

# FLOOD INSURANCE TRAINING

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## **SECTION ONE - BASIC FLOOD INSURANCE TRAINING**

### **NATIONAL FLOOD INSURANCE PROGRAM**

Throughout this course, the principle party is the National Flood Insurance Program, (NFIP).

### **THE FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)**

The NFIP is administered by the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA).

### **FLOOD INSURANCE REFORM ACT (FIRA) OF 2004**

The most recent legislation impacting the NFIP is FIRA, which requires FEMA to

- Collaborate with the insurance industry, State Insurance regulators, and other interested parties to establish training and education requirements for insurance agents who sell flood insurance policies;
- Inform insurance companies and agents of the requirements;
- Publish the requirements in the Federal Register.

### **INFORMING NEW AND RENEWING POLICYHOLDERS**

FIRA also mandates that all new and renewing policyholders be sent certain informational materials, as follows:

- A copy of their Flood Policy;
- A copy of their Declaration Page;
- A copy of the Summary of Coverage;
- A copy of the Claims Handbook;
- Notification of the Flooding History for their building; and
- An acknowledgement Form which the policyholder should sign and mailed back to the NFRIP in the (provided) postage-paid envelope.

## BACKGROUND AND HISTORY OF THE NFIP

Historically, the Federal Government has sought to control the flow of the nation's waterways by using structural methods, such as dams, levees, and dikes.

Despite efforts to reduce economic loss through this type of floodplain management, vast sums of money had to be spent through Federal disaster assistance whenever flooding occurred. This problem was compounded by the fact that flood insurance was not readily available to property owners through the private sector.

Generally, the insurance industry is reluctant to provide coverage for the peril of flood because of its catastrophic nature and its propensity to produce an adverse selection of risk.

Through the National Flood Insurance Act of 1968, Congress authorized the National Flood Insurance Program (NFIP), which provides an opportunity for property owners to purchase federally backed flood insurance protection. In order to make such flood insurance available, communities are required to participate in the NFIP by adopting and enforcing floodplain management ordinances to mitigate the effects of flooding upon new or substantial improvements to existing construction.

The Flood Disaster Protection Act of 1973, which placed the mandate on Federal agencies and entities that regulate lending institutions to ensure that such lending institutions require flood insurance for loans secured by building in high flood risk areas, followed.

The National Flood Insurance Reform Act of 1994, which was the first major change in over 20 years, further strengthened the mandatory purchase requirements. Additional information concerning the law and history of the NFIP is available at

<http://www.fema.gov/business/nfip/mpurfi.shtm>.

Effective in 1984, private industry property insurance companies entered into an arrangement with FEMA to sell and service NFIP policies. These are called Write Your Own (WYO) companies because they can confirm their flood business to their normal business practices and write NFIP policies under their own names. However, the premium rating structure, policy limits and coverages are determined by FEMA and the same for all companies.

## COMMUNITY PARTICIPATION

Community participation in the NFIP is voluntary and requires the community to enter into an agreement with FEMA. Under this agreement, the community adopts its own floodplain management regulations based on FEMA floodplain management guidelines. Such an NFIP participating community enforces its floodplain management guidelines by requiring new construction or substantial improvement to buildings in high flood risk areas to include measures that mitigate flood losses. One such mitigation measure is elevation of the building's lowest floor above the Base Flood Elevation. In exchange, various Federal financial assistance, including Federal disaster assistance,

federally backed mortgage loans and Federal backed flood insurance, is available to residents and businesses in the community.

### **NON-PARTICIPATING COMMUNITY**

A non-participating community that has been identified by FEMA as having high flood risk areas, which does not qualify for participating in the NFIP is ineligible for Federal financial assistance. Insurance professionals are usually homeowners and business owners in the community where they sell insurance. Therefore, agents are also stakeholders in floodplain management issues and should obtain additional information at <http://www.fema.gov/plan/prevent/floodplain/publications.shtm>

The community, in cooperation with FEMA, must also adopt its Flood: Insurance Rate Maps (FIRMS), which are the basis for floodplain management and flood insurance premium rating. The FIRM identifies the low-to-moderate flood risk areas, as well as the high flood risk areas and is maintained by the community officials. The Community Status Book available online lists NFIP Participating Communities, their status as a Regular Program Community or Emergency Program Community and whether they are Non-Participating Communities as <http://www.fema.gov/fema/csb/>

### **EMERGENCY PROGRAM**

Early in the program, FEMA issued Flood hazard Boundary Maps (FHBM) providing basic flood risk information, which enabled a community to enter the NFIP under the Emergency Program classification.

Property owners in such Emergency Program Communities still are limited to the amount of flood insurance that can be purchased. Following additional flood hazard studies more detailed maps (known as "FIRMS,") were issued enabling the community to enter the Regular Program Community where property owners are eligible for the maximum amount of coverage available under the NFIP.

Today, as mapping technology has improved, communities entering into the NFIP are not required to first become Emergency Program Communities. Instead, most new communities coming into the program are issued FIRMS and become Regular Program Communities. However, agents should be aware that a limited number of Emergency Program communities and FHBM still exist.

### **PROBATION AND SUSPENSION**

NFIP participating communities that fail to enforce the floodplain management guidelines that they have adopted, are placed on probation and can be suspended if they are not able to comply within the required time frame. Policyholder premiums in communities that are on probation will be increased by \$50 and if the community is later suspended by FEMA the policy will not be renewed.

Today, most communities participate in the NFIP and most are classified s Regular Program Communities.

## COMMUNITY RATING SYSTEM

The Community Rating System (CRS) is a voluntary incentive program that recognizes and encourages community floodplain management activities that exceed the minimum NFIP requirements.

In fact, over 20,000 communities nationwide participate in the NFIP and of those; over 1,000 exceed FEMA guidelines by engaging in additional efforts to protect lives and property from flood damage in their community.

Flood insurance premium rate are discounted to reflect the reduced flood risk resulting from the community actions that meet three CRS goals:

1. Reduce flood losses
2. Facilitate accurate insurance rating, and
3. Promote the awareness of flood insurance

Agents may obtain additional information concerning the community's CRS status and resulting premium discounts, and brochures explaining the benefits of CRS, at <http://www.fema.gov/business/nfip/crs.shtm>.

## ELIGIBLE/INELIGIBLE BUILDINGS

Insurance may be written only on a structure 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 movements.

At least 51 percent of the actual cash value of buildings, including machinery and equipment, which are a part of the buildings, must be above ground level, unless the lowest level is at or above the Base Flood Elevation (BFE) and is below ground by reason of earth having been used as insulation material in conjunction with energy-efficient techniques.

Additional assistance is available from the underwriting department of the Write Your Own (WYO) Company or, for direct business, the NFIP Servicing Agent.

Most buildings are eligible, if construction in compliance with the community's building requirements and located in an NFIP participating community.

Some examples of ineligible buildings include:

- Buildings in violation of floodplain management ordinances and 1316 Declaration has been issued.
- Buildings over water constructed or substantially improved after 9/30/82.
- Container type buildings.
- Buildings if 50% of more of the actual cash value is below ground.

