



OFFICE OF  
HOUSING COUNSELING

# HUD Housing Counseling Program

## National Flood Insurance Program (NFIP)



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Please note, these are my opinions, much of this will be background. It is not comprehensive. I'm using plain language to explain some complex insurance terms.

An insurance policies is a contract between a property owner and a an insurance company. If you have questions about a policy, please contact your insurance provider.



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# Agenda

- Insurance Basics
- NFIP History
- How the NFIP Works
- The NFIP Insurance Policy
- Some NFIP Rules
- Processing claims
- Questions?



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# Insurance Basics

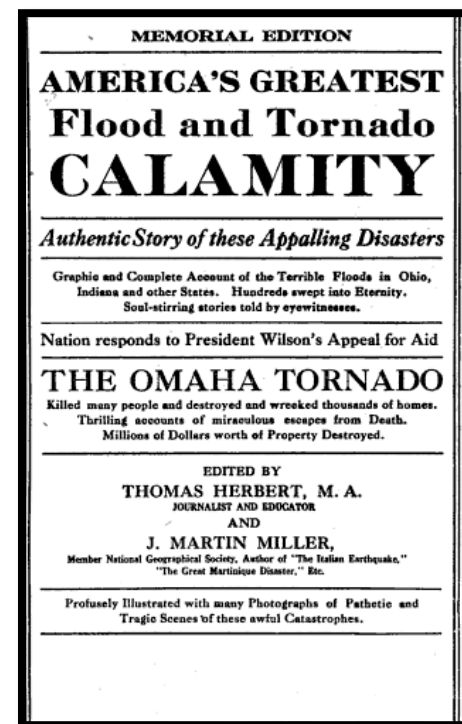
- Risk, ownership, responsibility
- Spreading risk
- Insurance - the policy is a contract between the insurance company and you
- Agents and Brokers sell the product
- Underwriters calculate risk for the insurance company (higher risk = higher premiums)
- Insurance provider adjusts and pays claims



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# Flood through time...

- Natural disasters
  - Johnstown flood
  - The Hurricane of 1938
- Great Loss of Property and Life (no insurance)
- Response by governments
- Building Dams and Levees did not work as hoped
- Today, we plan where and how to build more safely



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# People cannot stop floods, we have to prepare.



Top Picture—Sole Survivor of a Family at Dayton.  
Bottom—When Boats Were at a Premium.



Naval Militiamen in the Work of Rescue—"Women and Children First."



IN THE FLOOD'S CHILL GRASP.  
Many Saw Their Loved Ones Swept Away by the Cruel Current as the Waters Sped On, Sparing Neither Man Nor Beast.



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# Some things cannot be controlled

- We cannot control mother nature
- The weather is getting worse
- Floods do more damage then all other natural disasters combined
- Plan for disasters
  - Prevention – build safer before a flood
  - Map risk – know where to build/higher
  - Get insurance – someone else pays



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# Flood damage is so costly and repetitive, homeowners insurance traditionally excludes flood damage

- Flood damage is excluded from most homeowners insurance
- How do you rebuild without insurance?
- During the 1940s, 50s, and 60's there were a series of bad hurricanes
- The only help was local, state and federal disaster assistance



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# 1968

The National Flood Insurance Program (NFIP) was created by the passage the National Flood Insurance Act



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# The NFIP

- Money earned by the NFIP premiums goes to pay claims, run the program and build safer
- It is not Taxpayer Dollars like Disaster Assistance
- Offers a claims process, advance payments, more money than Assistance
- Funds also go to planning and building better (mitigation)



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# Regulatory changes over time

- 1973 - Mandatory Purchase (lenders)
- 1994 - Lender requirements (residential)
- 2004 - Major Reform
  - Severe Repetitive Loss Properties
  - More strengthening of the Lender Requirements
  - Improvement of Customer Awareness
  - Training Requirements for agents
- 2012/1014
  - Full risk rating
  - Better data (elevation, flood maps)



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# NFIP Insurance basics

## Who Can Purchase NFIP Flood Insurance?

- Property owners and tenants (for their property/contents)
- In a participating community

## Who Sells NFIP Flood Insurance?

- Agents and brokers



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# Everyone has a role

- Federal/FEMA Oversees the NFIP:
  - NFIP Funds come from insurance premiums
  - NFIP funds pay claims. And
  - Of towards mitigation grants to communities and states
  - Regulate/oversee States
- States/commonwealths, etc.:
  - Impose safer state level building codes (like electrical codes)
  - Assist their counties/communities
  - Pass on money to mitigate risk to their communities
- Communities adopt and enforce their:
  - flood maps
  - building codes
  - Elevation requirements for high flood risk areas



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# The Three Legged Stool

The NFIP and our partners (state/local) use three tools to make people safer:

- Identify risk with flood maps
- Mitigate future damage with planning and building codes
- Insurance availability



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# Mitigating flood risk

- Flood Studies – look at how high flood waters can go
- Identify Risk with maps
- Enforce Base Flood Elevation (BFE) requirements
- Fix/mitigate flood risks
- Demolition/relocating/rebuilding that are at highest risks
  - Other mitigation measures
- Lenders role:
  - Federal laws/regulations - Mandatory Purchase of Insurance
  - Economic - lenders have an investment to protect



