



*National Flood Insurance Program*

# Myths and Facts about the National Flood Insurance Program



**FEMA**

# Who needs flood insurance? Everyone!

And almost everyone in a participating community of the National Flood Insurance Program (NFIP) can buy flood insurance. Nationwide, more than 20,000 communities have joined the Program. In some instances, people have been told that they cannot buy flood insurance because of where they live. To clear up this and other misconceptions about National Flood Insurance, the NFIP has compiled a list of common myths about the Program, and the real facts behind them, to give you the full story about this valuable protection.

**MYTH: You can't buy flood insurance if you are located in a high-flood risk area.**

**FACT:** You can buy National Flood Insurance no matter where you live if your community participates in the NFIP, except in Coastal Barrier Resources System (CBRS) or other protected areas. The Program was created in 1968 to make federally backed flood insurance available to property owners who live in eligible communities. Flood insurance was then virtually unavailable from the private insurance industry. The Flood Disaster Protection Act of 1973, as amended, requires federally regulated lending institutions to make sure that mortgage loans secured by buildings in high-flood risk areas are protected by flood insurance.

Lenders should notify borrowers, prior to closing, that their property is located in a high-flood risk area and that National Flood Insurance is required.

**MYTH: You can't buy flood insurance immediately before or during a flood.**

**FACT:** You can purchase National Flood Insurance at any time. There is usually a 30-day waiting period after premium payment before the policy is effective, with the following exceptions:

1. If the initial purchase of flood insurance is in connection with the making, increasing, extending, or renewing of a loan, there is no waiting period. Coverage becomes effective at

the time of the loan, provided application and payment of premium is made at or prior to loan closing.

2. If the initial purchase of flood insurance is made during the 13-month period following the effective date of a revised flood map for a community, there is a 1-day waiting period. This applies only where the Flood Insurance Rate Map (FIRM) is revised to show the building to be in a Special Flood Hazard Area (SFHA) when it had not been in an SFHA.

The policy does not cover a "loss in progress," defined by the NFIP as a loss occurring as of 12:01 a.m. on the first day of the policy term. In addition, you cannot increase the amount of insurance coverage you have during a loss in progress.

**MYTH: Homeowners insurance policies cover flooding.**

**FACT:** Unfortunately, many home and business owners do not find out until it is too late that their homeowners and business multiperil policies do not cover flooding. The NFIP offers a separate policy that protects the single most important financial asset, which for most people is their home or business.

Homeowners can include contents coverage in their NFIP policy. Residential and commercial renters can purchase contents coverage. Business

owners can purchase flood insurance coverage for their buildings and contents/inventory and, by doing so, protect their livelihood.

**MYTH: Flood insurance is only available for homeowners.**

**FACT:** Most people who live in NFIP participating communities, including renters and condo unit owners, are eligible to purchase federally backed flood insurance. A maximum of \$250,000 of building coverage is available for single-family residential buildings; \$250,000 per unit for residential condominiums. The limit for contents coverage on all residential buildings is \$100,000, which is also available to renters.

Commercial structures can be insured to a limit of \$500,000 for the building and \$500,000 for the contents. The maximum insurance limit may not exceed the insurable value of the property.

**MYTH: You can't buy flood insurance if your property has been flooded.**

**FACT:** You are still eligible to purchase flood insurance after your home, apartment, or business has been flooded, provided that your community is participating in the NFIP.

**MYTH: Only residents of high-flood risk areas need to insure their property.**

**FACT:** All areas are susceptible to flooding, although to varying degrees. If you live in a low-to-moderate flood risk area, it is advisable to have flood insurance. Nearly 25 percent of the NFIP's claims come from outside high-flood risk areas. Residential and commercial property owners located in low-to-moderate risk areas should ask their agents if they are eligible for the Preferred Risk Policy, which provides inexpensive flood insurance protection.

**MYTH: National Flood Insurance can only be purchased through the NFIP directly.**

**FACT:** NFIP flood insurance is sold through private insurance companies and agents, and is backed by the federal government.

**MYTH: The NFIP does not offer any type of basement coverage.**

**FACT:** Yes it does. The NFIP defines a basement as any area of a building with a floor that is below ground level on all sides. While flood insurance does not cover basement improvements (such as finished walls, floors, or ceilings), or personal belongings kept in a basement (such as furniture and other contents), it does cover structural elements and essential equipment.

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 nonflammable insulation
- Cleanup

The following items are covered under contents coverage:

- Clothes washers and dryers
- Food freezers and the food in them

The NFIP recommends both building and contents coverage for the broadest protection.

**MYTH: The NFIP encourages coastal development.**

**FACT:** One of the NFIP's primary objectives is to guide development away from high-flood risk areas. NFIP regulations minimize the impact of structures that are built in SFHAs by requiring them not to cause obstructions to the natural flow of floodwaters. Also, as a condition of community participation in the NFIP, those structures built within SFHAs must adhere to strict floodplain management regulations enforced by the community.

In addition, the Coastal Barrier Resources Act (CBRA) of 1982 relies on the NFIP to discourage building in fragile coastal areas by prohibiting the sale of flood insurance in designated CBRA areas. While the NFIP does not prohibit property owners from building in these areas, any Federal financial assistance, including federally backed flood insurance, is prohibited. However, the CBRA does not prohibit privately financed development or insurance.

**MYTH: Federal disaster assistance will pay for flood damage.**

**FACT:** Before a community is eligible for disaster assistance, it must be declared a federal disaster area. Federal disaster assistance

declarations are issued in less than 50 percent of flooding events. The premium for an NFIP policy, averaging a little over \$500 a year, can be less expensive than the monthly payments on a federal disaster loan.

Furthermore, if you are uninsured and receive federal disaster assistance after a flood, you must purchase flood insurance to remain eligible for future disaster relief.