## COASTAL BARRIER RESOURCES SYSTEM (CoBRA) & OPA

Coastal Barrier Resources System (CoBRA) and Otherwise Protected Areas (OPA) are

- Boundaries established and mapped by the Department of the Interior, U.S. Fish and Wildlife Service (FWS).
- Identified by backward slanting diagonal lines patterns on Flood Insurance Rate Maps (FIRMS)".
- Commonly referred to as "CoBRA Zones."
- Federally backed flood insurance is not available for new construction or substantial improvement.
- Agents should take special care.

For a list of communities that have CoBRA areas or OPA, agents may consult the CoBRA section of the NFIP Flood Insurance Manual.

Agent's can seek further assistance from their WYO Company or the NFIP Servicing Agent.



While FEMA mitigation measures, such as the elevation of buildings in high-risk areas, serve to protect buildings, the damage to fragile coastlines that comes with development is unavoidable.

Buildings can be repaired. However, if damaged by development, aquatic habitat for wildlife and ecosystems that support local fisheries and provide recreational areas can be lost forever.

Coastal barriers are unique landforms that serve as the mainland's first line of defense against the impacts of coastal storms and erosion. Therefore, by law, federally

regulated mortgage lending and Federal disaster assistance are not available in these areas.

Federally backed flood insurance is not available for new construction or substantial improvements in CoBRA or OPA.

## **EXCEPTIONS**

There are a few exceptions for the following situations:

Eligibility for Federal flood insurance depends upon whether the community in which the building is located as Coastal Barrier Resources Act of 1982 (CoBRA) or Coastal Barrier Improvement Act of 1990 (CBIA) designated areas.

Under the 1982 Act, a building in a CoBRA area is eligible for coverage if the following requirements are met:

- A legally valid building permit for the construction of the building was issued prior to October 1983; and
- The building was constructed (walled and roofed) prior to October 1, 1983; and
- The building was not substantially improved on or after October 1, 1983.

For CoBRA areas:

- A legally valid building permit for the construction of the building was issued prior to November 16, 1990; and
- The actual start of construction of the building was prior to November 16, 1990; and
- The building was not substantially improved on or after November 16, 1990.

For OPA:

- A legally valid building permit for the construction of the building was issued prior to November 16, 1991; and
- The building was constructed (walled and roofed) no later than November 16, 1941; and
- The building was not substantially improved after November 16, 1991.
- Or, the building is used in a manner consistent with the purpose for which the area is protected, regardless of the date of construction.

The CoBRA of 1982 and CBIA of 1990 do not prevent private development, private financing, or private flood insurance, if available, in CoBRA areas and OPA. Any such development is subject to all applicable state and local laws, regulations and building codes.

More detailed information about CoBRA is available at:

[http://www.fws.gov/habitatconservation/coastal\\_barrier.htm](http://www.fws.gov/habitatconservation/coastal_barrier.htm)

## WHO NEEDS FLOOD INSURANCE

Who needs flood insurance? Just about everyone. Floods are the most common natural disaster in the United States. *Every* state and U.S. territory has experienced floods.

An excellent resource for agent information and training opportunities is the NFIP Floodsmart website at

[www.floodsmart.gov](http://www.floodsmart.gov).

It also contains information of importance to consumers, lenders, real estate agents, states, and local communities, as well as many other partners.



Prepare ▶  
Prepare ▶

The Cost of Flooding.

Participate ▶  
Participate ▶

Get involved.

Protect ▶  
Protect ▶

People who live near water are not the only ones who experience flooding.

*Over 25% of the NFIP claims are paid in low-to-moderate flood risk areas, such as zones B, C, or X.*

Therefore, the NFIP recommends that all homeowners, renters, and business owners purchase flood insurance.

## **MANDATORY PURCHASE OF FLOOD INSURANCE IN HIGH RISK FLOOD AREAS**

The Flood Disaster Protection Act of 1973 placed the requirement on Federally regulated lending institutions to ensure that loans secured by buildings located in high flood risk areas are protected by flood insurance.

Zones A and V are high flood risk areas called Special Flood Hazard Areas (SFHAs)

The Mandatory Purchase Guidelines can help the agent more fully understand his or her part in ensuring that the property owner's financial interests are protected. Further, they can assist agents in providing vital information to lenders concerning flood insurance needs that go beyond the minimal mandatory requirements, such as informing their clients of the importance of contents insurance.

Agents may review the Mandatory Purchase of Flood Insurance Guidelines booklet at: <http://www.fema.gov/business/nfip/mpurfi.shtm>.

## **RECOMMENDED IN MODERATE AND LOW FLOOD RISKS ZONES**

While the mandatory purchase of flood insurance requirement does not apply in moderate to low flood risk areas (B, C, and X Zones), many structures are still at risk.

**25% of flood claims occur in moderate to low flood risk areas.**

Agents should remind property owners of flood risk associated with heavy rains, winter storms, overburdened or clogged drainage systems, and hurricanes.

## WHY FLOOD INSURANCE IS BETTER THAN DISASTER ASSISTANCE

### *ELIGIBILITY*

- Federal disaster assistance, including Small Business Administration disaster assistance loans, requires a Presidential declaration. However, most flooding events do not qualify for such a declaration.
- Flood insurance claims are paid even if a disaster is not declared by the President.

### *COST*

- Disaster assistance loans from the U.S. Small Business Administration are generally far more costly than flood insurance premiums.
- The average Federal Individuals and Households Program (IHP) award is around \$4,000.
- To qualify for Federal Home Repaid Assistance, your home must have eligible relatively minor damage that can be repaired quickly.
- You can't qualify for Federal Rental Assistance unless your home has been heavily damaged or destroyed.

### *OBLIGATION*

- With flood insurance, there is no payback requirement.
- The most typical form of disaster assistance is a loan that must be repaid with interest.
- Flood insurance policies are continuous, and are not non-renewed or canceled for repeat losses.

## QUIZ

1. The Federal Government has sought to control the flow of the nation's waterways by using structural methods such as:
  - A. Dams.
  - B. Levees.
  - C. Dikes.
  - D. All of the Above.
  
2. A community is defined as a political entity that does not have the authority to adopt and enforce floodplain management ordinances for the area under its jurisdiction.
  - A. True
  - B. False
  
3. The eligibility or ineligibility of buildings for flood insurance protection under the NFIP can be determined by:
  - A. Flood insurance premium rates.
  - B. Comparing the specific building risk factors with underwriting criteria from the Flood Insurance Manual.
  - C. Special requirements that apply to manufactured homes and travel trailers in high flood risk areas.
  
4. Who needs flood insurance?
  - A. Business owners.
  - B. Renters.
  - C. Homeowners.
  - D. All of the above.
  
5. Zones A and V are high flood risk areas called Special Flood Hazard Areas.
  - A. True.
  - B. False.

Answers to QUIZ:

1D 2B 3B 4D 5A

## **SECTION TWO – FLOOD MAPS AND ZONE DETERMINATIONS**

This SECTION outlines Flood insurance Rate Maps, Special Flood Hazard Areas, Base Flood Elevation, and Zone Determinations.

### **FLOOD INSURANCE RATE MAP (FIRM)**

The Flood Insurance Rate Maps (FIRMs) show

- The flood hazard zones A & V, which are the high flood risk areas, referred to as the "Special Flood Hazard Areas" (SFHAs)
- The low-to-moderate flood hazard zones — B, C, or X.
- CoBRA and OPA.
- Base Flood Elevations (BFEs).

