



INSURANCE AND SAFETY CONCERNS FOR OUR VALUED CUSTOMERS AND INTERESTED PARTIES.

CONTACT RICK JOYCE FOR
ANY TOPICS OF INTEREST
YOU WOULD LIKE
DISCUSSED AT:

TRANSURE SERVICES, INC.
P.O. BOX 100
BURLINGTON, NC 27216

(336)584-9494

EMAIL:VOLLEY@TRANSURESVC.COM

NFIP

NATIONAL FLOOD INSURANCE PROGRAM

What is the National Flood Insurance Program (NFIP)?

The NFIP is a Federal program enabling property owners in participating communities to purchase insurance protection against losses from flooding. This insurance 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 if a community will adopt and enforce a floodplain management ordinance to reduce future flood risks to new construction in Special Flood Hazard Areas, the Federal Government will make flood insurance available within the community as a financial protection against flood losses.

Why was the NFIP established by Congress?

For decades, the national response to flood disasters was generally limited to constructing flood-control works such as dams, levees, seawalls, and the like, and providing disaster relief to flood victims. This approach did not reduce losses, nor did it discourage unwise development. In some instances, it may have actually encouraged additional development. To compound the problem, the public generally could not buy flood coverage from insurance companies, and building techniques to reduce flood damage were often overlooked. In the face of mounting flood losses and escalating costs of disaster relief to the general taxpayers, the U. S. Congress created the NFIP.

The intent was to reduce future flood damage through community floodplain management ordinances, and provide protection for property owners against potential losses through an insurance mechanism that requires a premium to be paid for the protection.

How was the NFIP established and who administers it?

The U. S. Congress established the NFIP with the passage of the National Flood Insurance Act of 1968. The NFIP was broadened and modified with the passage of the Flood Disaster Protection Act of 1973 and other legislative measures. It was further modified by the National Flood Insurance Reform Act of 1994, signed into law on September 23, 1994. The NFIP is administered by the Federal Insurance Administration (FIA), and the Mitigation Directorate (MT), components of the Federal Emergency Management Agency (FEMA), an independent Federal agency.

What is a Special Flood Hazard Area (SFHA)?

In support of the NFIP, FEMA has undertaken a massive effort of flood hazard identification and mapping to produce Flood Hazard Boundary Maps (FHBMs), Flood Insurance Rate Maps (FIRMs), and Flood Boundary and Floodway Maps (FBFMs). Several areas of flood hazards are commonly identified on these maps. One of these areas is the Special Flood Hazard Area (SFHA), which is defined as an area of land that would be inundated by a flood having a 1-percent chance of occurring in any given year (also referred to as the base or 100-year flood). The 1-percent annual

chance standard was chosen after considering various alternatives. The standard constitutes a reasonable compromise between the need for building restrictions to minimize potential loss of life and property and the economic benefits to be derived from floodplain development. Development may take place within the SFHA, provided that development complies with local floodplain management ordinances, which must meet the minimum Federal requirements. Flood insurance is required for insurable structures within the SFHA to protect Federal financial investments and assistance used for acquisition and/or construction purposes within communities participating in the NFIP.

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 normally dry land areas from overflow of inland or tidal waters or from the unusual and rapid accumulation or runoff of surface waters from any source.

What is the NFIP's Write Your Own (WYO) program?

The Write Your Own (WYO) Program, begun in 1983, is a cooperative undertaking of the insurance industry and the FIA. The WYO Program allows participating property and casualty insurance companies to write and service the Standard Flood Insurance Policy in their own names. The companies receive an expense allowance for policies written and claims processed while the Federal Government retains responsibility for underwriting losses. The WYO Program operates within the context of the NFIP, and is subject to its rules and regulations. The goals of the WYO Program are:

- * Increase the NFIP policy base and the geographic distribution of policies;
- * Improve service to NFIP policyholders

through the infusion of insurance industry knowledge; and

- * Provide the insurance industry with direct operating experience with flood insurance.

As of October 1996, approximately 90 insurance companies had signed arrangements with FIA to sell and service flood insurance under their names.

Do the state insurance regulators have any jurisdiction over the NFIP in their respective states?

As established by the U. S. Congress, the sale of flood insurance under the NFIP is subject to the rules and regulations of FIA. FIA has elected to have State licensed insurance companies' agents and brokers sell flood insurance to consumers. State regulators hold the insurance companies' agents and brokers accountable for providing NFIP customers with the same standards and level of service that the states require of them in selling their other lines of insurance. Private insurance companies participating in the Write Your Own (WYO) program must be licensed and regulated by States to engage in the business of property insurance in those States in which they wish to sell flood insurance.