**MYTH: The NFIP does not cover flooding resulting from hurricanes or the overflow of rivers or tidal waters.**

**FACT:** The NFIP defines covered flooding as a general and temporary condition during which the surface of normally dry land is partially or completely inundated. Two properties in the area or two or more acres must be affected. Flooding can be caused by:

- Overflow of inland or tidal waters, or
- Unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall, or
- Mudflow, i.e., a river of liquid and flowing mud on the surfaces of normally dry land areas, or
- Collapse or subsidence of land along the shore of a lake or other body of water, resulting from erosion or the effect of waves, or water currents exceeding normal, cyclical levels.

For more information about the NFIP and flood insurance, call  
**1-800-427-4661**

or contact your insurance company or agent.

For an agent referral, call 1-888-435-6637  
TDD 1-800-427-5593

<http://www.fema.gov/business/nfip>  
<http://www.floodsmart.gov>



## Can we afford to rebuild higher? Can we afford *not* to?

Tom and Mary Smith lived in their home for 15 years. Then in one day, it was destroyed by a flood. They considered relocating, but in the end, they decided to take out a new mortgage and rebuild. Now, they are determined to do everything they can to protect their investment and avoid another devastating flood.

When they applied for a building permit, local officials told them to build at least 5 feet above grade to meet the current building code that accounts for potential flood levels.<sup>1</sup> Their insurance agent told them that both their premiums and flood risk would be lower if they built higher than required.

<sup>1</sup> Communities that participate in the National Flood Insurance Program (NFIP) are required to have all buildings constructed in high-risk areas to be built to at least the elevation shown on the flood maps. This is known as the Base Flood Elevation (BFE) and represents the height floodwaters from a one-percent chance flood will reach or exceed in any given year. To help ensure a safer community, many communities require construction to be a foot or two higher than the BFE.



The Smiths realized that weather is unpredictable and that flood risk can change. Another big flood could happen at any time. But could they really afford to build higher? It was time to break out the calculator and do the math.

### Option 1: Building to the current requirements

- Estimated construction costs: **\$400,000**
- Estimated monthly mortgage payment: **\$1,796**
- Flood insurance premium: **\$878 per month or \$10,536 per year**
- Total monthly costs: **\$2,674**

### Option 2: Building 3 feet above the current requirements

- Estimated construction costs: **\$403,600**
- Estimated monthly mortgage payment: **\$1,812**
- Flood insurance premium: **\$315 per month or \$3,780 per year**
- Total monthly costs: **\$2,127**

*Note: This comparison is based on a 1-story home in a VE Flood Zone built on wood pilings at BFE and 3 feet above BFE with the NFIP maximum coverage of \$250,000 building coverage and \$100,000 contents coverage with a \$1,000 deductible. Elevation costs are estimated at roughly 0.3 percent of total construction costs per additional foot of elevation. Insurance premiums are based on rates published in the Jan. 2013 NFIP Manual. Mortgage payments are based on a 30-year fixed-rate mortgage at 3.5 percent APR for the full construction amount and exclude all insurance costs. Flood insurance must be paid in full at the beginning of the coverage year.*

### Good news!

The Smiths will save more than \$500 every month by building 3 feet higher. In about 7 months, they will have saved more on flood insurance than they paid to build higher. Spending a little extra on construction reduced the Smiths' flood risk, cut their flood insurance premium, and increased their peace of mind.

**The Smiths saved money by building higher.**



# Not every case is the same. Consider your situation.

The Smiths' story is only one example. There are many variables that will impact your decision about how you rebuild.

Talk to your community officials, insurance agent, builders, and other experts to answer the following questions:

## 1. What is my current flood zone?

Different flood zones require different kinds of construction. How you rebuild will depend in part on your zone and local building requirements.

## 2. How high does my community require me to build?

If the building is in a high-risk zone (beginning with the letter "A" or "V"), there is a required minimum elevation for construction. Many communities have a requirement to build even higher. This is called a "freeboard requirement."

## 3. What are Advisory Base Flood Elevations (ABFEs), and how will they affect me?

ABFEs sometimes are issued after a major flooding event when FEMA has more current flood hazard data available than exists in the current effective Flood Insurance Rate Maps in a given area. ABFEs are provided to communities as a tool to support them in recovering in ways that will make them more resilient to future storms.

## 4. Is there a chance I could be mapped into a new flood zone or have a higher Base Flood Elevation (BFE) in the future?

FEMA is working to update Flood Insurance Rate Maps nationwide. If your community has outdated maps, the new ones could show your home in a higher risk area or with a higher BFE.

## 5. How close am I to a high-risk flood area?

Flood risk changes over time. If you are near a high-risk zone, you might want to rebuild in a way that would comply with that zone in case maps change in the future.

## 6. How might my flood risks change in the future?

Physical changes can affect how much water reaches flooding sources, how far the water spreads when floods occur, and the manner in which buildings are exposed to a flood. In addition, new data gathering and modeling technology allows FEMA to identify and map flood hazard areas more accurately now than in the past.

## 7. How much will flood insurance cost?

National Flood Insurance Program premiums reflect flood risk. In general, if your building is in a high-risk area, the higher you build above the BFE, the lower your premium and potential for flood damage. In high-risk VE zones, any enclosed structure below the first floor of the building typically will double insurance premiums. Certain types of enclosures will further increase those premiums.

### Additional Resources

- For information about post-Sandy ABFEs in New York and New Jersey: [www.Region2Coastal.com](http://www.Region2Coastal.com)
- To ask questions and get information about flood insurance, call the National Flood Insurance Program Help Center at **1-800-427-4661**
- To see if your community is eligible for Hazard Mitigation Grants: [www.fema.gov/hazard-mitigation-assistance](http://www.fema.gov/hazard-mitigation-assistance)
- To learn how to build safer and stronger and potentially decrease your flood insurance premiums: [www.fema.gov/building-science](http://www.fema.gov/building-science)
- To find your current effective Flood Insurance Rate Map: [msc.fema.gov](http://msc.fema.gov)
- To learn more about the National Flood Insurance Program or find an insurance agent: [FloodSmart.gov](http://FloodSmart.gov) or **1-888-229-0437**
- For information about local building code and permit requirements, contact your community officials



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## Can we afford to rebuild higher? Can we afford *not* to?