#### **PRE-FIRM BUILDINGS**

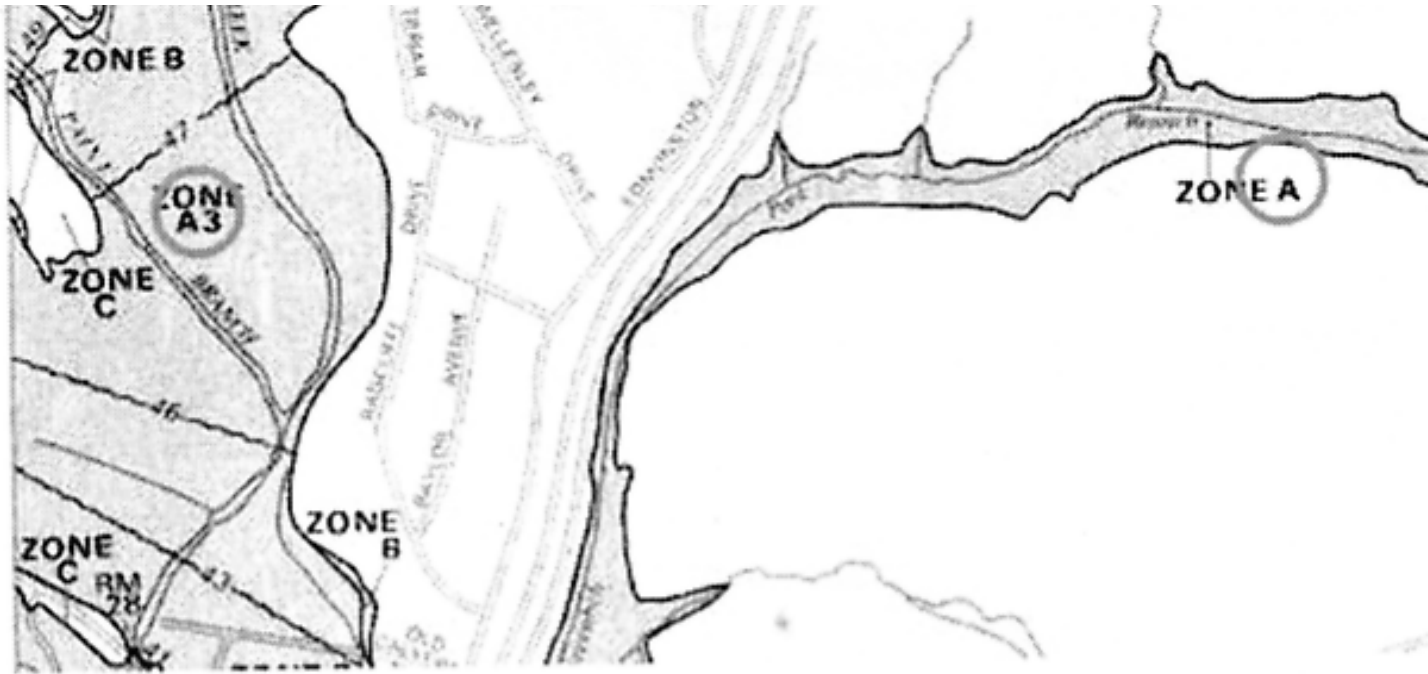
"Pre-FIRM" is defined as construction or substantial improvement that started on or before December 31, 1974, or before the effective date of the initial FIRM for the community, whichever is later.

#### **POST-FIRM BUILDINGS**

Post-FIRM is defined as neither construction nor substantial improvement that started after December 31, 1974, or on or after the effective date of the initial FIRM for the community, or whichever is later.

#### **SPECIAL FLOOD HAZARD AREAS**

SFHAs are indicated on the FIRM by labels beginning with the letters A and V and are easily identified as the darkly shaded areas.



## BASE FLOOD ELEVATION (BFE)

BFE information is required for rating Post-FIRM construction ins. SFHAH. BFE information is not applicable in low-to-moderate flood risk areas. BFE is not required for rating Pre-FIRM buildings in SFHAs. However, Pre-FIRM buildings may be rated using Post-FIRM rates with elevations if this is to the benefit of the insured. When a Pre-FIRM building is elevated, agents will determine whether Pre-FIRM or Post-FIRM rating is the best option for the policyholder and consults with the Flood Insurance Manual.

The BFE impacts flood insurance premiums and floodplain management. For example, the difference between the building's lowest floor elevations in relation to the BFE has an important impact on the flood insurance premium.

In order for the community to meet FEMA's floodplain management requirements, it must ensure that the lowest floor elevation of every substantially improved and newly constructed property equals or exceeds the BFE.

## ZONE DETERMINATIONS

Agents may receive a copy of the Standard Flood Hazard Determination Form (SFHDF) from their insurance company, or the borrower may receive a copy from their lender.

Flood zone determinations can be made by viewing the FIRMs, usually maintained at the planning and zoning office where building permit are obtained. Some communities maintain elevation information for newer structures that is available to applicable property owners. For rating of Post-FIRM buildings in SFHAs, except in unnumbered

A zones with an estimated BFE or in AO zones, the property owner will need to hire a surveyor, architect, or engineer to prepare an elevation certificate, if the elevation information is not otherwise available.

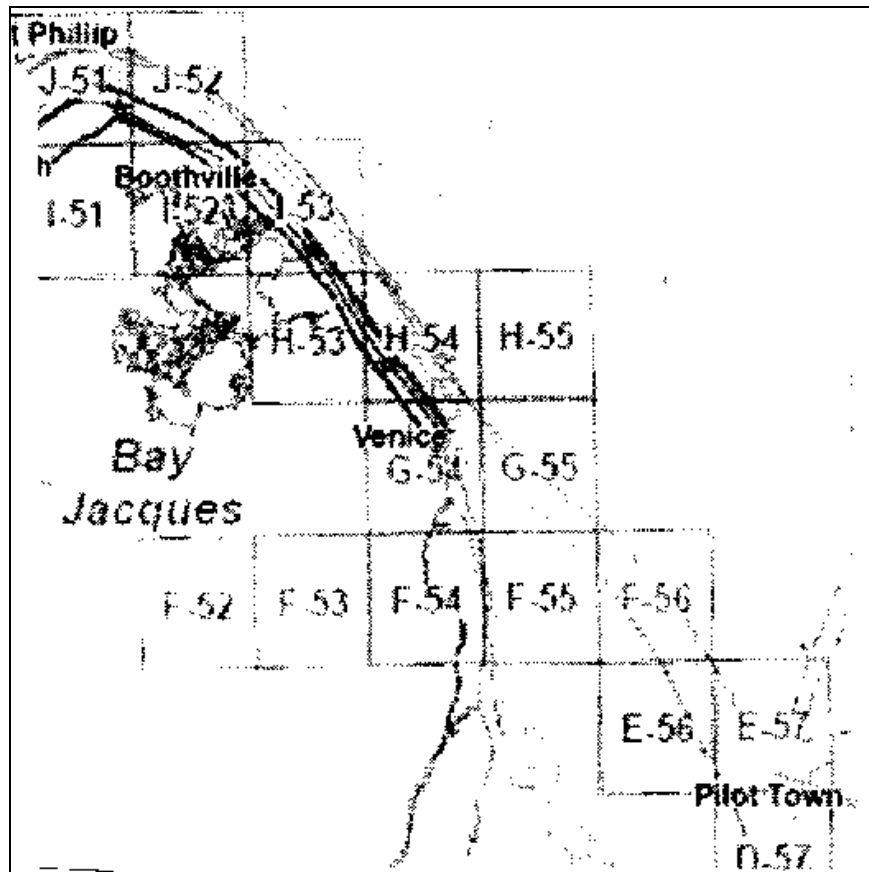
There is a five step process for making a flood zone determination by viewing the FIRM, which follows. Please note that the insurance company may provide flood zone determinations and premium rating software for their agents who write flood insurance.

