Flood Insurance Information for Prospective Buyers

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

26. How can property owners or renters find out if their community participates in the NFIP?

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

27. 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.

28. What types of property may be insured against flood loss?

Insurance may be written on any building eligible for coverage 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 movement. The structure must be located in a community that participates in the NFIP.

- Manufactured (i.e., mobile, travel trailers without wheels) homes that are affixed and anchored to a permanent foundation are eligible for coverage.
- Contents coverage for personal belongings located within an eligible building can also be purchased.

29. What kinds of property are not insurable under the NFIP?

Buildings entirely over water or principally below ground, gas and liquid storage tanks, animals, birds, fish, aircraft, wharves, piers, bulkheads, growing crops, shrubbery, land, livestock, roads, machinery or equipment in the open, and most motor vehicles are not insurable through the NFIP.

30. What is a Section 1316 designation and how does it impact flood insurance availability?

A Section 1316 designation is given to 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. NFIP flood insurance is not available for buildings with a Section 1316 designation. A community official may request that FEMA rescind the Section 1316 designation when the structure is determined compliant with the floodplain management laws, regulations, or ordinances.

31. 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.

32. 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.

33. 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.

34. Why is there a requirement to purchase flood insurance in communities that have not suffered flooding in many years, or ever?

A major purpose of the NFIP is to alert communities to the danger of flooding and to assist them in reducing potential property losses from flooding. Historical flood data are only one element used in determining a community's flood risk. More critical determinations can be made by evaluating the community's rainfall and river-flow data, topography, wind velocity, tidal surge, flood-control measures, development (existing and planned), community maps, and other data. Over time, additional development or changes in these factors can alter the flood risk, and flood maps may be revised.

35. Why is my lender requiring the purchase of flood insurance?

Lenders are mandated under the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 to require the purchase of flood insurance by property owners who acquire loans from federally regulated, supervised, or insured financial institutions for the acquisition or improvement of land, facilities, or structures located within or to be located within an SFHA.

The lender reviews the current NFIP maps for the community in which the property is located to determine its location relative to the published SFHA and completes the Standard Flood Hazard Determination Form (SFHDF). If the lender determines that the structure is indeed located within the SFHA and the community is participating in the NFIP, the borrower is then notified that flood insurance will be required as a condition of receiving the loan. A similar review and notification are completed whenever a loan is sold on the secondary loan market or perhaps when the lender completes a routine review of its mortgage portfolio.

36. Are lenders required to escrow flood insurance payments?

Yes. If a lender, its servicer, or a Federal Agency lender requires the escrow of taxes, insurance premiums, fees, or any other charges for a loan secured by improved residential real estate or mobile homes, it shall also require the escrow of all premiums and fees for any flood insurance. This requirement applies to loans made, increased, extended, or renewed on or after October 1, 1996.

Requiring lenders to escrow for flood insurance premiums improves compliance with flood insurance requirements by ensuring that homeowners located in Special Flood Hazard Areas obtain and maintain flood insurance for the life of the loan.

37. What if a borrower disagrees with his or her lender's determination that a property is in a flood zone?

If a lending institution is requiring the insurance to meet mandatory flood insurance purchase requirements, the property owners may not contest the requirement if the lending institution has established the requirements as a part of its own standard lending practices. However, if a lending institution is requiring the insurance to meet mandatory flood insurance purchase requirements, the property owner and lender may jointly request that FEMA review the lending institution's determination. This request must be submitted within 45 days of the date the lending institution notified the property owner that a building or manufactured home is in the SFHA and flood insurance is required. In response, FEMA will issue a Letter of Determination Review (LODR). The LODR process should be used as a last resort. Before the LODR process is engaged, the property owners should contact their lender and provide them with additional documentation to support their position.

Some lenders reserve the right in their loan documents to require the purchase of flood insurance regardless of the flood zone. Property owners may not contest the requirement to purchase flood insurance if the lending institution has established the requirement as a part of its own standard lending practice.

38. What is the process and outcome of the LODR on the lender's determination?

The LODR does not result in an amendment or revision to the NFIP map. It only upholds or overturns the lender's determination. The LODR remains in effect until the NFIP map panel affecting the subject building or manufactured home is revised. The LODR process does not consider the elevation of the structure above the flood level. It considers only the location of the structure relative to the SFHA shown on the effective FIRM. FEMA confirms the location of the structure on the FIRM by examining the data source used by the lender to make the determination.

