higher flood insurance premiums.

When flood map changes occur, the National Flood Insurance Program (NFIP) provides a lower-cost flood insurance option known as "grandfathering." Grandfathering is available for property owners who:

- have a flood insurance policy in effect when the new flood map becomes effective and then maintain continuous coverage, or
- have built in compliance with the FIRM in effect at the time of construction

The results of grandfathering can provide cost savings to a property owner when the new map takes effect. However, there will be cases when using elevation rating with the new flood map may result in lower premiums than grandfathering. So, both options should always be evaluated. Timing is also important as most pre-FIRM buildings have only one chance to grandfather and lock in the existing zone for future rating, and that is ***before*** the new flood map becomes effective. It is important to remember that if a building has been substantially damaged or improved, it is not eligible to be grandfathered to the flood map that was in effect at the time of the building's original construction date. The map in effect at the time of the last substantial improvement or damage must be used. Below are conditions and examples of applying grandfather rules and some important facts about Preferred Risk Policies:

PRE-FIRM (CONSTRUCTION PRIOR TO THE DATE OF THE COMMUNITY'S INITIAL FIRM OR PRIOR TO JANUARY 1, 1975)

1. If a policy was obtained prior to the effective date of a map change, the policyholder is eligible to maintain the prior zone and Base Flood Elevation as long as continuous coverage is maintained. The policy can be assigned to a new owner at the option of the policyholder.

Example: A house was built in 1974 and the community's first FIRM was 1986. When the insured's policy was written, the structure was in an A flood zone. As a result of a 2009 map revision, the new flood zone is a VE zone. As long as there was no interruption in coverage, and there has been no substantial improvements or damage, the customer's policy can continue to be rated using Pre-FIRM A zone rates.

2. If a policy was obtained prior to a map revision, but then the building was substantially improved, the building must be re-rated using the FIRM that was in effect at the time that the substantial improvement occurred.

Example: A house was built in 1968 and the community's first FIRM was 1976. When the insured's policy was written, the structure was in an AE flood zone. As a result of a 1986 map revision, the new flood zone is a VE zone. In 1993, the property owner completely renovated the building. As a result of the substantial improvement, grandfathering will not be an option for this policyholder. The property owner will now be required to use the VE flood zone rates, and the year of construction will change to 1993. The building now must be rated as Post-FIRM.

Pre-FIRM Exception: If the community's first FIRM was effective *prior* to January 1, 1975, and a building has not been substantially damaged or improved since its original construction, the rates can be based on the FIRM zone and/or the BFE on the FIRM in effect at the time of construction (i.e., it can be treated like a post-FIRM structure). In this case, proper documentation must be provided. In all other instances, new policies for pre-FIRM buildings must use the FIRM in effect when the coverage is applied for.

Example: An office building is built in 1974; the community's first FIRM was 1971. It is located in a B zone, behind a levee. In 2009, a new FIRM becomes effective showing the levee as no longer providing the required protection ("deaccredited"), placing the structure into an AE zone. The property owner is notified 3 months after the new FIRM is effective that flood insurance is now required. Even though the building is technically classified as a pre-FIRM structure, the B zone can be grandfathered for rating as there was a FIRM in effect at the time of construction.

POST-FIRM (CONSTRUCTION ON OR AFTER THE DATE OF THE COMMUNITY'S INITIAL FIRM)

1. If a policy was obtained prior to the effective date of a map change, the policyholder is eligible to maintain the prior zone and base flood elevation as long as continuous coverage is maintained. The policy can be assigned to a new owner at the option of the policyholder.

Example: A house was built in 1994 and the community's first FIRM was 1986. When the insured's policy was written, the structure was in an A06 flood zone. As a result of a 2009 map revision, its new flood zone is AE. As long as there was no interruption in coverage and no substantial improvements or damage, the customer's policy can continue to be rated in the A06 zone. However, if an elevation certificate is available, the premium using the AE flood zone information should be compared to that of the A06 to see which provides the lowest premium.