Because Jon and Kathy Parker couldn't see the shoreline from their house, they never really believed their home could be wiped out by a flood—until the day it was. They considered relocating, but in the end, they decided to take out a new mortgage and rebuild. They wanted to do what they could to protect their investment and avoid another devastating flood.

When they applied for a building permit, local officials told them to build at least 2 feet above grade to meet the current building code that accounts for potential flood levels.<sup>1</sup> Their insurance agent told them that if they built even higher than required, they could lower both their premiums and their flood risk.

<sup>1</sup> Communities that participate in the National Flood Insurance Program (NFIP) are required to have all buildings constructed in high-risk areas to be built to at least the elevation shown on the flood maps. This is known as the Base Flood Elevation (BFE) and represents the height floodwaters from a one-percent chance flood will reach or exceed in any given year. To help ensure a safer community, many communities require construction to be a foot or two higher than the BFE.



The Parkers realized that weather is unpredictable and that flood risk can change. Another big flood could happen at any time. But could they really afford to build higher? It was time to break out the calculator and do the math.

### Option 1: Building to the current requirements

- Estimated construction costs: **\$250,000**
- Estimated monthly mortgage payment: **\$1,122**
- Flood insurance premium: **\$143 per month or \$1,716 per year**
- Total monthly costs: **\$1,265**

### Option 2: Building 3 feet above the current requirements

- Estimated construction costs: **\$252,125**
- Estimated monthly mortgage payment: **\$1,132**
- Flood insurance premium: **\$46 per month or \$552 per year**
- Total monthly costs: **\$1,178**

*Note: This comparison is based on a 1-story home in an AE Flood Zone built at BFE and 3 feet above BFE on a concrete or CMU perimeter with vents. It has the NFIP maximum coverage of \$250,000 building coverage and \$100,000 contents coverage with a \$1,000 deductible. Elevation costs are estimated at roughly 0.85 percent of total construction costs per additional foot of elevation. Cost savings could vary for different construction methods. Insurance premiums are based on rates published in the Jan. 2013 NFIP Manual. Mortgage payments are based on a 30-year fixed-rate mortgage at 3.5 percent APR for the full construction amount and exclude all insurance costs. Flood insurance must be paid in full at the beginning of the coverage year.*



### Good news!

The Parkers will save about \$90 every month by building 3 feet higher. Spending a little extra on construction reduced the Parkers' flood risk, cut their flood insurance premium, and increased their peace of mind.

**The Parkers saved money by building higher.**

# Not every case is the same. Consider your situation.

The Parkers' story is only one example. There are many variables that will impact your decision about how you rebuild.

Talk to your community officials, insurance agent, builders, and other experts to answer the following questions:

## 1. What is my current flood zone?

Different flood zones require different kinds of construction. How you rebuild will depend in part on your zone and local building requirements.

## 2. How high does my community require me to build?

If the building is in a high-risk zone (beginning with the letter "A" or "V"), there is a required minimum elevation for construction. Many communities have a requirement to build even higher. This is called a "freeboard requirement."

## 3. What are Advisory Base Flood Elevations (ABFEs), and how will they affect me?

ABFEs sometimes are issued after a major flooding event when FEMA has more current flood hazard data available than exists in the current effective Flood Insurance Rate Maps in a given area. ABFEs are provided to communities as a tool to support them in recovering in ways that will make them more resilient to future storms.

## 4. Is there a chance I could be mapped into a new flood zone or have a higher Base Flood Elevation (BFE) in the future?

FEMA is working to update Flood Insurance Rate Maps nationwide. If your community has outdated maps, the new ones could show your home in a higher risk area or with a higher BFE.

## 5. How close am I to a high-risk flood area?

Flood risk changes over time. If you are near a high-risk zone, you might want to rebuild in a way that would comply with that zone in case maps change in the future. If you are near a coastal high-risk zone (a zone starting with "V"), consider rebuilding on posts, piles or piers.

## 6. How might my flood risks change in the future?

Physical changes can affect how much water reaches flooding sources, how far the water spreads when floods occur, and the manner in which buildings are exposed to a flood. In addition, new data gathering and modeling technology allows FEMA to identify and map flood hazard areas more accurately now than in the past.

## 7. How much will flood insurance cost?

National Flood Insurance Program premiums reflect flood risk. In general, if your building is in a high-risk area, the higher you build above the BFE, the lower your premium and potential for flood damage. In high-risk VE zones, any enclosed structure below the first floor of the building typically will double insurance premiums. Certain types of enclosures will further increase those premiums.

### Additional Resources

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## Homeowner's Guide to Elevation Certificates

An Elevation Certificate is an important tool that documents your building's elevation. If you live in a high-risk flood zone, you should provide an Elevation Certificate to your insurance agent to obtain flood insurance and ensure that your premium accurately reflects your risk. Obtaining an Elevation Certificate also can help you make decisions about rebuilding and mitigation after a disaster.

### Comparing Your Building's Elevation to a Potential Flood Level

- Your insurance agent will use the Elevation Certificate to compare your building's elevation to the Base Flood Elevation (BFE).
- The base flood is a flood with a 1 percent chance of occurring in any given year. The BFE identifies how high the water is likely to rise (also called water surface elevation) in a base flood. The land area of the base flood is called the Special Flood Hazard Area, floodplain, or high-risk zone.
- Flood insurance rates in a high-risk zone (a zone beginning with the letter A or V) are based on a building's elevation above, at, or below the BFE.