**Step One**

Locate the correct map panel. To find the specific panel for the proper location, refer to the map index for the community. From the index, you will learn the format and the panel number.

**Step Two**

Find the approximate location of your client's property on the panel.



**Step Three**

Determine the specific location of the building to be insured. Start with the flood map scale. Refer to a plat map of the property, a tax assessor's map, or the property description found on the deed to find the dimensions of the property. Convert the dimensions to inches, using the flood map scale and measurements on the map panel.

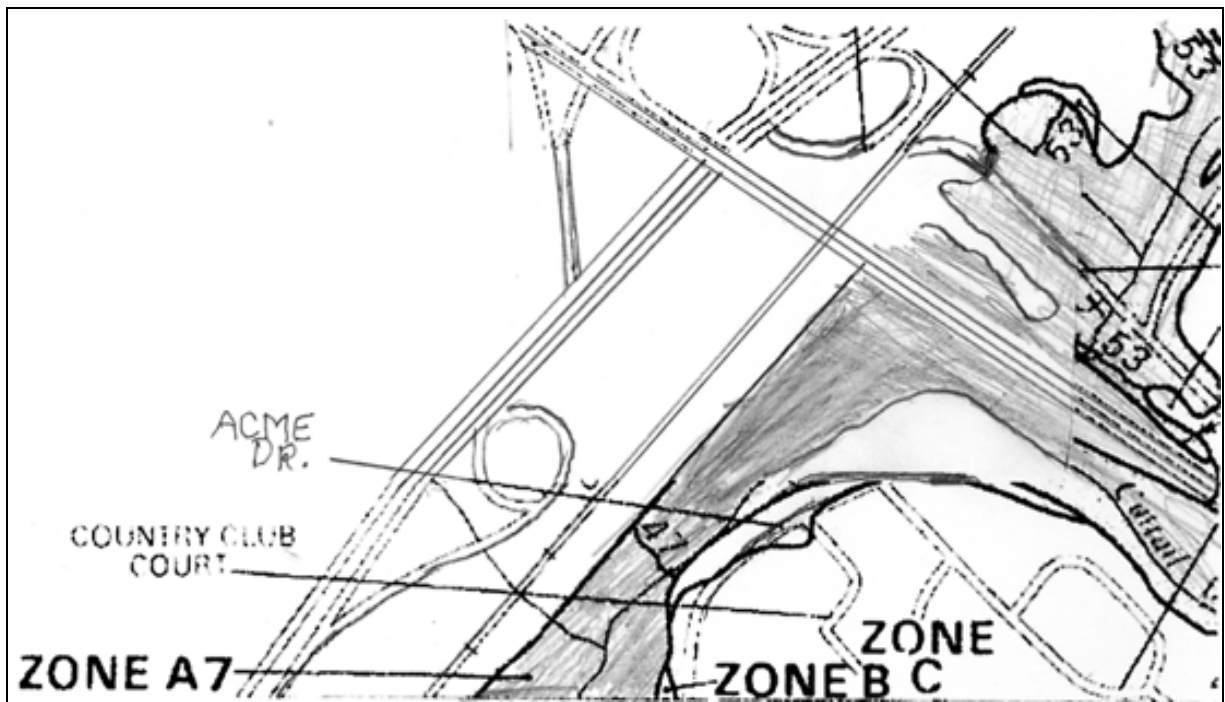
### Step Four

Once the property location has been determined, identify the building location and look for the zone label. Zones are labeled on the map and are sometimes separated by white boundary lines. The building is located in an SFHA if the zone label begins with the letter A or V. These are the shaded area of the map.

### Step Five

The final step is to identify the BFE at the property location. To find the BFE, refer to the BFE lines (or labels) shown on the map that are closest to the subject property. If a property is located between two flood elevation lines, you may estimate the BFE by interpolation.

Note: AO zones do not have BFE information. Unnumbered A zones may have estimated BFEs, but would not be provided on FIRMs.



## QUIZ

1. A Base Flood is one having:
  - A. A 26% chance of occurring in a 30 year period.
  - B. A 50% chance of occurring within a 1-year period.
  - C. A 1% or greater chance of occurring or being exceeded within a given year.
  - D. Both A and C.
  
2. The Base Flood Elevation (BFE) is:
  - A. A flood insurance map study.
  - B. A means of measurement based upon a standard datum.
  - C. The expected floodwater depth during a Base Flood.
  - D. Both B and C.
  
3. You may wish to use another map source in conjunction with the flood map in order to "pinpoint" the property's exact location.
  - A. True.
  - B. False.
  
4. BFEs and flood zones are "chiseled in stone" and cannot be changed.
  - A. True.
  - B. False.
  
5. The flood map Index Panel provides flood zone labels and BFEs.
  - A. True.
  - B. False.

### Answers to QUIZ

1C 2B 3A 4B 5A

## SECTION THREE – POLICIES AND PRODUCTS AVAILABLE

This SECTION discusses the NFIP Policy Forms, what is considered a flood, basements and Enclosures, Property Covered and Damages not covered.

### DWELLING POLICY

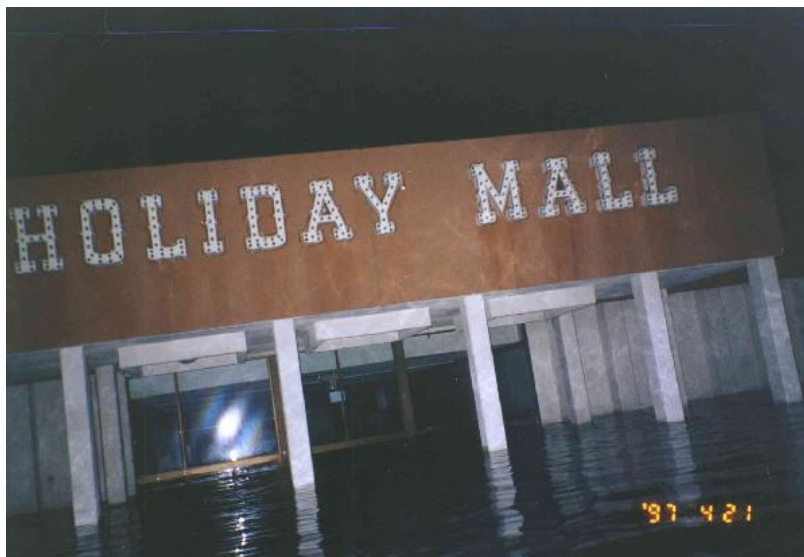
#### TYPES OF BUILDINGS COVERED

This policy is used to insure building and/or personal property on a single family or 2-4 family dwelling. It may also be used to insure individually owned single family dwelling units in a condominium building.

### GENERAL PROPERTY POLICY

#### TYPES OF BUILDINGS COVERED

This policy is used to insured non-residential buildings and other residential structures not classified as single family or two-to-four family dwellings. Examples would include apartment buildings (five or more families), motels, retail stores, municipal buildings, churches and hospitals.