A fee must be submitted with all LODR requests. The fee payment may be in the form of a check or money order, in U.S. dollars, made payable to the "National Flood Insurance Program."

39. How many buildings or locations (and their contents) may be insured on each policy?

Only one building and its contents can be insured on a policy. However, the Dwelling Form of the Standard Flood Insurance Policy (SFIP) does provide coverage for up to 10 percent of the policy amount for appurtenant detached garages.

40. What is the flood insurance policy term?

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

41. Is there a minimum coverage requirement for a flood insurance policy?

No, there is no minimum coverage requirement if coverage is being purchased voluntarily.

However, if coverage is being purchased as the result of a lender requirement (mandatory purchase requirement), the amount of flood insurance required must be at least equal to the lesser of (1) the outstanding principal balance of the loan, (2) the maximum amount available under the NFIP, or (3) the total insurable value of the property.

Some lenders reserve the right in their loan documents to require the purchase of flood insurance above the amount required by law. If so, they may require the amount of coverage to be as high as the building's replacement cost value.

Property owners should consult with their insurance agent and lender to determine the appropriate amount of insurance to purchase. This does not apply to the Group Flood Insurance Policy (GFIP).

42. 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.

43. 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.

44. When a property's flood zone changes from a non–Special Flood Hazard Zone (SFHA) to an SFHA as a result of a FIRM update, can the property continue to be rated using the PRP?

Yes. Because flood zone revisions on updated FIRMs have resulted in a financial challenge for many homeowners, FEMA has implemented a measure that provides financial relief by delaying the applicability of the SFHA standard rating for 2 years. Buildings newly mapped into an SFHA by a map effective on or after October 1, 2008, are eligible for the PRP for 2 years beginning on January 1, 2011, or the map change effective date, whichever is later. The building must also meet the PRP loss history requirements. At the end of the extended PRP eligibility period, the policy would be renewed as a standard-rated policy, and may be eligible for grandfathering on a standard-rated policy.

45. 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 insureds when the new map resulting from a map revision would result in a higher premium rate.

46. Is there a waiting period for flood insurance to become effective?

Yes. There is a 30-day waiting period before flood coverage goes into effect. 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.

However, there are exceptions in which the 30-day waiting period does not apply:

- In connection with making, increasing, extending, or renewing a loan, whether conventional or otherwise, 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 and the presentment of premium is made at the time of or prior to the loan closing.
- In connection with lender requirement, 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 payment of premium.
- When the initial purchase of flood insurance is in connection with the revision or updating of a Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM): During the 13-month period beginning on the effective date of the map revision, the effective date of a new policy shall be 12:01 a.m., local time, following the day after the application date and the presentment of premium. This 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.

47. What is "presentment of payment"?

Presentment of premium is defined as:

- The date of the check or credit card payment by the applicant or the applicant's representative if the premium payment is not part of a loan closing.
- The date of the closing, if the premium payment is part of a loan closing.

For a loan closing, premium payment from the escrow account (lender's check), title company, or settlement attorney is considered made at closing, regardless of when the check is received by the writing company.

48. Is there a special rating procedure applicable to coastal high hazard areas (V Zones)?

In calculating the applicable rates for buildings that were constructed or substantially improved in V Zones after October 1, 1981, the actuarial formula takes into account the ability of the building to withstand the impact of wave action. The agent must follow the special instructions in the *NFIP Flood Insurance Manual* in preparing an application for coverage for buildings located in V Zones. (See the "Flood Hazard Assessment and Mapping Requirements" section starting on page 27 for a further explanation of V Zones.)

49. What is the Coastal Barrier Resources System (CBRS)?

The Coastal Barrier Resources Act (CBRA) of 1982 established the John H. Chafee Coastal Barrier Resources System (CBRS), a defined set of coastal barrier units located along the Atlantic, Gulf of Mexico, Great Lakes, Puerto Rico, and U.S. Virgin Islands coasts. These areas are delineated on a set of maps that are enacted into law by Congress and maintained by the Department of the Interior through the U.S. Fish and Wildlife Service. Most new Federal expenditures and financial assistance are prohibited within the CBRS. The prohibition that is most significant to homeowners and insurance agents is the denial of Federal flood insurance through the NFIP for new or substantially improved structures within the CBRS. The CBRA does not prevent development and it imposes no restrictions on development conducted with non-Federal funds. Congress enacted the CBRA to minimize the loss of human life, wasteful Federal expenditures, and the damage to natural resources associated with coastal barriers.