### Elevation and Flood Insurance Rates

- Generally, in high-risk zones, the higher above the BFE a building is located, the lower the insurance premium will be for that property. The Elevation Certificate provides the documentation necessary to make that determination.
- In moderate- to low-risk zones (zones beginning with letters B, C, or X), rates are not based on elevation, so an Elevation Certificate may not be necessary to determine the premium.

### Finding Your Building's Elevation

- Many municipal governments keep elevation information on file. Talk to community officials about the information they might have for your building.
- If no elevation information is available, you might need to hire a State-licensed surveyor, architect, or engineer to complete an Elevation Certificate. Depending on your location and the complexity of the job, the cost of a surveyor can vary from \$500 to \$2,000 or more. You may want to contact several local surveyors to find out what they offer.

### HOW TO GET AN ELEVATION CERTIFICATE FOR YOUR HOME

1. Ask your local floodplain manager if your property's elevation information is on file. If so, the community floodplain manager is authorized to complete the Elevation Certificate for you.
2. If your information is not on file, you might need to hire a State-licensed surveyor to obtain an Elevation Certificate.
3. When you receive your Elevation Certificate:
  - Provide one copy to your insurance agent.
  - Keep a copy for your records.

### WHAT DISASTER SURVIVORS NEED TO KNOW

- An Elevation Certificate will help your agent rate your policy properly.
- Your insurance premium will change based on your elevation. In general, the higher above the BFE you build, the lower your premium.
- Your home might be above the BFE, so you might already be eligible for lower premiums.
- An Elevation Certification can help you make decisions about the return on investment of mitigation efforts as your rebuild.

**You could save more than  
\$90,000 over 10 years if you  
build 3 feet above BFE.**

*\$250,000 building coverage only (does not include contents), AE (high to moderate risk) zone, single-family, one-story structure without a basement at: 4 feet below BFE; at BFE; and at 3 feet above BFE. (Rating per FEMA flood insurance manual, October 1, 2012). The illustration is based on a standard NFIP deductible.*

**PREMIUM AT 4 FEET BELOW  
BASE FLOOD ELEVATION**

**\$9,500/year  
\$95,000/10 years**



**PREMIUM AT  
BASE FLOOD ELEVATION**

**\$1,410/year  
\$14,100/10 years**



**PREMIUM AT 3 FEET ABOVE  
BASE FLOOD ELEVATION**

**\$427/year  
\$4,270/10 years**



### Plan for the Future

- Remember, building code requirements may change over time or following major flooding disasters. Your state or community may work with FEMA to adopt Advisory BFEs (ABFEs) if a storm shows the need to raise the building elevation requirement.
- The BFE and even the Flood Insurance Rate Maps (FIRMs) may change for other reasons, including changes in local land use that affect how the land absorbs flood water or changes in technology that allow better plotting of flood risks.
- You may want to think about building higher than the BFE to lower your flood risk and, in turn, lower your flood insurance rates.
- The NFIP encourages building higher than the BFE as a safety measure.

### USEFUL TERMS

- **Base Flood:** The flood having a 1 percent chance equaled or exceeded in any given year.
- **Base Flood Elevation (BFE):** The water surface elevation of the base flood adopted by the community.
- **Advisory Base Flood Elevation (ABFE):** Updated and more accurate flood hazard data developed after a disaster to help guide the rebuilding process until more detailed data becomes available.
- **Flood Insurance Rate Map (FIRM):** A map issued by FEMA showing flood risk, BFEs, and risk premium zones.
- **Pre-FIRM:** Buildings constructed before the community's first FIRM. Communities might not have elevation information on file for these properties.
- **Preliminary Map:** The term used for updated FIRMs before they are adopted by a community and made effective. Insurance premiums are based on the effective maps.
- **Post-FIRM Construction:** A building constructed or substantially improved on or after December 31, 1974, or on or after the date of the initial FIRM for your community. FIRM dates can be found at:  
<http://www.fema.gov/fema/csb.shtm>.



# FEMA

# Biggert Waters Flood Insurance Reform Act of 2012

## Impact of National Flood Insurance Program (NFIP) Changes

**Note: This Fact Sheet deals specifically with Sections 205 and 207 of the Act.**

In 2012, the U.S. Congress passed the Biggert Waters Flood Insurance Reform Act of 2012 which calls on the Federal Emergency Management Agency (FEMA) and other agencies to make a number of changes to the way the NFIP is run. Some of these changes have already been put in place, and others will be implemented in the coming months. Key provisions of the legislation will require the NFIP to raise rates to reflect true flood risk, make the program more financially stable, and change how Flood Insurance Rate Map (FIRM) updates impact policyholders. The changes will mean premium rate increases for some – but not all – policyholders over time.

### What this means:

The new law encourages Program financial stability by eliminating some artificially low rates and discounts. Most flood insurance rates will now move to reflect full risk, and flood insurance rates will rise on some policies.

Actions such as buying a property, allowing a policy to lapse, or purchasing a new policy can trigger rate changes. You should talk to your insurance agent about how changes may affect your property and flood insurance policy. There are investments you and your community can make to reduce the impact of rate changes. And FEMA can help communities lower flood risk and flood insurance premiums.

### What is Changing Now?

Most rates for most properties will more accurately reflect risk. Subsidized rates for non-primary/secondary residences are being phased out now. Subsidized rates for certain other classes of properties will be eliminated over time, beginning in late 2013. There are several actions which can trigger a rate change, and not everyone will be affected. It's important to know the distinctions and actions to avoid, or to take, to lessen the impacts.

Not everyone will be affected immediately by the new law – **only 20 percent of NFIP policies receive subsidies**. Talk to your agent about how rate changes could affect your policy. Your agent can help you understand if your policy is impacted by the changes.