2. If a building was constructed in compliance related to a specific FIRM, the property owner is always eligible to obtain a policy using the zone and Base Flood Elevation (BFE) for that particular map, provided that proof is submitted to the insurance company (refer to the Rating Section of the Flood Insurance Manual, Rating section for acceptable documentation). Continuous coverage is not required.

Example: A small restaurant was built in 2001 in an AE zone; the community's first FIRM was 1993. The BFE was 10 feet and the lowest floor elevation (LFE) was 11 feet, resulting in a +1 elevation difference for rating. A new FIRM for the community became effective in 2008. The building remained in an AE zone, but the BFE became 12 feet, resulting in an elevation difference of -1 foot. Since the building has not been altered, and was in compliance when constructed, it can remain being rated using +1 elevation difference.

PREFERRED RISK POLICIES

Buildings written on Preferred Risk Policies are required to be located in zones B, C, or X on the FIRM in effect when a policy is obtained and following every renewal. A building, which becomes ineligible for a Preferred Risk Policy due to a map change to a Special Flood Hazard Area, can be rewritten on the renewal date to a standard rated policy using the B, C, or X zone. For information about and help in determining the eligibility requirements for this policy, refer to the PRP Section of the Flood Insurance Manual.

SUMMARY

When a map change is approaching, it is important to remember that most pre-FIRM structures have but one chance to lock in the current flood zone for future rating and that policy needs to be renewed each year. The benefits of the grandfathered zone can always be transferred to the new owner if the building is sold. Post-FIRM buildings have two chances to lock in the BFE and/or flood zone at the time of construction. Continuous coverage is not required. If, however, a building is substantially damaged or improved, grandfathering of previous zones or BFEs can no longer be applied.

GRANDFATHERING PREMIUM SAVINGS EXAMPLES

The NFIP's grandfathering provision does offer a premium savings to property owners. The examples below will show how an agent can utilize a variety of cost saving options available through the NFIP (All calculations are based upon $200,000 in building coverage and $80,000 in contents using October 2009 rates).

EXAMPLE 1:

A home was constructed in 1974. The first (and current) FIRM became effective in 1984. The new DFIRM will soon become effective and the property will be mapped into Zone AE. It is considered a pre-FIRM building and if they do not grandfather, an AE zone rate will be used and the premium will be $2,171 for flood insurance the first year. However, if a Preferred Risk Policy (PRP) is purchased before the maps become effective2, they will pay only $326 for the first year. Upon renewal, the PRP will have to be converted to a standard-rated policy and will continue to be rated that way following every renewal. The premium on renewal would be $1,307 (assuming no general rate increases). If continuous coverage was maintained over three years (and again, not applying any rate increases), this would result in a savings of over $3,500.

EXAMPLE 2:

A home was built in an AE zone in 1995; the community's first FIRM was issued in 1991. The difference between BFE and LFE was +1 foot. When the new DFIRMs became effective, the BFE increased 2 feet, so that the elevation difference was now a -1 foot. The property received a notice requiring flood insurance. The premium calculated out to be $5,615. However, because it was a post-FIRM structure, it could be grandfathered using the previous BFE. This resulted in a premium of $777 or a savings of over $13,700 over the next 3 years.

EXAMPLE 3:

A community's first FIRM was issued 6 years ago. A home was built a year later in an X zone. Now, new DFIRMs are being issued that will place it in an AE zone. The property owner has an elevation certificate that places the lowest floor 2 feet above the BFE. If the property is grandfathered, a PRP would be purchased first ($326) and then a policy using a standard X zone rate would be used for subsequent years ($1,307). So, over a two year period, the total premium would be $1,633. However, using the new maps for year two onward would actually provide additional savings, as the rate for an elevation difference of +2 is only $548. So the first two year's worth of premium would be just $874, or almost half of the grandfathered rate.

VI Claims Handling Process

Claims handling is one of the main areas giving rise to complaints from insurance consumers. This is perhaps not surprising given that when policyholders make a claim they are likely to be in some form of distress and more sensitive to things not going the way they feel they should.

National Flood Insurance Program claims are handled by independent national adjusting firms. Because floods are catastrophic in nature, outside help is brought in and the adjusters are not always local. Claims are typically assigned to the adjusting firm the same day received and the insured is contacted within 24 to 48 hours of the assignment.