What are the differences between System Units and Otherwise Protected Areas (OPAs)? The CBRS contains two types of units: System Units and Otherwise Protected Areas (OPAs). System Units are generally comprised of private lands that were relatively undeveloped at the time of their designation with the CBRS. The boundaries of these units are generally intended to follow geomorphic, development, or cultural features. Most new Federal expenditures and financial assistance, including Federal flood insurance, are prohibited within System Units. OPAs are generally comprised of lands held by a qualified organization primarily for wildlife refuge, sanctuary, recreational, or natural resource conservation purposes. The boundaries of these units are generally intended to coincide with the boundaries of conservation or recreation areas such as state parks and national wildlife refuges. The only Federal spending prohibition within OPAs is the prohibition on Federal flood insurance.

Coverage

54. How much flood insurance coverage is available?

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

	Emergency Program	Regular Program
Building Coverage		
Single-family dwelling	$ 35,000*	$250,000
Two- to four-family dwelling	$ 35,000*	$250,000
Other residential	$100,000*	$250,000
Non-residential	$100,000*	$500,000
Contents Coverage		
Residential	$ 10,000	$100,000
Non-residential	$100,000	$500,000

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

55. Are there limitations on the amount of insurance available for certain types of property?

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

In addition, there are coverage limitations for items located in basements, or in an enclosed area under an elevated floor, for Post-FIRM structures located in an SFHA.

The *General Property Form* limits the recoverable amount for Pollution Damage to $10,000. Refer to the *General Property Form* under Section III. Property Covered, Part C. Coverage C—Other Coverages for other limitations that apply for this coverage. For other limitations under the SFIP, see the current policy or contact a property insurance agent or broker.

56. What flood losses are covered?

Direct physical losses "by flood," losses resulting from flood-related erosion caused by waves or currents of water activity exceeding anticipated cyclical levels, or caused by a severe storm, flash flood, abnormal tidal surge, which result in flooding, as defined in the SFIP. Damage caused by mudflows, as specifically defined in the policy forms, is covered.

57. What coverage is available in basements and in enclosed areas beneath the lowest elevated floor of an elevated building located in an SFHA built after the community entered the NFIP (Post-FIRM)?

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

For a complete list of coverage, refer to any of the SFIP forms, Section III. Property Covered, Part A. Building Property – 8. a. (1) through (17) and b., for building items covered. For Personal Property, refer to Section III. Property Covered, Part B. Personal Property – 4. a., b., and c.

58. What is a basement?

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.

59. Are losses from land subsidence, sewer backup, or seepage of water covered?

The NFIP will pay for losses from land subsidence under certain circumstances. Subsidence of land along a lakeshore or similar body of water that results from the erosion or undermining of the shoreline caused by waves or currents of water exceeding cyclical levels that result in a flood is covered. All other land subsidence is excluded.

Unless there is a general condition of flooding in the area and the flood is the proximate cause of sewer or drain backup, sump pump discharge or overflow, or seepage of water, the NFIP does not insure for direct physical loss caused directly or indirectly by any of the following:

- Backups through sewers or drains;
- Discharges or overflows from a sump, a sump pump, or related equipment; or
- Seepage or leaks on or through the covered property.

60. Does the NFIP apply a deductible to losses?

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

When a building is under construction, alteration, or repair and does not have at least two rigid exterior walls and a fully secured roof at the time of the loss, the deductible amount will be two times the deductible that would otherwise apply to a completed building. The deductible does not apply to:

- Loss avoidance measures;
- Condominium loss assessments; or
- Increased cost of compliance.

61. Are costs of preventive measures covered under the SFIP?

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

Note: The coverage for Sandbags, Supplies, and Labor applies only if damage to insured property by or from flood is imminent, and the threat of flood damage is apparent enough to lead a person of common prudence to anticipate flood damage.

