FEMA

Fact Sheet

Federal Insurance and Mitigation Administration

National Flood Insurance Program Fact Sheet

The National Flood Insurance Program (NFIP) was established with the passage of the National Flood Insurance Act of 1968. The NFIP is a federal program enabling property owners in participating communities to purchase flood insurance as protection against flood losses, while requiring state and local governments to enforce floodplain management ordinances that aim to reduce future flood damage. More than 22,100 communities in the U.S. participating in the NFIP and more than 5.1 million NFIP policies in force, providing $1.25 trillion of content and building coverage.

Andrea Booher/FEMA Photo

Financial Protection Against Flood Loss

Floods are the most common and costly natural disaster in the United States. Fortunately, property owners who live in communities participating in the NFIP can purchase affordable protection to insure against flood losses. Since 1978, the NFIP has paid nearly $52.5 billion dollars in flood insurance claims that have helped hundreds of thousands of families and businesses recover from flood events.

To participate in the NFIP, a community must adopt and enforce floodplain management ordinances that meet or exceed the minimum requirements of the Program. These requirements are intended to prevent loss of life, loss of property, reduce taxpayer costs for disaster relief, as well as minimize economic and social hardships that result from flooding. The specific requirements that a community must adopt depend on the type of flood hazard faced by the community.

The NFIP has an arrangement with private insurance companies to sell and service flood insurance policies. See a list of those companies at: [http://www.fema.gov/wyo_company.](http://www.fema.gov/wyo_company)

Myths and Misconceptions

A common misconception is that homeowners' policies cover flood damage. In fact, most homeowner . In fact, most homeowner and business multi—peril policies do not cover flooding. In addition, federal disaster assistance will not always pay for flood damage. The President must declare a major disaster before most forms of federal disaster assistance can be offered and most forms of disaster assistance are loans that must be repaid with interest. In 2016, the average flood policy costs about $700 a year and the average total paid claim has been more than $31,000.

Everyone Needs Flood Insurance

While flood insurance is not mandatory for homeowners outside of a high-risk area, anyone can be financially vulnerable to floods. People outside of high-risk areas file more than 20 percent of NFIP claims and receive one-third of disaster assistance for flooding. Residential and commercial property owners who are not located in high-risk areas should ask their agents if they are eligible for the Preferred Risk Policy, which provides affordable flood insurance protection, starting as low as $137 a year in 2016.

Flood Insurance Requirements

Residents and business owners who own property in high-risk areas (sometimes referred to as Special Flood Hazard Areas [SFHAs]) are required to purchase flood insurance if they have a mortgage from a federally regulated or insured lender. They also must carry the insurance for the life of the mortgage. Residents and business owners with a mortgage on a building outside high-risk areas can also purchase flood insurance and may be eligible for lower-cost Preferred Risk Policies.

Waiting Period

In general, a policy does not take effect until 30 days after the purchase of flood insurance. However, if a policy is purchased in connection with making, increasing, extending, or renewing a loan there is no waiting period and only a one day waiting period if purchase is related to the revision or update of a Flood Insurance Rate Map (FIRM) within 13 months of the new FIRM's effective date.

What Is Not Covered by Flood Insurance

Physical damage to a building or personal possessions that are directly caused by a flood are generally covered by flood insurance. For example, damage caused by a sewer backup is covered if the backup is a direct result of flooding. However, if the backup is caused by some other problem, the damage is not covered.

The Flood Insurance Program is Evolving

The NFIP is focusing making America truly "Flood Smart." The NFIP is a comprehensive program that encourages property owners to seriously consider their risks and ways they can lessen those risks—and flood insurance is obviously a key component.

Purchasing flood insurance is still the most powerful action survivors can take to mitigate the financial risk of flood before and recover after a flood event. Flood insurance is both a mitigation and recovery tool. This means customers need to understand how flood insurance works, the value of the product, and be able to navigate processes—like the claims process.

