1. What is the National Flood Insurance Program (NFIP)?

The NFIP is a Federal program created by Congress to mitigate future flood losses nationwide through sound, community-enforced building and zoning ordinances and to provide access to affordable, federally backed flood insurance protection for property owners. The NFIP is designed to provide an insurance alternative to disaster assistance to meet the escalating costs of repairing damage to buildings and their contents caused by floods.

Participation in the NFIP is based on an agreement between local communities and the Federal Government that states that if a community will adopt and enforce a floodplain management ordinance to reduce future flood risks to new construction in Special Flood Hazard Areas (SFHAs), the Federal Government will make flood insurance available within the community as a financial protection against flood losses.

2. What is a flood?

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

3. How does the NFIP benefit property owners? Taxpayers? Communities?

Through the NFIP, property owners in participating communities are able to insure against flood losses. By employing wise floodplain management, a participating community can reduce risk and protect its citizens and the community against much of the devastating financial losses resulting from flood disasters. Careful local management of development in the floodplains results in construction practices that can reduce flood losses and the high costs associated with flood disasters to all levels of government.

4. Who may purchase a flood insurance policy?

NFIP coverage is available to all owners of eligible property (a building and/or its contents) located in a community participating in the NFIP. Owners and renters may insure their property against flood loss. Owners of buildings in the course of construction, condominium associations, and owners of residential condominium units in participating communities all may purchase flood insurance.

Condominium associations may purchase insurance coverage on a residential building, including all units, and it's commonly owned contents under the Residential Condominium Building Association Policy (RCBAP). The unit owner may separately insure personal contents as well as obtain additional building coverage under the Dwelling Form as long as the unit owner's share of the RCBAP and his/her added coverage do not exceed the statutory limits for a single-family dwelling. The owner of any condominium unit in a non-residential condominium building may purchase only contents coverage for that unit.

5. How can a property owner determine whether or not his or her property is in a Special Flood Hazard Area (SFHA)?

FEMA provides mapped communities with a single paper map of their community. The maps are generally kept in community planning or building permit departments where they should be available for review. In addition, digital flood maps can be viewed on FEMA's Map Information eXchange (FMIX) website at http://msc.fema.gov. Property owners can also contact their insurance agent, who usually has access to FEMA maps or to a Flood Zone Determination service.

6. How is flood insurance purchased?

After a community joins the NFIP, a policy may be purchased from any licensed property insurance agent or broker who is in good standing in the state in which the agent is licensed or through any agent representing a Write Your Own (WYO) Company, including an employee of the company authorized to issue the coverage. The agent will complete the flood insurance application, obtain the proper supporting documentation required, and determine the rates for establishing the flood insurance premium.

The steps to purchase flood insurance are as follows:

- Identify the flood zone in which the structure is located.
- Complete the flood insurance application.
- If required, obtain supporting documentation (i.e., elevation certificate, photos, zone determination).
- Submit the completed application, supporting documentation, and full premium to the insurer.

7. How are flood insurance premiums calculated?

A number of factors are considered in determining the premium for flood insurance coverage. They include the amount of coverage purchased; the deductible amount selected; the flood zone; location; age of the building; building occupancy; and design of the building (foundation type). For buildings in SFHAs built after the community entered the flood program (Post-FIRM), the elevation of the building in relation to the Base Flood Elevation (BFE) is also a factor in determining the premium.

8. Is the purchase of flood insurance mandatory?

The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 mandate that federally regulated, supervised, or insured financial institutions and Federal Agency lenders require flood insurance for buildings located in a participating NFIP community and in an SFHA. Some financial institutions may require flood insurance for properties outside the SFHA as part of their own risk management process.

9. Can an NFIP policy be rated based on the FIRM that was in effect when the building was constructed, even if a FIRM is revised?