## **RESIDENTIAL CONDOMINIUM BUILDING ASSOCIATION POLICY (RCBAP)**

### **TYPES OF BUILDINGS COVERED**

RCBAP is used to insure condominium buildings in the name of the association that contain one or more residential units and in which at least 75 percent of the total floor area within the building is residential without regard to the number of units or number of floors.

Eligible associations can cover the building, all units within the building, and improvements within the units under the RCBAB. Covered flood damages to building elements, including those within units, are settled on the replacement cost basis.

(See exceptions, including appliances and carpeting, in SECTION VIII General Conditions, V Loss Settlement, 4. Actual Cash Value Settlement on pages 17 and 19 in the RCBAP Form.)

## **PREFERRED RISK POLICY (PRP)**

### **TYPES OF BUILDINGS COVERED**

The Preferred Risk Policy (PRP) is the only NFIP policy that automatically includes building and contents coverage at a set percentage and set deductible for both building and contents coverage at a set percentage and set deductible for both building and contents. The PRP is a low cost policy that eligible residential and non-residential property owners and residential and non-residential renters in low-to-moderate flood risk areas, who have acceptable loss history, can purchase. Additional eligibility guideline and premium information for this easy to write flood insurance policy is located in the Flood Insurance Manual pages PRP 1 to 7.

## **FLOOD**

The term, "Flood," as used in the flood insurance policy, means:

1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or two or more properties (at least one of which is your property) from:
  - a. Overflow of inland or tidal waters;
  - b. Unusual and rapid accumulation or runoff of surface waters from any source;
  - c. Mudflow.

2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or under mining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.

## BASEMENT

A Basement is defined as any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.

## ENCLOSURE

An Enclosure is defined as that portion of an elevated building below the lowest elevated floor, that is either partially or fully enclosed by rigid walls.

## ELEVATED BUILDINGS

An Elevated Building is a building that has no basement and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns.



## SINGLE PERIL POLICY

The Standard Flood Insurance Policy (SFIP) is a single-peril (flood) policy that pays for direct physical damage to insured property. The Federal Government backs these single-peril policies covering only flood damage.

Additional Living Expenses, Loss of Use, or Loss of Income coverages are not included under the SFIP.

## DAMAGES NOT COVERED

Even if a general condition of flooding was the proximate cause of the loss, the following perils are among those for which damages are not afforded coverage by the SFIP:

- Theft
- Fire
- Windstorm and wind
- Explosion
- Earthquake
- Gradual erosion or any other earth movement (except covered as defined by the policy)

## PROPERTY COVERED

### **Coverage A – Building Covered**

A dwelling is considered walled and roofed if it has in place a least two rigid walls and a roof.

Refer to the Standard Flood Insurance Policy forms, in the Flood insurance Manual, Section II Definitions and for items of property covered under Coverage A and coverage limitations in enclosures and basements within Section III Property Covered A 1, 7 and 8.

Additions and extensions attached to and in contact with the dwelling by means of a rigid exterior wall, a solid load-bearing interior wall, a stairway, an elevated walkway, or a roof. At your option, additions and extensions are connected by any of these methods may be separately insured. Additions and extensions attached to and in contact with the building by means of a common interior wall that is not a solid load-bearing wall are always considered part of the dwelling and cannot be separately insured.



A detached garage at the described location is covered. Coverage is limited to no more than 10 percent of the limit of liability on the dwelling. Use of this insurance is at your option but reduces the building limit of liability.

The policy does not cover any detached garage used or held for residential (i.e., dwelling), business, or farming purposes.



### **MATERIALS AND SUPPLIES**

Materials and supplies to be used for construction, alteration, or repair of the dwelling or a detached garage while the materials and supplies are stored in a fully enclosed building at the described location or on an adjacent property.

### **BUILDING UNDER CONSTRUCTION**

A building under construction, alteration or repair at the described location is insured in accordance with the policy Section III Property Covered A 5.a. and b.

### **MANUFACTURED HOME/TRAVEL TRAILER**

A manufactured home or a travel trailer as described in the policy Definitions Section II. B.6.b. and II. B.6.c. is covered and if located in a SFHA, in accordance with Section III Property Covered A.6. a. through c.

### **COVERED BUILDING PROPERTY ITEMS IN A BASEMENT IN ANY ZONE**

- a. Any of the following items, if installed in their functioning location and, if necessary for operation, connected to a power source:
- Sump Pumps
  - Cisterns and the water in them
  - Drywall for walls and ceilings in a basement and the cost of labor to nail it, unfinished and unfloated and not taped, to the framing
  - Electrical junction and circuit breaker boxes
  - Electrical outlets and switches
  - Elevators, dumbwaiters, and related equipment installed below the BFE after September 30, 1987
  - Fuel tanks and the fuel in them
  - Heat pumps
  - Nonflammable insulation in a basement
  - Pumps and tanks used in solar energy systems
  - Stairways and staircases attached to the building, not separated from it by elevated walkways
  - Hot water heaters
  - Water softeners and the chemicals in them, water filters, and faucets installed as an integral part of the plumbing system
  - Well water tanks and pumps
  - Required utility connections for any item in this list
  - Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support a building

b. Clean-up

## **COVERED BUILDING PROPERTY ITEMS IN AN ENCLOSURE IN SFHAS ONLY**

Building property items located in an enclosure below the lowest elevated floor of an elevated Post-FIRM building in an SFHA are covered the same as building items in basements, with the exception of insulation and drywall. Cleanup in such an enclosure is also covered.

## **OTHER COVERAGES**

The SFIP pays up to \$1,000 for costs incurred to protect the insured building from flood or the imminent danger of flood.

Other coverages, including coverage provided for in Loss Avoidance Measures, such as Sand Bagging, are explained in more detail within the Flood Insurance Policy.

The SFIP also pays:

- Reasonable expenses to move insured property to a place other than the described location.
- at Federal minimum wage



At the option of the insured, the expenses to remove debris caused directly by a flood, will be covered by the NFIP and reduce the policy limit.

This includes:

- Non-owned debris on or in insured property
- Owned debris located anywhere
- Within the limits of the coverage, expenses incurred for debris removal including the value of the insured's labor and the labor of members of the insured's household at prevailing Federal minimum wage rates.

These optional other coverages do not increase the building or contents limits of liability.

## **IMPROVEMENTS AND BETTERMENTS**

If the tenant has personal property coverage, the SFIP covers cooking stove, range, and refrigerator if these items are owned by the tenant.

10% of personal property coverage will cover other tenant installed improvements.

## **EXAMPLES OF PROPERTY NOT COVERED**

The following is a partial list of building and personal property items that are excluded under all three policy forms:

- Fences, retaining walls, sea walls, bulkheads, wharves, piers, bridges & docks

- Building or units and all their contents if more than 49 percent of the actual cash value of the building or unit is below ground, unless the lowest level is at or above the Base Flood Elevation and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques
- Land values, lawns, trees, shrubs, plants, growing crops or animals
- Underground structures and equipment, including wells, septic tanks, and septic systems
- Property in the open
- Walks, walkways, decks, driveways, patios, and other surfaces located outside the perimeter, exterior walls or an insured building
- Self-propelled vehicles or machines, including their parts and equipment
- Recreational vehicles other than travel trailers described in the policy, whether affixed to a permanent foundation or on wheels
- Aircraft and watercraft, including their furnishings and equipment
- Hot tubs and spas that are not bathroom fixtures, and swimming pools, and their equipment such as, but not limited to, heaters, filters, pumps, and pipes, wherever located

Please read the Flood Insurance Policy for more complete information.