At larger floods, a Flood Response Office (FRO) is set up by the NFIP. The FRO provides a local presence in an affected area and supports the Write Your Own (WYO) Companies, the NFIP Servicing Agent, and various Federal, state, and local officials in providing answers to claims coverage questions, forms for claims handling, and survey and statistical input. One of the key requirements of personnel at the FRO is to coordinate and conduct reinspections of WYO and NFIP Direct losses. The FRO also tracks adjuster performance and provides such information to interested WYO Companies and the NFIP Servicing Agent.

Best practices for claims handling by insurance company representatives would include;

- fair and prompt settlement
- ready information on the claims handling process
- disclosure and management of coverage issues

A. Helping Client File a Claim

Knowing what to do when a flood occurs can help the insured avoid some of the headaches and red tape involved in tackling the claims process. It can also help get better value for the policy holder's insurance dollars. If their property is involved in a flood the insurer goes to work filing a claim. The insured must begin clean up as soon as possible, separating damaged from undamaged property Retain damaged property for the adjustor to view and file a proof of loss within 60 days

Here are some suggestions for policyholders;

- File the claim as soon as possible after the loss and quickly respond to information requested by the insurer.

- Record the claim number as soon as it is filed and keep it handy. The claim number will be needed every time policyholder discusses the claim with the insurer.
- Document all communication with the insurer, including the date, time and a summary of the conversation, and to keep track of the status of the claim. Confirmation should be made of any communication or assurances by a short follow-up email or letter.
- Note the name of the adjuster assigned to the claim. Insurers typically send an independent adjuster, or hired contractor, to the home to estimate damage. The hired adjuster may not be authorized to make claims decisions and payment on behalf of the insurer and follow up may be needed with the company employee making those decisions.
- Always be calm. Avoid aggravation when dealing with the matter. Take emotion out of the mix.
- Inventory and provide documentation of possessions.
- Policyholders should get repair and reconstruction estimates as an aid when speaking with the insurance adjuster. Keep receipts from any emergency repairs made to prevent further damage and temporary housing costs that could be reimbursed under "additional living expense" coverage.

Adjusting claims- Insurance companies work with certified flood adjusters to settle NFIP claims. When flood losses occur, policyholders report them to their insurance agent. A flood adjuster is assigned to assess damages. Flood adjusters may be independent or employed by an insurance or adjusting company. These adjusters are responsible for assessing damage, estimating losses, and submitting required reports, work sheets, and photographs to the insurance company, where the claim is reviewed and, if approved, processed for payment. Insurers are then reimbursed by FEMA from the National Flood Insurance Fund for the amount of the claims and expenses paid. Claims amounts may be adjusted after the initial settlement is paid if claimants submit documentation that some costs were higher than estimated.

FEMA Management and Oversight- As of 2007 (GAO-07-1078), about 68 FEMA employees, assisted by some 170 contractor employees manage and oversee the NFIP and the National Flood Insurance Fund into which premiums are deposited and claims and expenses paid. Their management responsibilities include establishing and updating NFIP regulations, analyzing data to actuarially determine flood insurance rates, and offering training to insurance agents and adjusters. In addition, FEMA and its program contractor are responsible for monitoring and overseeing the quality of the performance of the WYO insurance companies to assure that the NFIP is administered properly.

Dealing with the Damage

If flooding happens policyholders follow these three steps.

STEP ONE: After experiencing a flood, the insured contacts the agent or insurance company to file a claim. An adjuster should be in contact within a few days of filing the claim. If the insured does not hear from an adjuster, he or she should contact the insurance agent or company again. Policyholders need to have the following information ready:

- insurance company name
- policy number
- telephone and/or email address where the insured can be reached

STEP TWO: Separate damaged from undamaged property. Adjusters need evidence of the damage to home and possessions to prepare an accurate cost estimate.

- Take photographs of all of the damaged property, including discarded objects, structural damage, and standing floodwater levels.
- Make a list of damaged or lost items and include their date of purchase, value, and receipts, if possible.
- Officials may require disposal of damaged items so, if possible, place flooded items outside of the home.