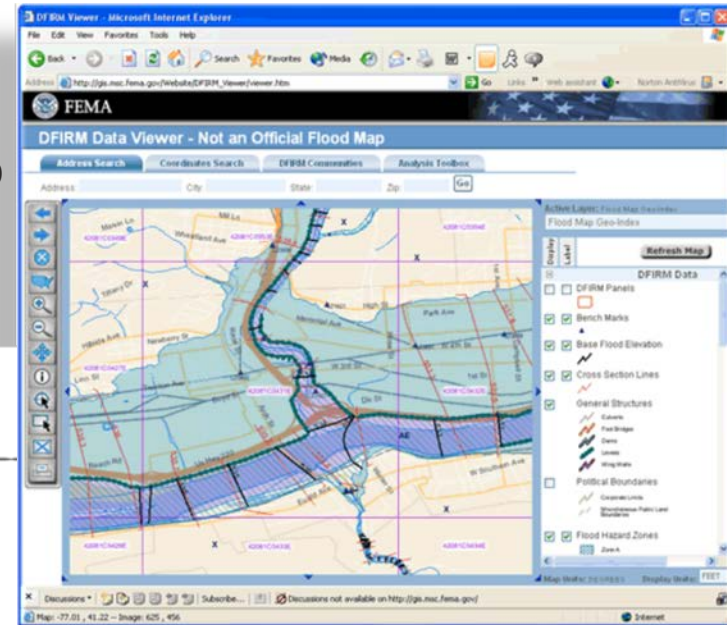
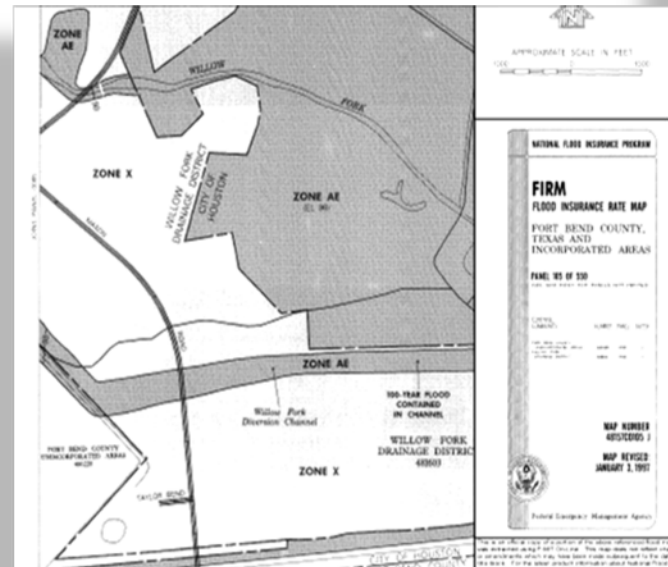
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# Risk ID - Flood Maps are enforced by the community (you will see this slide again)

## Mapping – high and lower risk areas

- High risk (A and V zones)
- Moderate/low risk (B, C, D, X zones)
- Community Flood Insurance Rate Map



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# NFIP Limits (Residential Coverage)

## Buildings

### Regular

### Emergency

Single Family	\$250,000	\$ 35,000
Other Residential	\$250,000	\$100,000
Non-Residential	\$500,000	\$100,000

## (And) Contents

### Regular

### Emergency

Residential	\$100,000	\$ 10,000
Non-Residential	\$500,000	\$100,000



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# The NFIP is not the only insurer involved

- Excess coverage (above the NFIP cap)
- Non-NFIP insurance providers (HFIAA (2014) - promotes this)
- Some lenders provide coverage, it can be more expensive
- **We do not care who insures you, we just want you insured with good coverage.**



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# Three Policies (plus a Declarations page)

- **The Dwelling Policy is for 1-4 family residences**  
Most of the NFIP policies are for Dwellings (95% of the policies)
- **The Residential Condominium Building Association Policy**
  - A condominium is shared ownership. HOA purchase.
  - Is it a condo (State defines condominiums)
- **General Policy (for commercial coverage, apartment buildings and, retail, etc.)**



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# Policy plus Declarations page

Most insurance policies are made up of

1) a policy and

2) Declarations page(s)

- The NFIP policy is a federal regulation and the language cannot change
- The Declarations page shows the specifics of each individual policy



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# The Declarations page discusses...

- Is there building coverage?
- Is there contents coverage?
- Your lender's name
- What flood zone is the building in?
- If it is in a high risk area, is there an elevation certificate?
- What does the elevation certificate say?