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 protect its citizens against much of the devastating financial loss 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.

What is the definition of a community?

A "community," as defined for NFIP's purposes, is any State, area, or political subdivision; any Indian tribe, authorized tribal organization, or Alaska

native village, or authorized native organization that has the authority to adopt and enforce floodplain management ordinances for the area under its jurisdiction. In most cases, a community is an incorporated city, town, township, borough, or village, or an unincorporated area of a county or parish. However, some States have statutory authorities that vary from this description.

Why is participation in the NFIP on a community basis rather than on an individual basis?

The National Flood Insurance Act of 1968 allows FIA to make flood insurance available only in those areas where the appropriate public body has adopted adequate floodplain management regulations for its flood-prone areas. Individual citizens cannot regulate building or establish construction priorities for communities. Without community oversight of building activities in the floodplain, the best efforts of some to reduce future flood losses could be undermined or nullified by the careless building of others. Unless the community as a whole is practicing adequate flood hazard mitigation, the potential for loss will not be reduced sufficiently to affect disaster relief costs. Insurance rates also would reflect the probable higher losses that would result without local floodplain management enforcement activities.

Who may purchase a flood insurance policy?

NFIP coverage is available to all owners of insurable property (a building and/or its contents) in a community participating in the NFIP. Owners and renters may insure their personal property against flood loss. Builders 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

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 a non-residential condominium unit may purchase only contents coverage for that unit.

How can property owners or renters find out if they are eligible to purchase flood insurance?

NFIP coverage is available only in participating communities. Almost all of the nation's communities with serious flooding potential have joined the NFIP. To learn if a community is participating in the NFIP, contact a property insurance agent, a broker, or a community official, or call the NFIP toll-free number 1-800-427-4661.

How can a property owner determine if the property is in a Special Flood Hazard Area (SFHA)?

FEMA publishes maps indicating a community's flood hazard areas and the degree of risk in those areas. Flood insurance maps usually are on file in a local repository in the community, such as the planning and zoning or engineering offices in the town hall or the county building. A property owner may consult these maps to find out if the property is in an SFHA. A FEMA publication entitled "Guide to Flood Maps" will also help individuals identify particular properties. A toll-free telephone number and mailing address for the FEMA Map Service Center are listed in the NFIP Address and Telephone Directory at the back of this booklet, and may be used to order maps. Delivery is usually within 2 to 4 weeks. There is a minimal charge for maps for most users, so it is advisable to call for detailed information.

What types of property may be insured against flood loss?

Almost every type of walled and roofed building that is principally above ground and not entirely over water maybe insured if it is in a participating community. In most cases, this includes manufactured (i. e., mobile) homes anchored to permanent foundations, but does not include travel trailers or converted buses or vans. Contents

of insurable walled and roofed buildings also may be insured under separate coverage.

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 steps leading to the purchase of a flood insurance policy are:

* A property owner or renter perceives a risk of flooding to an insurable building or its contents and elects to purchase flood insurance, or a lender making, renewing, increasing, or extending a loan, or at any time during the term of the loan, informs the builder or potential buyer that the building is in a Special Flood Hazard Area (SFHA) and flood insurance must be purchased as required by the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994. The builder or borrower contacts an insurance agent or broker or a Write Your Own (WYO) company.

* The insurance agent completes the necessary forms for the builder or buyer. In the case of a building constructed in an SFHA after the issuance of a Flood Insurance Rate Map (FIRM), the builder or buyer must obtain an elevation certificate completed by a licensed engineer, architect, surveyor, or appropriate community official.

* The insurance agent submits the application, necessary elevation certification, and full premium to the NFIP or to a participating WYO company.

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; location; age of the building; building

occupancy; design of the building; and, for buildings in SFHAs, elevation of the building in relation to the base flood elevation. Buildings eligible for special low cost coverage at a pre-determined, reduced premium rate are single-family and 1-4 family dwellings located in zones B, C, and X. For these exceptions, certain loss limitations exist depending on the amount of insurance purchased. (See the "Flood Hazard Assessment and Mapping Requirements" section for definitions of flood zones.)

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. Therefore, FEMA determines flood risk through the use of all available information for each community. Historical flood data are only one element used in determining 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.

Is there a minimum premium for a flood insurance policy?

There is a minimum premium for all flood insurance policies. Because the minimum premium is subject to change, anyone interested in purchasing a flood insurance policy should contact a local property insurance agent or company who writes flood insurance coverage to obtain the current minimum premium amount.

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

There is normally a 30-day waiting period before flood insurance goes into effect. There are some exceptions, but a good rule of thumb is to not wait until the river is rising to try and protect your property.

Reprinted from the FEMA website