STEP THREE: The adjuster will provide a Proof of Loss form for the claim for damages. The policyholder needs to file this claim with his or her insurance company within 60 days of the flood. This document substantiates the insurance claim and is required before the National Flood Insurance Program (NFIP) or insurance company can make payment. The claim payment will be issued after insured and insurer agree on the amount of damages and the insurer has a complete, accurate, and signed Proof of Loss form. If major catastrophic flooding occurs, it may take longer to process claims and make payments because of the sheer number of claims submitted.

B. Appeals Process

The appeals process is intended to resolve claim issues and is not intended to grant coverage or limits that are not provided by the policy. Filing an appeal does not waive any of the requirements for perfecting a claim under the policy or extend any of the time limitations.

1. Disputes that are or have been subject to appraisal as provided for in the policy cannot be appealed.
2. If the insured files an appeal on any issue, that issue is no longer subject to resolution by appraisal or other pre-litigation remedies.
3. If a suit is filed against an insurer on the flood insurance claim issue, the insured is prohibited from filing an appeal. All appeals submitted for decision but not resolved shall be terminated upon notice of the commencement of litigation regarding the claim.

FEMA will review the appeal documents, including any reinspection report, if appropriate. FEMA will provide specific information on what grounds the claim was initially denied.

FEMA will provide an appeal decision in writing to the policyholder and insurer within 90 days from the date that all information has been submitted by the policyholder and will include specific information for the resolution of the appeal. No further administrative review will be provided to the insured. If the insured does not agree with the final decision, see the "GENERAL CONDITIONS" Section, Paragraph R. "Suit Against Us." The 1-year period to file suit commences with the written denial from the insurer and is not extended by the appeals process.

A four-step process exists for homeowners to appeal decisions regarding a claim through the National Flood Insurance Program (NFIP) administered by the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA). The process helps resolve claim issues, but can't give homeowners added coverage or claim limits beyond those in their NFIP policies.

Step 1 Homeowners should talk with their adjuster, who has more knowledge about the claim than anyone. If clients don't understand certain decisions regarding application of coverage, timing of the filing of proof of loss, or the damage estimate, they should first contact their adjuster.

Step 2 Clients who aren't satisfied with the adjuster's answers, or do not agree with the decisions, should get contact information for the adjuster's supervisor. The adjuster should provide contact information.

Step 3 If the adjuster's supervisor can't resolve the issue, clients should contact the insurance company's claim representative. The insurance agent or another company representative should provide assistance.

Step 4 Clients with questions or concerns after following the first three steps may contact FEMA in writing at:

FEMA-Mitigation Division-Room 433
Risk Insurance Branch
Attn: Director of Claims
500 C Street, S.W.
Washington D.C. 20472

The letter should be written by the named insured as it appears on the NFIP policy or by a legal representative such as a child handling a claim for an elderly parent. This representative should clearly identify their relationship to the named insured. A legal representative may be asked to provide authorization from the named insured or other legal documents verifying the relationship.

Six items should be in the letter:

1. The policy number, as shown as the named insured on the NFIP policy's declarations page.
2. The policyholder's name, as shown as the named insured on the declarations page.
3. The property address, as shown on the declarations page. This is NOT the person's mailing address if it is different from the property address.
4. How the claimant can be contacted if they are out of the home.
5. Specific details of the claimant's concern.
6. The dates of contact and contact details for the persons with whom the claimant has spoken to while completing the first three steps of the appeals process.

Claimants should also enclose documentation of everything that supports their appeal such as a detailed list of damaged property and the value of individual items; supporting photographs; and a contractor's detailed estimate to repair damages. Comparing contractor and adjuster estimates in detail may help resolve differences. Claimants should not send original documents.

C. Claims Handbook

Claims Handbook Newly Revised
The *NFIP Flood Insurance Claims Handbook* was created by FEMA to assist insured flood victims through the process of filing a claim. It contains several sections that explore what property owners can do before a flood to facilitate claims handling should they become flood victims as well as what steps to take after a flood to hasten claims processing.