In addition to building trust with policyholders, improving communication and making processes simpler to understand and navigate, the NFIP is also focusing on its commitment to strengthening partnerships and engagements with communities. Historically, with things like Climate Change occurring, and population movements into flood-prone areas, floodplain management

has never been more important. Communities must make excellent decisions that will help them reduce damage from future flood events and the NFIP is supporting them in new, innovative ways.

For Additional Information

For additional information about the NFIP or the FloodSmart campaign, visit: FloodSmart.gov or FEMA.gov.

MAP CHANGES AND FLOOD INSURANCE: WHAT PROPERTY OWNERS NEED TO KNOW

WHAT IS A FLOOD MAP?

The maps that show the flood risks for U.S. communities are officially called Flood Insurance Rate Maps—or FIRMs. Created by the Federal Emergency Management Agency (FEMA) for floodplain management and insurance rating purposes, FIRMs generally show a community's flood zones, Base Flood Elevations (BFEs), and floodplain boundaries, all of which provide an indication of the risk of flooding. FIRMs designate high-risk areas—those with a 1 percent or higher annual risk of experiencing a flood—and moderate- to low-risk areas—where the risk of flooding is less than 1 percent per year. Remember, there is no such thing as a no-risk flood zone. No matter where you live or work, there is always some risk of flooding. Flood insurance premiums are based on the degree of flood risk.

WHY DO FIRMS CHANGE?

Flood risks change over time. Water flow and drainage patterns can alter dramatically because of land use and community development or because of natural forces such as changing weather patterns, surface erosion, subsidence, wildfires or sea-level rise. Likewise, the ability of levees and dams to provide the necessary protection can change as infrastructure ages, thus increasing the risk. To reflect the most current flood risks, FEMA is using the latest data-gathering and mapping technology to update and issue new FIRMs nationwide.

HOW ARE FIRMS USED?

Communities use FIRMs to manage floodplains and develop sound building ordinances. Mortgage lenders use FIRMs to help determine a property's flood risk and decide whether flood insurance will be required as a condition for a loan. Insurance professionals use FIRMs in the rating process that determines a property's flood insurance premium.

HOW DO FIRMS SHOW FLOOD RISK?

Areas of moderate to low risk are shown as zones labeled B, C, or X on a FIRM. High-risk areas are shown as zones beginning with the letters A or V. Areas of undetermined risk are shown with the letter D.

HOW IS THE RISK SHOWN ON THE FIRMS REFLECTED IN INSURANCE PREMIUMS?

If your building is in a high-risk area—also called a Special Flood Hazard Area, or SFHA—you will likely pay a higher flood insurance premium than someone in a moderate- to low-risk area. The exact amount you pay depends on a number of factors, including the elevation of the building itself.

In a high-risk area, your insurance premium will also depend on when your building was constructed in relation to the date of the FIRM. Some buildings constructed before the community's first FIRM, called pre-FIRM, are eligible for subsidized premium rates that are determined with limited underwriting information.

April 2015

WHAT IF THE NEW MAP SHOWS THAT MY RISK HAS CHANGED?

This chart shows the effect of map changes on insurance rates. For exact rating information, contact your insurance agent.

CHANGE IN RISK	RATE IMPACT
Moderate- to low-risk area (Zone B, C, or X) or Unknown (Zone D) **TO** High-risk area (Zone A or V)	**Flood insurance is mandatory.** Flood insurance will be required if you have a mortgage from a federally regulated or insured lender. **Rating options can offer savings.** Buildings newly mapped into a high-risk area may initially be eligible for a lower-cost rate during the first 12 months following a map change. Premiums will then increase up to 18 percent each year as part of the premium rate revisions put in place by the Homeowner Flood Insurance Affordability Act of 2014. Purchasing a policy before the new map goes into effect will maximize your savings. Your insurance agent can provide more details on how to save. A policy can be assigned to new owners, allowing them to keep the lower rate.
High-risk area to higher-risk area (Zone A to V) **OR** Increase in BFE	**Grandfathering can offer savings.** The NFIP grandfathering option allows policyholders who have built in compliance with the flood map in effect at the time of construction to keep their previous zone or Base Flood Elevation to calculate their insurance premium. This could result in significant savings. A grandfather-rated policy can be assigned to new owners. In most cases, your insurance agent will ask you to provide an Elevation Certificate.
High-risk area (Zone A or V) **TO** Moderate- to low-risk area (Zone B, C, or X)	**Flood insurance is optional, but recommended.** The risk is reduced, not removed. More than 20 percent of NFIP claims come from buildings outside of high-risk areas. Conversion offers savings. An existing policy can be converted to a lower-cost Preferred Risk Policy, with a refund of the premium difference. Although flood insurance is no longer federally required, your mortgage lender might still choose to require it.
No change	**No change in insurance rates.** Still, this is a good time to talk with your insurance agent to learn your specific risk and make sure you have enough flood insurance coverage.