## **SPECIAL LIMITS**

The \$2,500 maximum limit applies to the entire class of property, meaning that if one item is damaged the maximum loss settlement would be \$2,500. If all such special limits items were damaged the maximum loss settlement would be \$2,500. These special limits items would typically be covered under a valuable items policy.

- Artwork, photographs, collectibles, or memorabilia, including but not limited to, porcelain or other figures, and sports cards;
- Rare books or autographed items;
- Jewelry, watches, precious and semi-precious stones, or articles of gold, silver, or platinum;
- Furs or any article containing fur which represents its principal value;
- Personal property used in any business.

## **DECKS**

The SFIP has specifically excluded coverage for decks. Stairways and staircases are covered if directly attached to the insured building, as are stairways and staircases attached to decks or walkways for ingress and egress.

The maximum allowance for steps and landing is 16 square feet.



## ADDITIONAL LIVING EXPENSES

**Additional Living Expenses, Loss of Use, or Loss of Income coverages are not included under the SFIP**

## INCREASED COST OF COMPLIANCE

Regular Program policyholders in Special Flood Hazard Areas can get up to \$30,000 to help pay the costs to bring their home or business into compliance with their community floodplain ordinance.

Eligibility criteria are described in the General Rules section of the Flood Insurance Manual.

ICC Brochures are available at: [www.fema.gov/pdf/nfip/f66f3\\_icc.pdf](http://www.fema.gov/pdf/nfip/f66f3_icc.pdf)

## QUIZ

1. A basement is defined as an area of a building, including a sunken room or sunken portion of a room, having a floor subgrade on all sides.
  - A. True
  - B. False
  
2. A building that has no basement and has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns is considered a(an):
  - A. Elevated building
  - B. Basement or enclosure
  - C. Appurtenant structure
  - D. Deck
  
3. The SFIP pays up to \_\_\_\_\_ costs incurred for measures to protect the insured building from flood or the imminent danger of flood.
  - A. \$2,500
  - B. \$1,000
  - C. \$32,000
  - D. \$5,000
  
4. Up to 10% of personal property coverage can be used to cover eligible tenant installed improvements.
  - A. True
  - B. False
  
5. There is a \$2500 limit for the loss of artwork, photographs, collectibles, memorabilia, sports cards, rare books, or autographed items.
  - A. True
  - B. False

## ANSWERS TO QUIZ

1A 2A 3B 4A 5A

## SECTION FOUR – GENERAL RULES AND PREMIUM RATING

### STATUTORY COVERAGE LIMITS

<b>Statutory Coverage Limits</b>	<b>EMERGENCY PROGRAM</b>	<b>REGULAR PROGRAM</b>		
		Basic Insurance Limits	Additional Insurance Limits	Total Insurance Limits
<b>BUILDING COVERAGE</b>				
Single Family Dwelling	\$ 35,000 *	\$ 50,000	\$200,000	\$250,000
2-4 Family Dwelling	\$ 35,000 *	\$ 50,000	\$200,000	\$250,000
Other Residential	\$100,000**	\$150,000	\$100,000	\$250,000
Non-Residential	\$100,000**	\$150,000	\$350,000	\$500,000
<b>CONTENTS COVERAGE</b>				
Residential	\$ 10,000	\$ 20,000	\$ 80,000	\$100,000
Non-Residential	\$100,000	\$130,000	\$370,000	\$500,000

\* In Alaska, Guam, Hawaii, and U.S. Virgin Islands, the amount available is \$50,000.

\*\* In Alaska, Guam, Hawaii, and U.S. Virgin Islands, the amount available is \$150,000.

**NOTE:** For RCBP, refer to CONDO Section for basic insurance limits and maximum coverage available.

### GENERAL RULES

<b>General Rules</b>	<b>EMERGENCY PROGRAM</b>	<b>REGULAR PROGRAM</b>			
		Flood Zone	Pre-FIRM	Pre-FIRM with Optional Post-FIRM Elevation Rating	Post-FIRM
	\$1,000	B, C, X, A99, D	\$500		\$500
		A, AO, AH, A1-A30, AE, VO, V1-V30, VE, V, AR, AR/AE, AR/AH, AR/AO, AR/A1-A30, AR/A	\$1,000	\$500	\$500

The NFIP offers two standard deductibles plus optional deductibles. The insured may choose a deductible amount different from the standard \$500 for Post-FIRM or the standard \$1,000 for structures in the Emergency Program and those rated using Pre-FIRM rates in Zones A, AO, AH, A1-A30, AE, VO, V1-V30, VE, V, AR, and AR Dual Zones (AR/AE, AR/AH, AR/AO, AR/A1-A30, AR/A).

*\*See the Flood Insurance Manual for options and premium credits.*

## **LOSS SETTLEMENT**

The SFIP provides three methods of settling losses:

- 1) Actual Cash Value
- 2) Replacement Cost
- 3) Special Loss Settlement

### **ACTUAL CASH VALUE (ACV)**

The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation.

### **REPLACEMENT COST VALUE (RCV)**

The cost to replace property with the same kind of material, and construction without deduction for depreciation.

### **SPECIAL LOSS SETTLEMENTS**

The following criteria identify the single family dwelling that receives a Special Loss Settlement:

- 1) Is a manufactured or mobile home or a travel trailer, as defined in Section II.B.6.b. and II.B.6.c. of the SFIP;
- 2) Is at least 16 feet wide when fully assembled and has an area of at least 600 square feet within its perimeter walls when fully assembled; and
- 3) Is your principal residence, as specified in V.1.a (1) in the policy?

If such a dwelling is totally destroyed or damaged to such an extent that, in our judgment, it is not economically feasible to repair, at least to its pre-damage condition, we will, at our discretion, pay the least of the following amounts:

- 1) The lesser of the replacement cost of the dwelling of 1.5 times the actual cash value, or
- 2) The building limit of liability shown on your Declarations Page.

If such a dwelling is partially damaged and in our judgment, it economically feasible to repair it to its pre-damage condition, we will settle the loss according to the Replacement Cost Conditions of the SFIP Section V.2.

## LOSS SETTLEMENT

The ACV settlement always applies to building and personal property losses on the General Property Form. Personal property losses are settled on an ACV basis on all NFIP forms. Claims on building losses will be settled on an ACV basis on the Dwelling form except for dwellings that meet the Special Loss Settlement and those that meet the criteria for RC. Most building element losses on the RCBAP are settled on an RC basis.

## REPLACEMENT COST SETTLEMENT

On the Dwelling Policy Form:

- ✓ Risks must be single family buildings.
- ✓ Losses are paid on the basis of replacement cost only if:
  - a. The building was the primary residence for at least 80 percent of the preceding 365 days or the period of ownership; and
  - b. At the time of loss, the building insurance amount represented at least 80 percent of the replacement cost immediately before the loss, or the maximum available under the NFIP

Otherwise, the Dwelling form pays on the actual cash value basis, which involves a deduction for depreciation. This ACV settlement includes 2-4 family dwelling types.