One of the following must also occur:

(a) A general and temporary condition of flooding in the area near the described location must occur, even if the flood does not reach the insured building; or

(b) A legally authorized official must issue an evacuation order or other civil order for the community in which the insured building is located calling for measures to preserve life and property from the peril of flood. This coverage does not increase the Coverage A or Coverage B limit of liability.

For additional information, refer to any of the SFIP forms, Section III. Property Covered, Part C. Coverage C – Other Coverages: 2. a. and b.

62. Does insurance under the NFIP provide coverage at replacement cost?

Replacement cost coverage is available for a single-family dwelling, insured under the Dwelling Form that is the policyholder’s principal residence and is insured for at least 80 percent of the building’s total insurable value at the time of the loss, or the maximum amount of insurance available under the Program. Replacement cost coverage does not apply to manufactured (i.e., mobile) homes smaller than certain dimensions specified in the policy.

Losses are adjusted on a replacement cost basis for residential condominium buildings insured under the Residential Condominium Building Association Policy (RCBAP). However, coverage amounts less than 80 percent of the building’s full replacement cost value (RCV) at the time of loss will be subject to a coinsurance penalty.

Building losses under the General Property Form are always adjusted on an actual cash value basis.

Contents losses are always adjusted on an actual cash value basis. Actual cash value means the replacement cost of an insured item of property at the time of loss, less the value of physical depreciation of the item damaged.

63. Does the Standard Flood Insurance Policy (SFIP) provide additional living expenses if the insured dwelling is flood damaged and cannot be occupied while repairs are being made?

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

64. What is Increased Cost of Compliance (ICC) coverage?

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

65. Is there a limit to the amount a policyholder can collect under ICC coverage?

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

66. Is ICC premium included in all Standard Flood Insurance Policies?

Yes—however, not all buildings are eligible for ICC coverage. To be eligible for ICC coverage, a building must be declared substantially damaged, and there must be mitigation activities to reduce the building's exposure to future flood damage. Refer to Section D of the policy form for more information regarding ICC coverage.

Filing a Flood Insurance Claim

67. How does a policyholder file a claim for flood loss?

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

68. What is a "proof of loss"?

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

Note: Some WYO Companies and the NFIP Direct Servicing Agent may require the proof of loss to be affirmed by a public notary.

69. What is a "loss in progress"?

A loss in progress occurs when actual flood damage to a building or its contents started before the inception of the policy, or when coverage is added at the insured's request when a flood is imminent.

70. Is a loss in progress covered?

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

71. What is the maximum that can be collected for a loss under the NFIP policy?

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

Floodplain Management Requirements

72. What is the role of the community in floodplain management?

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

When a community chooses to join the NFIP, it must require permits for all development in the SFHA and ensure that construction materials and methods used will minimize future flood damage. Permit files must contain documentation to substantiate how buildings were actually constructed. In return, the Federal Government makes flood insurance available for eligible buildings and their contents within the community.

Communities must ensure that their adopted floodplain management ordinance and enforcement procedures meet program requirements. Local regulations must be updated when additional data are provided by FEMA or when Federal or state standards are revised.

73. Do state governments assist in implementing the NFIP?

At the request of FEMA, each governor has designated an agency of state or territorial government to coordinate that state's or territory's NFIP activities. These agencies often assist communities in developing and adopting necessary floodplain management measures through a grant from FEMA through the Community Assistance Program, State Support Services Element (CAP-SSSE).

Some states require more stringent measures than those of the NFIP. For contact information, see the list of "State NFIP Coordinating Agencies" starting on page 47 of this book.

74. Do Federal requirements take precedence over state requirements?

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

FEMA supports state-initiated enforcement actions of higher standards by providing technical assistance and initiating FEMA enforcement actions where appropriate, as defined in 44 CFR §59.24. If a state chooses not to enforce its own regulations, FEMA shall limit its enforcement actions to compliance with NFIP criteria; or, after all technical assistance has been exhausted, FEMA may strongly suggest that the provision be omitted from state law until adequate progress can be shown that the provision is being fully enforced.

75. What is meant by "floodplain management measures"?

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

76. Do the floodplain management measures required by the NFIP affect existing buildings?

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

A floodplain management ordinance should define "existing construction" as, for the purposes of determining flood insurance rates, structures for which the "start of construction" commenced before the effective date of the FIRM or before January 1, 1975, for FIRMs effective before that date.