HOW CAN I REDUCE MY RATES?

If you find you will have to pay a higher premium for flood insurance, you can take these steps to help reduce the cost:

- **Mitigate.** One way to reduce your rate is to reduce your risk, because premiums are based on risk. For example, you can fill in a basement or install flood vents in the crawl space beneath the lowest level of your building, which helps reduce the chance that the foundation of your building will be displaced during a flood, and lowers your premium. When remodeling or rebuilding, you can consider elevating your entire structure. Something as simple as raising heating and cooling systems, water heaters, the electrical panel, and other mechanical items so that they are less likely to be damaged or destroyed in a flood may offer some premium savings.
- **Encourage community action.** You can encourage your community to participate in the Community Rating Service (CRS), if it doesn't already. CRS is a voluntary incentive program that recognizes communities for implementing floodplain management practices that exceed the National Flood Insurance Program (NFIP) minimum requirements. In exchange for a community's proactive efforts to reduce flood risk, policyholders can receive reduced flood insurance premiums. For more information, visit **FloodSmart.gov/CRS**.
- **Apply for a Letter of Map Change (LOMC).** FIRMs are developed to a scale that is useful for community officials, lenders, and insurance professionals, but not every rise in terrain can be depicted at this scale. If you think your building is imprecisely mapped as being in the floodplain, FEMA provides a process to allow property owners to request a more precise flood zone designation. Two types of LOMCs are Letters of Map Amendment (LOMAs) and Letters of Map Revision-Fill (LOMR-Fs). A LOMA is usually issued because a property has been mapped as being in the floodplain, but is actually on naturally high ground. A LOMR-F is for a property that is now elevated above the BFE by the placement of fill. For more information on filing a LOMA or LOMR-F, visit **fema.gov/letter-map-amendment-letter-map-revision-based-fill-process**.
- **Consider a higher deductible.** Just as with automobile or homeowners insurance, increasing your deductible—an amount you pay out of your pocket to cover a claim before coverage is applied—will lower your premium. A new $10,000 deductible, available to homeowners as of April 1, 2015, will result in up to a 40 percent discount from the base premium. However, using the maximum deductible might not be appropriate in every financial circumstance and might not be allowed by lenders to meet mandatory purchase requirements.

WHERE CAN I LEARN MORE?

If a mapping project is occurring in your community, stay in contact with your local floodplain administrator to learn when and where changes are occurring and to find out where you can view the new maps. When preliminary FIRMs are released, they and the current FIRMs will also be posted to **msc.fema.gov**. To learn more about FEMA's mapping program, visit **fema.gov/national-flood-insurance-program-flood-hazard-mapping**.

To hear about ways to reduce your insurance premium—such as grandfathering, choosing a higher deductible, or taking mitigation action—ask your insurance agent to help you determine what may be best for your financial situation. To learn more about flood insurance or to find an insurance agent, visit **FloodSmart.gov**.

Elevation Certificates: Who Needs Them and Why

If your home or business is in a high-risk area, your insurance agent will likely need an Elevation Certificate (EC) to determine your flood insurance premium. Floods mean rising water. Knowing your building's elevation compared to the estimated height floodwaters will reach in a major flood helps determine your flood risk and the cost of your flood insurance. An EC documents the elevation of your building for the floodplain managers enforcing local building ordinance, and for insurance rating purposes.