In 2006 the handbook was revised to include several more pages of information in the section dedicated to "Addressing Questions About Your Insurance Claim." This section describes the claims appeal process and provides a list of what to include in the letter of appeal submitted to FEMA by the insured if issues have not been resolved satisfactorily with the claim adjuster, adjuster's supervisor, and insurance agent or insurance company. Also included is a list of documentation that must accompany an appeal letter to FEMA. The list of required documentation has now been greatly expanded to include dozens of examples. New information also has been added regarding limitations to the appeals process as well as FEMA's procedure for resolving claim appeals. Posted in the margins throughout the handbook, there are "Tips" to help consumers make choices before, during, and after a flood to better protect their safety, and "Notes" that clarify the requirements and limitations of NFIP claims adjusting. A copy of the *NFIP Flood Insurance Claims Handbook* can be found with a search of the internet or by visiting the website of the NFIP.

Section VII Requirements of Recent Flood Insurance Reform Legislation

The **Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004** (Public Law 108-264) is also known as FIRA 2004. It reformed the National Flood Insurance Program. It was designed to "reduce losses to properties for which repetitive flood insurance claim payments have been made."

Flood Insurance Reform Act of 2004

The 2004 Act established the repetitive flood claims and the severe repetitive loss grant programs. Repetitive loss properties are insured properties that have incurred two or more flood losses greater than $1,000 within any 10-year period. A subset of these properties are designated severe repetitive loss properties; these are insured properties that have incurred four or more flood-related losses of at least $5,000 each, or at least two separate claims with the cumulative amount of the building payments exceeding the value of the structures on the property.

For purposes of explaining coverage and the claims process to policyholders, the Flood Insurance Reform Act of 2004 required FEMA to develop three types of informational materials. The required materials are:
(1) supplemental forms explaining in simple terms the exact coverage being purchased
(2) an acknowledgement form that the policyholder received the SFIP and any supplemental explanatory forms, as well as an opportunity to purchase coverage for personal property; and
(3) a flood insurance claims handbook describing the process for filing and appealing claims.53 FEMA officials said they had drafted an acknowledgement form and new insurance program forms to explain coverage to policyholders when they purchase and renew their insurance.

Point of Sale and Renewal Responsibilities

Flood Insurance Reform Act of 2004 requires new and renewing policyholders be provided particular information;

- the Flood Policy
- the Declaration Page
- the Summary of Coverage
- a copy of the Claims Handbook;
- flood history information for the property
- a policyholder acknowledgement addressing separate contents coverage (the insured signs and mails the form to FEMA)

Agent point of sale and renewal obligations to the purchaser include explaining the sections of the Standard Flood Insurance Policy (See Section III). In the pre-sale phase, there are at least three types of activity;

- The general marketing of flood insurance
- Disclosure of information on policies
- The acquisition of information about the policy/product by the property owner

The point of sale phase involves two basic types of activity:

- The provision of information on the cost of coverage for the property in question
- The execution of the contract documents

The FIRA 2004 shows that point of sale obligations are important to the fair treatment of consumers and that, even with a more interventionist approach in relation to product deployment, ultimately it remains the case that it is the agent who explains coverages to the purchaser.

Flood Insurance Reform 2012 to ‘17

The **Biggert-Waters Flood Insurance Reform Act of 2012** was "designed to allow premiums to rise to reflect the true risk of living in high-flood areas."The bill was supposed to deal with the "insolvency" of the National Flood Insurance Program by requiring the premiums to reflect real flood risks. The result was a 10 fold increase in premiums. As of 2012, $527 billion worth of property is in the coastal floodplain ("U.S. Senate passes bill to delay hikes in flood insurance program," *Reuters,* T. Ferraro, 01/31/14). The federal government heavily underwrites the flood insurance rates for these areas. The legislation ordered FEMA to stop subsidizing flood insurance for second homes and businesses, and for properties that had been flooded multiple times." These changes were to occur gradually over the course of five years.