## CO-INSURANCE PENALTY IN RECBAP

### RESIDENTIAL CONDOMINIUM BUILDING ASSOCIATION POLICY RCBAP FORM

Most building elements, including building elements within individual units, are settled on a replacement cost basis (RC) under the RCBAP. The RC settlement is not contingent on the amount of insurance carried; however, there is a coinsurance penalty. If, at the time of loss, the amount of insurance carried is not at least 80% of the building replacement cost value, or \$25,000 times the number of units, whichever is less, the coinsurance penalty applies. Therefore, under the RCBAP the condominium building should be insured to full replacement cost value or the maximum NFIP program limits, whichever is less. The RCBAP is the NFIP policy subject to the coinsurance penalty. More detail in respect to the RCBAP follows later.

## PROPERTY VALUE DETERMINATION

### PROPERTY VALUE DETERMINATION FOR SELECTING COVERAGE AMOUNT

Agents should follow the same general business practice in calculating the flood insurance coverage amount on a building as they do in calculating hazard insurance

amounts. The cost of building foundations and supporting structures should be included, as such areas of buildings are highly susceptible to flood damage.

FEMA encourages agents/companies to insure buildings to their full insurable value and ensure coverage amounts continue to reflect the replacement cost value of buildings over time. NFIP policies are not automatically increased to keep pace with increasing construction costs.

Lender requirements, typically to cover mortgage loan balances, drive flood insurance purchases for buildings securing loans in high flood risk areas. Federally regulated lenders are obligated to require that "at minimum" loan balance, up to the NFIP program limits, is protected. Lenders may, of their own accord, require buildings protected to their full insurable value, if such rights were reserved in mortgage documents. Agents should help borrowers identify their financial interests, which may exceed mortgage balances, and ensure that buildings are protected for the benefit of the mortgage company and also the property owner. Personal property coverage should also be offered.

### **CONDOMINIUM BUILDINGS AND OTHER COMMON OWNERSHIP ENTITIES**

Agents should follow the same general business practice in calculating the flood insurance coverage amount on a condominium building as they do in calculating hazard coverage amounts for condominium buildings. In addition, the cost of the building foundation and supporting structure should be included.

The following is an example of the coinsurance penalty that applies on the Residential Condominium Building Association Policy (RCBAP) when, at the time of loss, the building is "not" insured to at least 80% of its replacement cost value or to the maximum NFIP program limits.

Example of coinsurance penalty:

Building RCV at time of loss	\$12, 500,000
80% of RCV at time of loss	10,000,000
Actual amount of insurance carried	6,000,000
Amount of loss	6,000,000
Loss settlement (before deductible)	3,600,000

In this example, the amount of insurance carried (\$6,000,000) represents only 60 percent of the required amount (\$10,000,000) that avoids the coinsurance penalty. A shortage of \$2,400,000 therefore results, which represents the coinsurance penalty.

The RCBAP provides flood insurance protection specifically designed for eligible residential condominium associations and unit owners, which covers the building owned by the association also building elements within individual units. Each entity has unique insurance considerations that require special care. The Condominium section in the Flood Insurance Manual, the Condominium section in the Mandatory Purchase of Flood Insurance Guidelines and the website at

[http://www.fema.gov/plan/prevent/floodins/condo\\_time.shtm](http://www.fema.gov/plan/prevent/floodins/condo_time.shtm)

are required reading for agents assisting condominium associations and unit owners.

Appropriate coverage amounts and combinations with regard to unit owners and associations need identification. Compliance requirements of lending institutions may also apply. Agents should also study the Platinum Level Condominium Training module online at this Agent Training Station, which has premium rating examples.

When a premium payment is not sufficient to purchase the coverage requested, only the amount of coverage that can be purchased with the premium received will be provided. If this underpayment is discovered before a loss a bill for the additional premium will be sent. If payment is made within 30 days from the date of the bill, the policy will be reformed to increase the coverage to the originally requested amount.

(For more information see the Standard Flood Insurance Policy Section VII. General Condition, G. Reduction and Reformation of Coverage.

## BINDERS

### **Binders are not permitted under the NFIP.**

The NFIP does not recognize an oral binder or a contract of insurance.

A copy of the Flood Insurance Application and premium payment, or a copy of the Declarations Page, is sufficient evidence of proof of purchase for a mortgage company.

## ONE BUILDING PER POLICY – NO BLANKET COVERAGE

*Blanket Coverage*, defined as a single amount of insurance applying to more than one building and/of contents, is not permitted under the NFIP.

### **One Building Per Policy.**

## BUILDING & PERSONAL PROPERTY COVERAGE PURCHASED SEPARATELY

Personal property coverage is not automatically included as a percentage of the building coverage, except for the PRP. Personal property coverage can be added to the SFIP for an extra premium.

## WAITING PERIOD

Insurance can be purchased at any time, but there is a 30-day waiting period before an NFIP policy becomes effective. 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 premiums. For example, a policy applied for on May 3 will become effective 12\_01 a.m., local time on June 2d.

It is important to promptly send the flood insurance application and the annual premium to the insurance company. The company will honor the effective date on the application form, provided the application and full premium payment are received at the

insurance company within 10-days of the date of application, or mailed certified mail within 4-days from the date of application.

If the application and premium payment are received later than 10 days from the application date or not mailed certified mail within 4 days from the date of application, the waiting period will be calculated from the date of receipt by the insurance company.

Insurance producers are encouraged to use certified mail to ensure the earliest possible effective date.

## **EXCEPTIONS TO THE 30-DAY WAITING PERIOD**

However, there are two exceptions to the 30-day waiting period:

1. There is no waiting period for new policies written in conjunction with making, increasing, extending or renewing a loan. Provided that the policy is applied for and the presentment of premium is made at or prior to the loan closing date (i.e., application date—April 3, refinancing—April 3 at 3:00 p.m., policy effective date, April 3 at 3:00 p.m.)
2. The second exception to the 30-day waiting period, which includes a one day wait, applies to the initial purchase of flood insurance pursuant to a map revision that shows the building in an SFHA. There is a one-day waiting period when a new policy application, along with the presentment of premium, has been submitted during the 13-month period beginning on the effective date of a map revision.

## **POLICY TERM**

All NFIP flood insurance policies are issued for a one year renewable term, whether they are written by an agent represents the NFUP Direct Side or an agent representing an NFIP WYO company.

## **CANCELLATIONS**

The NFIP annual premium is considered earned when paid. However the NFIP flood insurance coverage may be cancelled by the policyholder, with the assistance of his or her agent, at any time in accordance with the applicable rules. Details concerning the eligible cancellation reasons and the documentation required are listed in the Flood Insurance Manual online at <http://www.fema.gov/business/nfip/manual.shtm>

## QUIZ

1. For policies other than those identified in the standard deductible, the deductible for each loss occurrence is \$500.
  - A. True
  - B. False
  
2. The cost to replace an insured item of property at the time of loss, less the value of its physical depreciation, is:
  - A. Replacement Cost Value (RCV)
  - B. Actual Cash Value (ACV)
  - C. Blanket Coverage
3. Solid perimeter foundation walls are not an acceptable means of elevating building in V and VE Zones.
  - A. True.
  - B. False.
  