- Owners of subsidized policies on **non-primary/secondary** residences in a Special Flood Hazard Area (SFHA) will see 25 percent increase annually until rates reflect true risk – began January 1, 2013.
- Owners of subsidized policies on **property that has experienced severe or repeated flooding** will see 25 percent rate increase annually until rates reflect true risk – beginning October 1, 2013.
- Owners of subsidized policies on **business/non-residential properties in a Special Flood Hazard Area** will see 25 percent rate increase annually until rates reflect true flood risk -- beginning October 1, 2013.

*(Each property's risk is different. Some policyholders may reach their true risk rate after a couple years of increases, while other policyholder increases may go beyond five years to get to the full risk rate required by the new law. Rate tables on true risk will not be available until June 2013.)*

**Primary residences** in SFHAs will be able to keep their subsidized rates unless or until:

- The property is sold;

- The policy lapses;
- You suffer severe, repeated, flood losses; or
- A new policy is purchased.

### **Grandfathering Changes Expected in 2014**

The Act phases-out grandfathered rates and moves to risk-based rates for most properties when the community adopts a new Flood Insurance Rate Map. If you live in a community that adopts a new, updated Flood Insurance Rate Map (FIRM), grandfathered rates will be phased out. This will happen gradually, with new rates increasing by 20% per year for five years.

### **What Can Be Done to Lower Costs?**

For home owners and business owners:

- Talk to your insurance agent about your insurance options.
- You will probably need an Elevation Certificate to determine your correct rate.
- Higher deductibles might lower your premium.
- Consider incorporating flood mitigation into your remodeling or rebuilding.
  - Building or rebuilding higher will lower your risk and could reduce your premium.
  - Consider adding vents to your foundation or using breakaway walls.
- Talk with local officials about community-wide mitigation steps.

For community officials:

- Consider joining the Community Rating System (CRS) or increasing your CRS activities to lower premiums for residents.
- Talk to your state about grants. FEMA issues grants to states, which can then distribute the funds to communities to help with mitigation and rebuilding.

### **Background:**

In 1968, Congress created the National Flood Insurance Program (NFIP). Since most homeowners' insurance policies did not cover flood, property owners who experienced a flood often found themselves financially devastated and unable to rebuild. The NFIP was formed to fill that gap and was designed to incorporate community adoption of minimum standards for new construction and development to minimize future risk of flood damage. Pre-existing homes and businesses, however, could remain as they were. Owners of many of these older properties were eligible to obtain insurance at lower, subsidized rates that did not reflect the property's true flood risk.

In addition, as the initial flood risk identified by the NFIP has been updated, many homes and businesses that had been built in compliance with existing standards have received discounted rates in areas where the risk of flood was revised. This "Grandfathering" approach prevented rate increases for existing properties when the flood risk in their area increased.

After 45 years, flood risks continue and the costs and consequences of flooding are increasing dramatically. In 2012, Congress passed legislation to make the NFIP more sustainable and financially sound over the long term.

# Points of Contact

- **STARR Contacts**
    - Brian Caufield, Project Manager  
Brian.Caufield@starr-team.com
  - **FEMA Region I Contacts**
    - Kerry Bogdan, Project Manager and Senior Engineer  
Kerry.Bogdan@fema.dhs.gov
    - Marilyn Hilliard, Senior Planner  
Marilyn.Hilliard@fema.dhs.gov
    - Bob Desaulniers, Regional Insurance Specialist  
Robert.Desaulniers@fema.dhs.gov
  - **STARR Regional Service Center**
    - Alex Sirotek, RSC Lead  
Alex.Sirotek@starr-team.com
  - **National Flood Insurance Program – iService Team**
    - Tom Young, Manger – Region I New England  
tyoung@ostglobal.com
  - **Connecticut DEEP**
    - Diance Ifkovic, State NFIP Coordinator  
Diane.Ifkovic@ct.gov
- For general FEMA mapping and LOMC questions contact FEMA's Map Information Exchange (FMIX): 1-877-FEMA MAP (1-877-336-2627) or email a Map Specialist:  
[FEMAMapsSpecialist@riskmapcds.com](mailto:FEMAMapsSpecialist@riskmapcds.com)
  - Map Service Center (MSC): where you can view effective maps online for free  
<http://www.msc.fema.gov/>
  - To learn more about the National Flood Insurance Program:  
<http://www.floodsmart.gov/floodsmart/> or call 1-800-427-4661

# WEB LINKS

- Preliminary Data
  - [www.fema.gov/preliminaryfloodhazarddata](http://www.fema.gov/preliminaryfloodhazarddata)
- Effective Data (including Future Effective)
  - [msc.fema.gov](http://msc.fema.gov)
- Coastal Outreach Material
  - [www.fema.gov/coastal-flood-risks](http://www.fema.gov/coastal-flood-risks)
- Mitigation Action Tracker
  - [fema.starr-team.com](http://fema.starr-team.com)
- Multi-Hazard Planning Website
  - [www.fema.gov/multi-hazard-mitigation-planning](http://www.fema.gov/multi-hazard-mitigation-planning)
- Mitigation Ideas
  - [www.fema.gov/library/viewRecord.do?id=6938](http://www.fema.gov/library/viewRecord.do?id=6938)
- National Flood Insurance Program
  - [www.floodsmart.gov](http://www.floodsmart.gov)
- Flood Insurance Reform Act
  - [www.fema.gov/national-flood-insurance-program/flood-insurance-reform-act-2012](http://www.fema.gov/national-flood-insurance-program/flood-insurance-reform-act-2012)
- Elevation Certificate Videos
  - [www.youtube.com/watch?v=BHvQg0jqlmc&list=PLXVXHOTEvuC0eTVUh80YLlID\\_4KUPUzpz2](http://www.youtube.com/watch?v=BHvQg0jqlmc&list=PLXVXHOTEvuC0eTVUh80YLlID_4KUPUzpz2)



FEMMA



National Flood Insurance Program

# Summary of Coverage

FEMA F-679 / July 2009



FEMA

This document was prepared by the National Flood Insurance Program (NFIP) to help you understand your flood insurance policy. It provides general information about deductibles, what is and is not covered by flood insurance, and how items are valued at time of loss.