As of April 1, 2015, every new or renewed NFIP policy includes an annual surcharge required by the **Homeowner Flood Insurance Affordability Act of 2014 (HFIAA)**. The surcharge amount depends on the use of your insured building and the type of policy insuring the building, regardless of its flood zone or date of construction. Policies for owner-occupied, single-family detached buildings and individual condominium units that are your primary residence will include a $25 HFIAA surcharge. If coverage is a contents-only policy for a rental unit that serves as a primary residence, it includes the $25 HFIAA surcharge. Policies for all other buildings include a $250 HFIAA surcharge

After October 1, 2017, FEMA will allow pro-rata HFIAA surcharge refunds for policies eligible to receive premium refunds that previously excluded the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) surcharge. The HFIAA surcharge refund will be pro-rata instead of fully earned for cancellation transactions effective on or after October1, 2017

A. Notification of Coverages Being Purchased

An insured who learns of a policy's coverage limitations when his or her claim is denied sometimes will object that those policy provisions contradict his or her reasonable expectations about what the policy insures. There are numerous legal defenses an insurer can raise in response to such claims. However, insurers and their defense counsel should not overlook the importance of reconstructing the series of events by which the insured selected, applied for and received the policy in question. All of the documents presented to the insured at the point of sale are said to have influenced his or her decision to purchase the subject policy. To help with comprehension purchasers are given forms that provide, in layman's terms, information that helps policyholders clearly understand the exact coverage purchased

B. Policy Exclusions that Apply

Any exclusions from coverage that apply to the coverages purchased must be pointed out to the purchaser.

C. Explanation Regarding How Losses Will be Adjusted (ACV vs. RCV)

At the point of sale, consumers are to be given an explanation of how losses will be adjusted; Actual Cash Value (ACV) or Replacement Cost Value (RCV)

Replacement Cost is the amount it would take to replace or rebuild a home or repair damages with materials of similar kind and quality, without deducting for depreciation.

Actual Cash Value is the amount it would take to repair or replace damage to a home after depreciation. The cost to replace the insured item with an item of similar kind and quality with depreciation of the insured item deducted from the amount.

D. Number and Dollar Amount of Claims for Property

This historical cost is to be reviewed by the agent and insured.

E. Acknowledgement Forms

FIRA 2004 requires an Acknowledgement Form to indicate that the insured has received a copy of their flood insurance policy and any supplemental forms. The form also indicates that the contents of a property are not covered by the flood insurance policy and that supplemental insurance may be necessary. The Act requires that the insured sign a copy of the acknowledgement form when purchasing a policy.

Section VIII Agent Resources

A. Write Your Own Company

The NFIP's interface with insurance producers and the general public is through the WYO program and the direct program. With the direct program, coverage is written through state-licensed property and casualty insurance agents and brokers who deal directly with FEMA. The WYO program, a cooperative undertaking of FEMA and the private sector insurance industry, began in 1983. The WYO Program was started to increase the NFIP policy count and geographic distribution of policies by taking advantage of the private insurance industry’s marketing channels and existing policy base to sell flood insurance. Since that time, the WYO program gradually has become the dominant distributive and administrative arm of the NFIP.

The WYO Program allows participating property and casualty insurance companies to write and service the Standard Flood Insurance Policy in their own names. WYO insurers write the coverage and the NFIP reinsures 100% of the coverage. The coverage issued by WYO insurers provides the same policy terms as policies issued directly by the NFIP. The premium charged for NFIP flood coverage by a WYO Company is the same as that charged by the Federal Government through the direct program. The servicing insurer receives an expense allowance for policies written and claims processed while the NFIP retains responsibility for underwriting losses, The WYO Program operates within the context of the NFIP, and is subject to its rules and regulations.

B. FEMA Websites

Here is a listing of FEMA web addresses that will be of use to the reader.

(i) http://www.fema.gov/nfip

(ii) http://www.floodsmart.gov

(iii) http://training.nfipstat.com/

C. Flood Insurance Manual

The Flood Insurance Manual is used primarily by insurance companies and agents writing National Flood Insurance. The manual is mentioned several places in this text. The manual is a summary of the methods used by insurers to evaluate and rate risks.

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