Where to Get an Elevation Certificate for Your Building

1. Ask your local floodplain manager. One might already be on file. Every National Flood Insurance Program (NFIP)–participating community has a floodplain manager, but that person might have a different title or serve in multiple capacities.
2. Ask the sellers. When buying a property, ask the sellers to give you their EC. If they don't have an EC, ask if they can provide one before settlement.
3. Ask the developer or builder. In a high-risk area, the developer or builder might have been required to get an EC at the time of construction.
4. Check the property deed. ECs sometimes are included with the property deed.
5. Hire a licensed land surveyor, professional engineer, or certified architect who is authorized by law to certify elevation information. For a fee, these professionals can complete an EC for you. To find a professional surveyor:
    - Check with your State professional association for land surveyors.
    - Ask your State NFIP coordinator.
    - Talk to your local building permit office.

How an EC Is Used

If your building is in a high-risk area—a zone indicated with the letters A or V on a Flood Insurance Rate Map (FIRM)—the EC includes important information that is needed for determining a risk-based premium rate for a flood insurance policy. For example, the EC shows the location of the building, Lowest Floor Elevation, building characteristics, and flood zone.

Your insurance agent will use the EC to compare your building's elevation to the Base Flood Elevation (BFE) shown on the map being used for rating and determine the cost to cover your flood risk.

The BFE is the elevation that floodwaters are estimated to have a 1 percent chance of reaching or exceeding in any given year. The higher your lowest floor is above the BFE, the lower the risk of flooding. Lower risk typically means lower flood insurance premiums.

Who Needs an EC

For certain high-risk structures, an EC is required by an insurer as a condition for issuing flood coverage. There are exceptions. For example, if your building was constructed before your community's first FIRM became effective (known as pre-FIRM) and you are eligible for a subsidized rate, you do not need an EC to purchase coverage. However, subsidized rates for pre-FIRM buildings are being phased out through annual premium increases. Your full-risk rate is specific to the property, and an EC will be needed to calculate the property-specific full-risk rate. Depending on your elevation, the full-risk rate could already be lower than the subsidized rate.

ECs are not required and are not used for rating in moderate- to low-risk areas (Zones X, B, and C), undetermined risk areas (Zone D), or certain high-risk areas eligible for other subsidies (e.g., Zones AR and A99). If you need to document that your building is in one of these zones, you can simply provide a copy of the current FIRM that marks the building's location or obtain a letter signed and dated by a community official listing the building's address and flood zone. The property will remain eligible for the NFIP grandfather procedure if continuous coverage is maintained.

When You Need a New EC

If you make substantial changes to your building in a high-risk area—for example, you make an addition to your home or convert the garage to living space—you likely need a new EC to reflect the new building characteristics and Lowest Floor Elevation.

When You Do Not Need a New EC

As long as the structure information on your EC is accurate, you do not need a new one. If you get an EC from the previous property owner or have a copy of the one on file with your community, your insurance agent can use the EC to rate your policy.

If your community adopted new FIRMs and your building has not changed, your insurance agent can rate your policy using the information on the old EC and the FIRM used to rate your policy. However, you might need to provide additional information, such as new photographs of your home or business.

Plan for the Future

Building code requirements might change over time as flood risk changes and maps are updated. If you are remodeling or rebuilding, consider elevating to lower your flood risk, which, in turn, can lower your flood insurance rates and reduce the financial impact of the next flood.

USEFUL TERMS

- **Base Flood**: The flood having a 1 percent chance of being equaled or exceeded in any given year.
- **Base Flood Elevation (BFE)**: The water surface elevation, expressed as an elevation above sea level, of the base flood. This is the minimum elevation a community must adopt for building standards.
- **Flood Insurance Rate Map (FIRM)**: A map issued by the Federal Emergency Management Agency (FEMA) showing flood hazard areas, 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.
- **Post-FIRM**: A building constructed on or after the date of the initial FIRM for your community. FIRM effective dates can be found at **FEMA.gov/FEMA/csb.shtm**.