This document is based on the Standard Flood Insurance Policy Dwelling Form, which is used to insure one to four family residential buildings and single family dwelling units in a condominium building. There are two other policy forms:

- The General Property Form is used to insure five or more family residential buildings and non-residential buildings.
- The Residential Condominium Building Association Policy Form is used to insure residential condominium association buildings.

While the three forms are similar, they do contain some important differences. For example, the General Property Form does not provide coverage for contents in any building other than the insured building, and the Residential Condominium Building Association Policy Form contains a coinsurance clause, which provides for a pro rata reduction in the building claim payment if the building is not insured to 80 percent of its replacement value.

## Two Types of Flood Insurance Coverage

The NFIP's Dwelling Form offers coverage for: 1) Building Property, up to \$250,000, and 2) Personal Property (Contents), up to \$100,000. The NFIP encourages people to purchase both types of coverage. Your mortgage company may require that you purchase a certain amount of flood insurance coverage.

For information about your specific limits of coverage and deductibles, refer to the Declarations Page in your flood insurance policy. It is also a good idea to review your policy with your insurance agent or company representative.

## What is a Flood?

Flood insurance covers direct physical loss caused by "flood." In simple terms, a flood is an excess of water on land that is normally dry. The official definition used by the National Flood Insurance Program is: "A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source;
- 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."

\*Mudflow is defined as "A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water..."

## Three Important Facts About Your Flood Policy

A Standard Flood Insurance Policy is a single-peril (flood) policy that pays for direct physical damage to your insured property up to the replacement cost or Actual Cash Value (ACV) (See "How Flood Damages Are Valued") of the actual damages or the policy limit of liability, whichever is less.

- 1. Contents coverage must be purchased separately.**
- 2. It is not a valued policy.** A valued policy pays the limit of liability in the event of a total loss. For example: Your home is totally destroyed by a fire and it costs \$150,000 to rebuild. If your homeowners insurance policy is a valued policy with a \$200,000 limit of liability on the building, you would receive \$200,000. Flood insurance pays the replacement cost or ACV of actual damages, up to the policy limit.
- 3. It is not a guaranteed replacement cost policy.** A guaranteed replacement cost policy pays the cost to rebuild your home regardless of the limit of liability. For example: Your home is totally destroyed by a fire and it costs \$200,000 to rebuild. If your homeowners insurance policy is a guaranteed replacement cost policy with a \$150,000 limit of liability on the building, you would receive \$200,000. Flood insurance does not pay more than the policy limit.

## Choosing Deductibles

Choosing the amount of your deductible is an important decision. As with car or homeowners insurance, choosing a higher deductible will lower the premium you pay, but will also reduce your claim payment.

You can choose different deductibles for Building Property and Personal Property coverage. The deductibles will apply separately to Building Property and Personal Property claims. Your mortgage company may require that your deductible is no more than a certain amount.

Review the Declarations Page in your flood insurance policy for amounts of coverage and deductibles. Talk with your insurance agent, company representative, or lender about raising and lowering deductibles.

### Reminder: Keep Your Receipts

While you are not expected to keep receipts for every household item and article of clothing, do try to keep receipts for electronic equipment, wall-to-wall carpeting, major appliances, and other higher cost items. Your adjuster will be able to process your claim more quickly when you can prove how much items cost at the time of purchase.

## What is Covered by Flood Insurance—and What is Not

Physical damage to your building or personal property “directly” caused by a flood is covered by your flood insurance policy. For example, damages caused by a sewer backup are covered if the backup is a direct result of flooding. If the backup is caused by some other problem, the damages are not covered.

The following charts provide general guidance on items covered and not covered by flood insurance. Refer to your policy for the complete list.

### General Guidance on Flood Insurance Coverage

#### What is insured under BUILDING PROPERTY coverage

- The insured building and its foundation.
- The electrical and plumbing systems.
- Central air conditioning equipment, furnaces, and water heaters.
- Refrigerators, cooking stoves, and built-in appliances such as dishwashers.
- Permanently installed carpeting over an unfinished floor.
- Permanently installed paneling, wallboard, bookcases, and cabinets.
- Window blinds.
- Detached garages (up to ten percent of Building Property coverage). Detached buildings (other than garages) require a separate Building Property policy.
- Debris removal.

#### What is insured under PERSONAL PROPERTY coverage

- Personal belongings such as clothing, furniture, and electronic equipment.
- Curtains.
- Portable and window air conditioners.
- Portable microwave ovens and portable dishwashers.
- Carpets not included in building coverage (see above).
- Clothes washers and dryers.
- Food freezers and the food in them.
- Certain valuable items such as original artwork and furs (up to \$2,500).

#### What is NOT insured by either Building Property or Personal Property coverage

- 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 (see Section IV.5 in your policy).

## General Guidance on Flood Insurance Coverage Limitations In Areas Below the Lowest Elevated Floor and Basements

Flood insurance coverage is limited in areas below the lowest elevated floor (including crawlspaces) depending on the flood zone and date of construction (refer to Part III, Section A.8 in your policy) and in basements regardless of zone, or date of construction. As illustrated below, these areas include 1) basements, 2) crawlspaces under an elevated building, 3) enclosed areas beneath buildings elevated on full story foundation walls that are sometimes referred to as "walkout basements," and 4) enclosed areas under other types of elevated buildings.

### What is insured under BUILDING PROPERTY coverage

- Foundation walls, anchorage systems, and staircases attached to the building.
- Central air conditioners.
- Cisterns and the water in them.
- Drywall for walls and ceilings (in basements only).
- Nonflammable insulation (in basements only).
- Electrical outlets, switches, and circuit breaker boxes.