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# Types of policies (continued)

- NFIP Preferred Risk (PRP)
  - Outside of mapped high risk area
  - Favorable Flood Loss History
  - The best coverage in one package (building and contents)
- Group Flood “Insurance) Policy (State distributed post-disaster grant) (GFIP)
  - Not really “insurance” (the government purchases it for you)
  - Disaster Assistance Recipients
  - Three-year Term
  - Building or Contents Coverage
  - Very Low Limits



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# The NFIP policy defines a “covered building”

- The NFIP only covers buildings, not land
- An eligible “Buildings” (policy language) is:
  - Two or More Exterior Walls
  - Fully Secured Roof
  - Permanently Affixed to Site
  - Resist Flotation, Collapse, Lateral Movement
  - Above Ground - 51-percent must be above the ground to be covered
- The NFIP does not cover
  - land, pools, fences, uninsured sheds, cars
  - protected coastal areas
  - non-participating communities



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# General Rules, Continued

- The NFIP Policy is a Single-building policy - One Building Per Policy
- Every building has a different level of risk, so they need their own policies
- Additions and Extensions need to be reported/photos to the insurance agent since they can change the nature of the building
- Changes to the building can affect the coverage, don't be caught short if there is a claim.



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# What do You Think?



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# The policy lists what is and is not covered

- Building coverage (coverage A)
- Contents Coverage (coverage B)
  - Located in the building
  - Secured to prevent flotation out of the building
- Examples of Eligible Contents
  - Furniture
  - Clothing
  - Stock (commercial policies)
- Coverage C (“other coverage” like debris removal)
- Coverage D (Increased Cost of Compliance (with building codes))



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# Waiting periods

- Waiting Period before coverage becomes effective
  - 30-days for most NFIP policies
  - Lender required policy (Exception to Waiting Period)
    - The lenders have a whole lot of their own NFIP laws
    - Lenders have an interest in the building staying in good condition
  - Map Revision
    - One-day wait
- NFIP does not cover a flood in progress when you purchase it or before the waiting period is over (as applicable).



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# Several Laws forbid federal assistance or loans and insurance in protected coastal areas

- Coastal Barrier Resources Act (CBRA)
- Coastal Barrier Resources Systems (CBRS)
- Otherwise Protected Areas (OPA)



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# Community participation in the NFIP helps lenders meet their regulations

- A community must participate in the NFIP to make NFIP insurance available in their community
- Lenders required flood insurance for buildings in high risk areas
- Lenders impose their insurance needs on the borrower in their loans
- HUD may also be responsible for meeting/enforcing lender's mandatory purchase requirements, too.



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# Coastal/high risk construction

## Elevation ideas



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# What is Flood?

The NFIP policy covers damage from a “Flood” as defined in the policy:

The policy defines the kind of damage it covers:

A general and **temporary** condition of partial or complete **inundation of two or more acres of normally dry land area or of two or more properties** (at least one of which is the policyholder’s property) from:

- Overflow inland or tidal waters;
- Unusual and rapid accumulation or
- or runoff of surface waters from any source; or
- Mudflow; or
- Collapse or subsidence of land along the shore....



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# Flood damage claims

- Report damage to the agent/company as soon as possible
- The carrier's adjuster will process the claim
- After big storms or hurricanes things may take longer
- The NFIP wants to get you back in a safe home ASAP
- You have rights
  - FEMA/FIMA Insurance Advocate's Office
  - NFIP Appeals review
- Work with your adjuster, they are a little like contractors, they speak "this old house".



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# NFIP policy does not cover everything

## Some losses are not covered

- Loss of revenue or profit or other economic loss
- Loss of access to the insured property
- Loss of use of the insured property
- Additional living expenses
- Compliance of building codes
  - Cost to upgrade electrical or plumbing
  - Meeting fire codes



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# Coverage A - Building coverage

- Built-in/Permanently Installed
  - For instance, carpet permanently installed over unfinished flooring are covered under a building policy
  - A throw rugs are contents
- There may be less coverage on the lowest level
  - The community adopts and enforces Base Flood Elevation (BFE) codes for buildings in the Special Flood Hazard Area (SFHA). The SFHA are the high flood risk areas
  - Areas below the BFE may have lower coverage
  - Building codes can change



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# Coverage B – Personal Property Contents Coverage for Renters and Owners

- Contents is purchased separately from building coverage
- A property owner or renter can purchase coverage for their **“Personal Property” (contents)**
- Contents or Personal Property coverage:
  - Personal belongings such as clothing, furniture, and electronics
  - Curtains, throw rugs
  - Portable and window and air conditioners
  - Portable microwave ovens and portable dishwashers
  - Artwork and furs (up to \$2,500)



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# Like anything, there are limitations...

- \$2,500 limit on Artwork, photographs, collectibles, or memorabilia
- Damaged items only (lower, but not upper cabinets)
- No/limited coverage in enclosures below elevated buildings - because lower levels are at high risk of being damaged by flood



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# Some useful websites

- The FEMA site – [www.fema.gov](http://www.fema.gov)
- The NFIP site - [www.fema.gov/national-flood-insurance-program](http://www.fema.gov/national-flood-insurance-program)
- The NFIP's FloodSmart site - [www.floodsmart.gov](http://www.floodsmart.gov)
- FEMA Disaster Assistance - [www.fema.gov/individual-disaster-assistance](http://www.fema.gov/individual-disaster-assistance)



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# Questions?

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