Resources:

For flood insurance information and to find an agent: FloodSmart.gov
Find your flood zone: msc.FEMA.gov
Locate your State floodplain manager: floods.org
Contact a surveyor from your National Society of Professional Surveyors state affiliate: nsps.us.com
Download a copy of the Elevation Certificate: FEMA.gov/media-library/assets/documents/160

LOWER-COST RATING OPTION FOR BUILDINGS NEWLY MAPPED INTO HIGH-RISK AREAS

INFORMATION FOR INSURANCE AGENTS

Learning that a new Flood Insurance Rate Map (FIRM) shows their home or business at a higher risk than before can be stressful and costly for your clients. But rating options to help ease the financial impact are available. One option available through the National Flood Insurance Program (NFIP) is the Newly Mapped procedure. In the first year after a map revision, this option provides the lower-cost Preferred Risk Policy (PRP) base premium before fees and surcharges. Every year after, premium increases of up to 18 percent will be applied until the premium rates reflect full-risk rates.

HOW THE NEWLY MAPPED PROCEDURE WORKS

To take advantage of Newly Mapped procedure savings, your client must purchase a policy that becomes effective within 12 months of the map change.[1] The initial rate will be equal to the PRP rate, but with a higher Reserve Fund Assessment and Federal Policy Fee. At each renewal, the policy will be rated using a multiplier provided by FEMA, which will change yearly on January 1.

Ultimately, the premium rates will transition to full-risk rates through annual rate increases of up to 18 percent. A policy using standard Zone X rating is considered to be charged a full-risk premium rate.

Policyholders also have the option of providing additional rating information to compare with full-risk pricing using the current map information for rating. In many cases, an Elevation Certificate is required to determine the full-risk pricing using the current map information. Agents should choose the lower rate.

NEWLY MAPPED PROCEDURE HIGHLIGHTS

- Buildings located in Zones B, C, X, or D before a new map becomes effective and newly identified to be in a high-risk area (e.g., Zones A or V) on a new flood map may qualify for PRP rates for the first 12 months following the new map's effective date.
- On renewal, the rates will begin transitioning to a full-risk rate, with annual rate increases of no more than 18 percent a year.
- Don't wait for the new map to sell a PRP. Buying a PRP before the maps change can result in additional savings for your clients.

OTHER OPTIONS AND REQUIREMENTS

If a policy is not effective within 12 months of the map change, the built-in-compliance grandfather procedure may be a cost-saving option for post-FIRM buildings; however, pre-FIRM buildings usually are not eligible for built-in-compliance grandfathering and must be rated using the new maps.

If a policy rated using the Newly Mapped procedure lapses more than 90 days after its renewal date or twice, regardless of the number of days, you cannot rewrite it using this option. Policies that lapse also lose their eligibility for continuous-coverage grandfathering. However, post-FIRM buildings are eligible for built-in-compliance grandfathering, but you must rate pre-FIRM buildings according to the new maps.

Encourage affected property owners to purchase flood insurance before the maps change to gain almost an extra year at the lower-cost PRP rates. Floods don't wait for maps to become official and can happen at any time. So it is a good idea to encourage property owners and renters to go ahead and get insured, because they are at risk now. Getting flood insurance today can bring peace of mind and may extend the time a policyholder can enjoy PRP rates for almost a year after the map change—at which time the rates will transition to the Newly Mapped procedure.

July 2016

ADDITIONAL INFORMATION

For information about the Newly Mapped procedure and the Grandfather Rule, please refer to the latest Flood Insurance Manual at **FEMA.gov/Flood-Insurance-Manual**.

To monitor flood map updates in your area and download related marketing material to better communicate the impact of these changes on your clients, visit **Agents.FloodSmart.gov** and select Map Update Schedule under Managing Policies.

[1] Remember that while there is not a waiting period for the policy to become effective if it is required by the lender, there is a 1-day waiting period if there is no lender requirement.