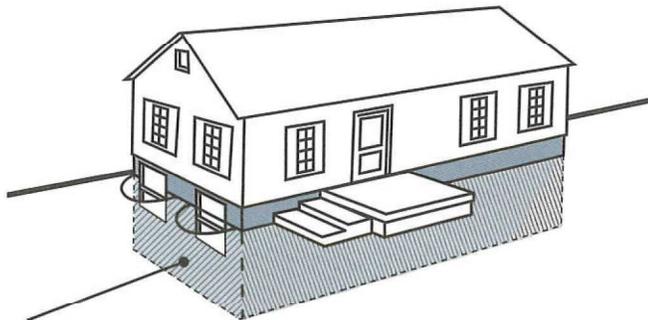
- Fuel tanks and the fuel in them, solar energy equipment, well water tanks and pumps.
- Furnaces, hot water heaters, heat pumps, and sump pumps.

### What is insured under PERSONAL PROPERTY coverage

- Washers and dryers.
- Food freezers and the food in them (but not refrigerators).
- Portable and window air conditioners.

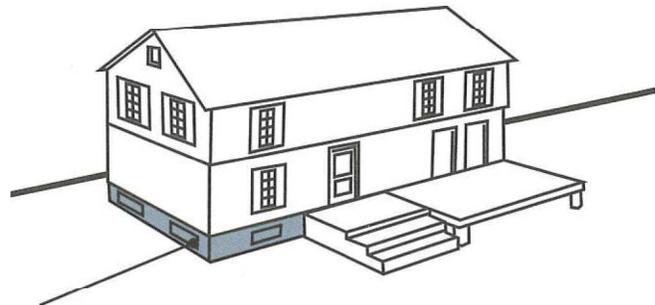
### What is NOT insured by either Building Property or Personal Property coverage

- Paneling, bookcases, and window treatments such as curtains and blinds.
- Carpeting, area carpets, and other floor coverings such as tile.
- Drywall for walls and ceilings (below lowest elevated floor).
- Walls and ceilings not made of drywall.
- Most personal property such as clothing, electronic equipment, kitchen supplies, and furniture.



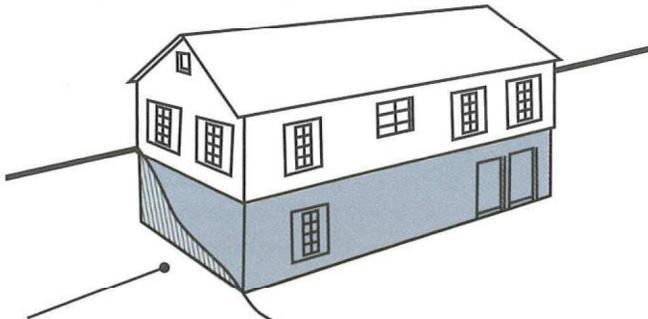
#### 1. BASEMENTS

Coverage limitations apply to "basements," which are any area of the building, including a sunken room or sunken portion of a room, having its floor below ground level on all sides.



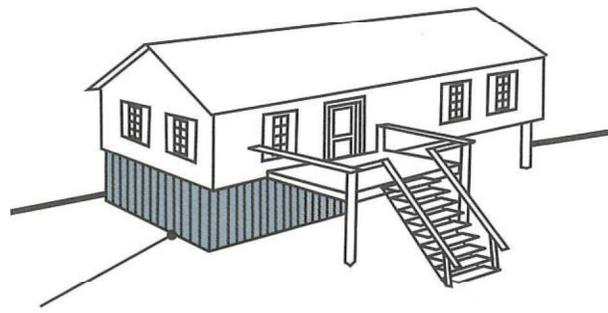
#### 2. CRAWLSPACE

When a building is elevated on foundation walls, coverage limitations apply to the "crawlspace" below.



#### 3. ELEVATED BUILDING ON FULL STORY FOUNDATION WALLS

Coverage limitations apply to the enclosed areas (lower floor) even when a building is constructed with what is sometimes called a "walkout basement."



#### 4. ELEVATED BUILDING WITH ENCLOSURE

Coverage limitations apply to "enclosed areas" at ground level under an "elevated building." An elevated building allows water to flow freely under the living quarters, thus putting less strain on the building in the event of flooding. An "enclosure" is the area below the lowest elevated floor that is fully shut in by rigid walls.

## How Flood Damages Are Valued

The value of flood damage in the Dwelling Form is based on either Replacement Cost Value or Actual Cash Value.

### Replacement Cost Value (RCV)

RCV is the cost to replace that part of a building that is damaged (without depreciation). To be eligible, three conditions must be met:

1. The building must be a single-family dwelling, and
2. Be your principal residence, meaning you live there at least 80-percent of the year, and
3. Your 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.

### Actual Cash Value (ACV)

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 to 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.

## Special Considerations for Multiple Claims

Property owners of "severe repetitive loss properties" may be eligible for a FEMA mitigation grant for property improvements that reduce the likelihood of future flood damages. Property owners who refuse the grant money could be required to pay increased flood insurance premiums.

A property is defined as a "severe repetitive loss property" when it meets one of these conditions:

1. Four or more separate flood claim payments have been made and each claim payment exceeds \$5,000, or
2. At least two flood claim payments have been made and the cumulative payments exceed the value of the property.

### A FINAL NOTE

This document provides general information about flood insurance coverage. However, please be aware that your Standard Flood Insurance Policy, your application, and any endorsements, including the Declarations Page, make up your official contract of insurance. Any differences between this information and your policy will be resolved in favor of your policy. If you have questions, call your insurance agent or company representative.