Yes. To recognize policyholders who built in compliance with the FIRM that was effective when the building was constructed, the NFIP has “grandfather rules” that allow policies to be rated based on the FIRM that was in effect when the structure was built. Supporting documentation that confirms the flood zone and/or BFE information from the prior FIRM is required to grandfather the rating. NFIP “grandfather rules” do not apply to the low-cost Preferred Risk Policy (PRP). The FIRM in effect when the PRP is effective determines eligibility for the PRP.

10. If a building is substantially improved or damaged, can the rating be grandfathered to a prior FIRM that was in effect when the building was originally constructed?

No. If a building is substantially improved or damaged, the FIRM in effect at the time of improvement or damage must be used for rating.

11. Are there grandfather rules to allow policyholders to maintain the current rating despite a map revision that places property in a higher-rated flood zone?

Yes. To recognize policyholders who have built in compliance with the FIRM and/ or remained loyal customers of the NFIP by maintaining continuous coverage, FEMA has “grandfather rules.” These rules allow such policyholders to benefit in the rating for that building. For such buildings, the insured would have the option of using the current rating criteria for that building or having the premium rate determined by using the BFE and/or flood zone on a previous FIRM that was in effect when the building was originally constructed (for those built in compliance) or when coverage was first obtained (for those with continuous coverage). This leads to cost savings to insured when the new map resulting from a map revision would result in a higher premium rate.

12. Is there a “grace period” for renewing an NFIP policy after expiration?

All policies expire at 12:01 a.m. on the last day of the policy term.

However, coverage remains in force for 30 days after the expiration of the policy, and claims for losses that occur during the period will be honored provided that the full renewal premium is received within 30 days of the policy expiration date.

Coverage also remains in force for the benefit of any mortgagee, but only for 30 days after the mortgagee is notified of the cancellation or expiration.

13. What constitutes “substantial improvement” or “substantial damage”?

“Substantial improvement” means any rehabilitation, addition, or other improvement of a building when the cost of the improvement equals or exceeds 50 percent of the market value of the building before start of construction of the improvement. The term includes buildings that have incurred “substantial damage,” which means damage of any origin sustained by a building when the cost of restoring the building to its pre-damaged condition would equal or exceed 50 percent of the market value of the building before the damage occurred. Substantial damage is determined regardless of the actual repair work performed.

Substantial improvement or damage does not, however, include any project for improvement of a building to correct existing violations of state or local health, sanitary, or safety code specifications identified by local code enforcement officials as the minimum specifications necessary to ensure safe living conditions. Also excluded from the substantial improvement requirement are alterations to historic buildings as defined by the NFIP.

14. Where can additional information on floodplain management requirements of the NFIP be found?

Interested parties can find additional information on floodplain management requirements of the NFIP by visiting the website http://www.fema.gov/plan/ prevent/floodplain/index.shtm.

15. What is a regulatory floodway, and who designates it?

A regulatory floodway, which is adopted into a community's floodplain management ordinance, includes the stream channel plus the portion of the floodplain outside of the channel banks. That portion must be kept free from encroachment so that water flows may pass without increasing flood levels by more than 1.0 foot (some states specify a smaller allowable increase). The intention of the floodway designation is not to preclude development. Rather, it is intended to assist communities in managing floodplain development and its impacts on other property owners. The community is responsible for prohibiting encroachments including fill, new construction, and substantial improvements within the floodway unless hydrologic and hydraulic analyses show it will not increase flood levels within the community. In areas that fall within the 1-percent-annual-chance floodplain, but are outside the floodway (termed the "floodway fringe"), development must cause no more than a 1.0-foot increase in the 1-percent-annual-chance flood levels.

16. If a LOMA, LOMR-F, or LOMR is issued by FEMA, will a lending institution automatically waive the flood insurance requirement?

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

Even if the lender waives the requirement of flood insurance, it is wise to keep coverage in force. History has proven that over 20 percent of all NFIP claims originate from areas mapped outside those considered at high risk.