77. 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.

78. Do the floodplain management requirements apply to construction taking place outside the SFHAs within a community?

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

79. Can modifications be made to the basic floodplain management requirement?

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

If communities are having difficulty developing an ordinance that is compliant with the minimum regulatory standards, they should contact their state NFIP Coordinator and appropriate FEMA Regional Office.

80. Does elevating a structure on posts or pilings remove a building from the SFHA?

Elevating a structure on posts or pilings does not remove a building from the SFHA. If the ground around the supporting posts or pilings is within the floodplain, the building is still at risk. Ground saturation can lead to decreased load-bearing capacity of the soil supporting the posts or pilings, which can lead to partial or full collapse of the structure. Flood insurance will be required as a condition of receipt of Federal or federally regulated financing for the structure. FEMA recommends securely elevating structures above the SFHA to reduce the risk to life and property, and has established a rating structure that could result in significant savings in premium costs for those who elevate.

81. 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.

Repetitive Loss Properties Strategy and FEMA Hazard Mitigation Grant Program

103. Is financial assistance available for NFIP policyholders to reduce their overall risk?

Yes, FEMA offers five hazard mitigation grant programs. Some grant programs are available only to NFIP policyholders.

104. What are the five hazard mitigation grant programs?

- Hazard Mitigation Grant Program (HMGP) (http://www.fema.gov/government/grant/hmgp/index.shtm)
- Pre-Disaster Mitigation Grant Program (PDM) (http://www.fema.gov/government/grant/pdm/index.shtm)
- Flood Mitigation Assistance Grant Program (FMA) (http://www.fema.gov/government/grant/fma/index.shtm)
- Repetitive Flood Claims Grant Program (RFC) (http://www.fema.gov/government/grant/rfc/index.shtm)
- Severe Repetitive Loss Grant Program (SRL) (http://www.fema.gov/government/grant/srl/index.shtm)

105. What is the Repetitive Loss Properties Strategy?

The primary objective of the Repetitive Loss Properties Strategy is to eliminate or reduce the damage to property and the disruption of life caused by repeated flooding of the same properties.

106. Is there a program available for severe repetitive loss properties?

A specific group of properties is identified and serviced separately from other NFIP policies by the Special Direct Facility (SDF). The properties include every NFIP-insured property that, since 1978 and regardless of any change(s) of ownership during that period, has experienced:

- At least four NFIP claim payments (including building and contents) over \$5,000 each, and the cumulative amount of such claims payments exceeds \$20,000; *or*
- For which at least two separate claims payments (building payments only) have been made with the cumulative amount of the building portion of such claims exceeding the market value of the building.

For both of the above options, at least two of the referenced claims must have occurred within any 10-year period, and must be greater than 10 days apart.

107. How is the loss history determined?

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

108. How and when are affected property owners notified that their property is an SRL property?

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

109. How should an SRL policyholder respond after receiving such a renewal notice?

If the policyholder wishes to continue to have flood coverage, he or she should follow the renewal instructions provided by the SDF offer notice. He or she will not be able to renew the policy with the present WYO Company.

110. What procedures are available for property owners who believe that their property should not be included as an SRL property?

When a policyholder has documentation that the NFIP-insured property has not sustained the losses reported, a request for review may be presented, in writing, to the NFIP Bureau and Statistical Agent. All documentation to substantiate the review must be included with the request letter. The policy will remain in the SDF during the review.

111. What happens to an SRL property?

The appropriate FEMA Regional Office (see list beginning on page 43 in this book) provides information about the property to state and local floodplain management officials. States or communities may sponsor projects to mitigate flood losses to these properties or may be able to provide technical assistance on mitigation options.

112. What happens if a property owner agrees to undertake appropriate mitigation measures?

The property will be removed from the SRL validated list at the next renewal, and the policy then will be transferred from the SDF to the WYO Company that previously serviced the policy.

113. What kinds of mitigation measures are appropriate?

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

114. If an NFIP policyholder who is an SRL property owner declines an official mitigation offer from FEMA, will his or her flood insurance premium increase?

Yes, his or her flood insurance premium will increase.