## What is Increased Cost of Compliance (ICC) coverage?

Most NFIP policies include ICC coverage, which applies when flood damages are severe. ICC coverage provides up to \$30,000 of the cost to elevate, demolish, or relocate your home. If your community declares your home "substantially damaged" or "repetitively damaged" by a flood, it will require you to bring your home up to current community standards.

The total amount of your 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.

Details about eligibility are in Part III, Section D of your policy.

Congress created the National Flood Insurance Program (NFIP) in 1968 to reduce future flood damage through floodplain management, and to provide people with flood insurance through individual agents and insurance companies. The Federal Emergency Management Agency (FEMA) manages the NFIP. As required by Congress, this document was prepared by the NFIP to help flood insurance policyholders understand their policy.



**FEMA**

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For more information about the NFIP and flood insurance, call  
**1-800-427-4661**  
or contact your insurance company or agent.

<http://www.fema.gov/business/nfip>  
<http://www.floodsmart.gov>

## THE RISK IS REAL

All it takes is a few inches of water to cause tens of thousands of dollars in damage to your home and its contents. Without flood insurance, you'd have to pay for ruined walls, furniture, floors, rugs, baseboards, electronics, and more. Buying affordable flood insurance lessens your financial burden, and makes it faster and easier to repair the damage and make your house a home again.

**DON'T WAIT —  
CALL YOUR INSURANCE AGENT TODAY.**

About 85 insurance companies offer preferred risk flood insurance from the National Flood Insurance Program, and whichever company you use, it's sold at the same low price.

Flood insurance only goes into effect 30 days after purchase, so pick up the phone and call your insurance agent today about purchasing a Preferred Risk Policy.



## PREFERRED RISK POLICY

Low-cost flood insurance for homeowners and renters.



# FEMA

FloodSmart.gov/residential  
1-800-427-2419

A small investment protects  
you from a big problem.





## PEACE OF MIND

### FOR AS LITTLE AS \$129 PER YEAR

Every year, thousands of people learn the hard way that you don't need to live near a river or coastline to face a flood. Floods are the #1 natural disaster in the United States yet only a fraction of homes are protected against the cost and aggravation of flooding with flood insurance.

#### WHY RISK YOUR HOME WHEN:

- Most homes outside of high-risk areas will qualify for the National Flood Insurance Program's PRP.
- PRPs offer the same quality coverage as a Standard Flood Insurance Policy, providing you with both building and contents options: You can purchase up to \$250,000 of building coverage and \$100,000 of content coverage for just \$412 per year. Other coverage options start as low as \$129 per year.
- PRPs are available in most communities across the country—wherever flood insurance is sold, and available to homeowners, condominium unit owners, and renters.

Most homeowners insurance doesn't cover flood damage. Federal disaster assistance is not always available for flooding—and if it is, it's usually a loan that must be repaid. Isn't buying a Preferred Risk Policy (PRP) a small price to pay for protection from what could be a big, expensive, time-consuming problem?

More than twenty percent of flood insurance claims and one-third of disaster assistance for flooding come from areas outside of high-risk zones. The risk is real, wherever you live.

#### PREFERRED RISK POLICY PREMIUM TABLE: RESIDENTIAL \*

PRP Premiums for Zones B, C, X (Pre-/Post-FIRM)  
Effective January 1, 2013

COVERAGE	BUILDING & CONTENTS: <sup>1</sup>		COVERAGE	CONTENTS ONLY: <sup>1,4,7</sup>	
	Annual Premium <sup>2,3</sup> w/o Basement or Enclosure <sup>6</sup>	Annual Premium <sup>2,3</sup> w/ Basement or Enclosure <sup>5</sup>		Annual Premium <sup>2</sup> Contents Above Ground <sup>7</sup>	Annual Premium <sup>2</sup> All Other Locations <sup>8</sup>
\$ 20,000/8,000	\$ 129	\$ 174	\$ 8,000	\$ 55	\$ 77
30,000/12,000	181	209	12,000	73	104
50,000/20,000	238	267	20,000	108	145
75,000/30,000	279	313	30,000	124	166
100,000/40,000	310	344	40,000	138	185
125,000/50,000	332	366	50,000	151	205
150,000/60,000	354	388	60,000	165	224
200,000/80,000	388	427	80,000	192	246
250,000/100,000	412	458	100,000	219	269

**Note:** As of January 1, 2011, properties that have been newly mapped into a high-risk flood zone, on or after October 1, 2008, may qualify for a PRP through the PRP Eligibility Extension program.

**Note:** Residential condominium associations are not eligible for the PRP. Individual residential condominium units in residential condominium buildings are eligible for the PRP. In addition, individual residential condominium unit owners in nonresidential condominium buildings are only eligible for contents coverage. The deductibles apply separately to building and contents. Building deductible, \$1,000. Contents deductible, \$1,000.

To qualify for replacement cost claim settlement, a single-family dwelling must be the insured's primary residence and be insured to the maximum amount of insurance available under the program or no less than 80% of the replacement cost at the time of loss.

**Note:** Basement only not eligible.

<sup>1</sup>Other residential building and contents coverage combinations are available

<sup>1</sup>Add the \$50.00 Probation Surcharge, if applicable.

<sup>2</sup>Premium includes Federal Policy fee of \$20.00.

<sup>3</sup>Premium includes ICC premium of \$5.00. Deduct this amount if the risk is a condominium unit.

<sup>4</sup>Contents only policies are not available for contents located in basement only.

<sup>5</sup>Do not use this section of the table for buildings with crawl spaces or subgrade crawl spaces. See footnote 6.

<sup>6</sup>Use this section of the table for buildings with crawl spaces or subgrade crawl spaces.

<sup>7</sup>Content-only policies are not available for contents located in basement only.

<sup>8</sup>More than one floor.

FOR MORE INFORMATION, VISIT [FLOODSMART.GOV/RESIDENTIAL](http://FLOODSMART.GOV/RESIDENTIAL) OR CALL 1-800-427-2419.