4. Buildings constructed before on or before December 31, 1974, or before the date of the initial FIRM requires an elevation certificate.
  - A. True.
  - B. False

## ANSWERS TO QUIZ

**1A 2B 3A 4B**

## SECTION FIVE - RATING

This SECTION covers Types of Buildings, When to Use an Elevation Certificate, Elevated Buildings, Buildings with Basements, and Grandfathering

### TYPES OF BUILDINGS

There are three basic types of buildings for rating purposes:

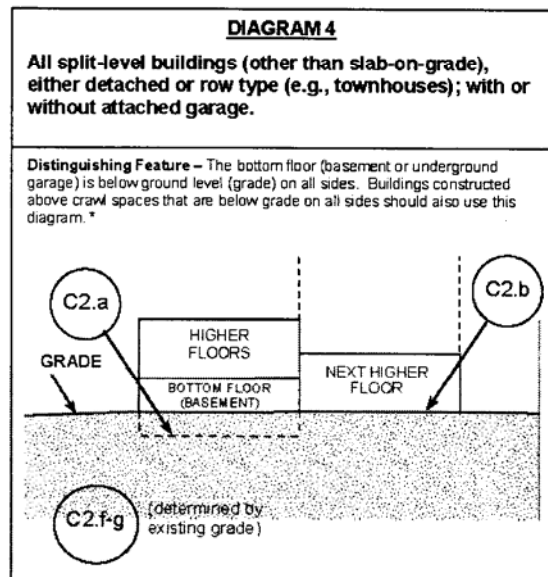
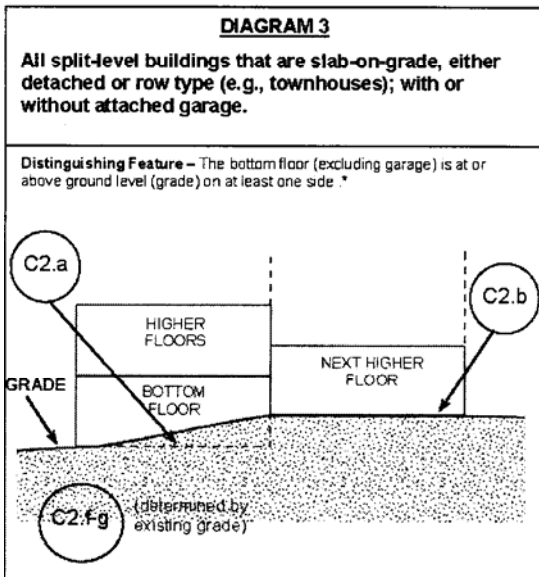
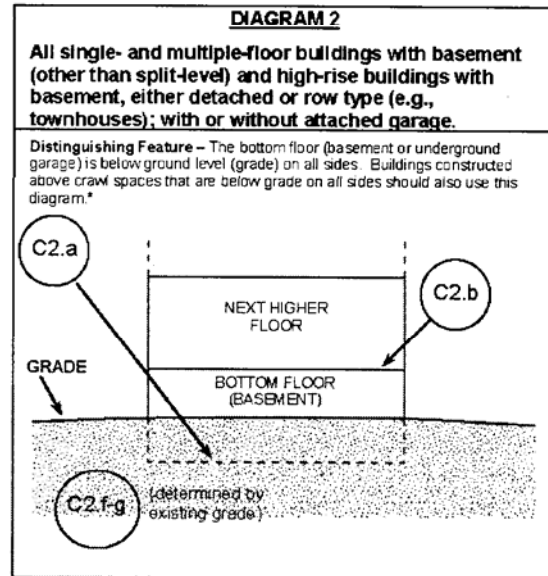
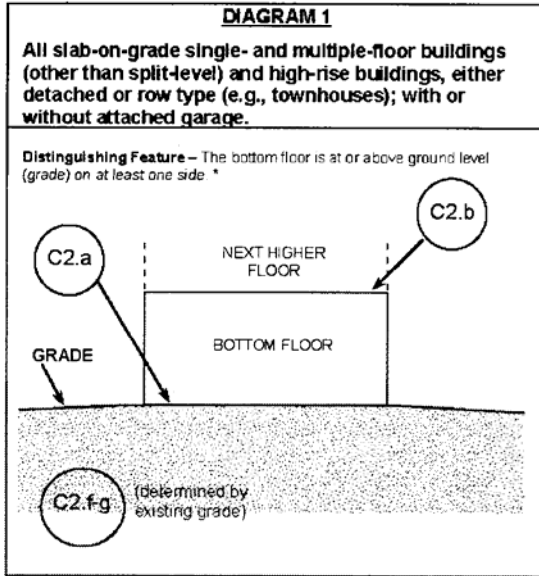
1. Buildings with no basement, built on a slab
2. Buildings with a basement, buildings sub-grade on all four sides
3. Elevated buildings, foundation walls, shear walls, piers, posts, pilings or columns

Please review all eight Building Diagrams in the Lowest Floor Guide section of the Flood Insurance Manual within Flood zones A and V. (See below) Use this section to identify the lowest floor elevation against the base flood elevation in order to obtain the elevation difference needed for rating. Also, review the building definitions and requirements for elevated buildings.

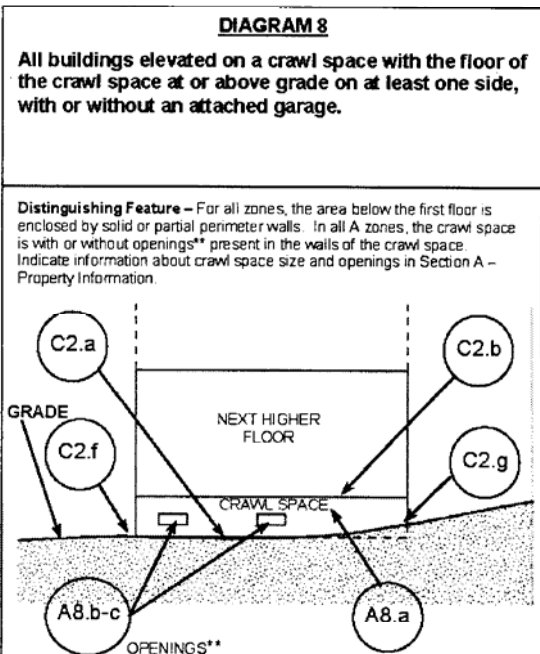
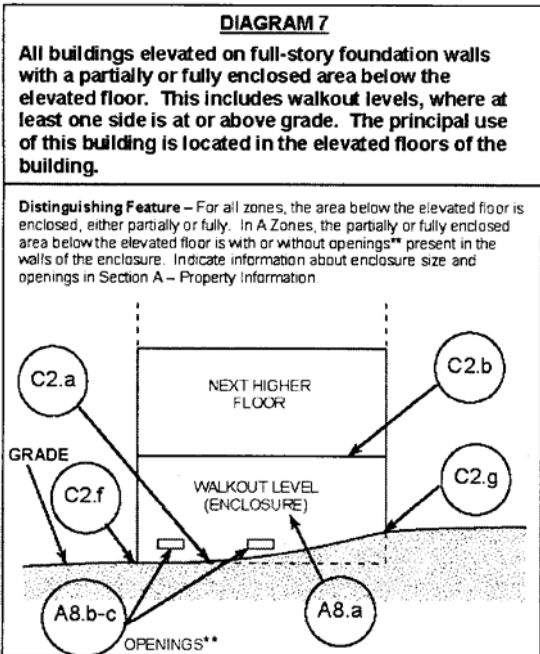
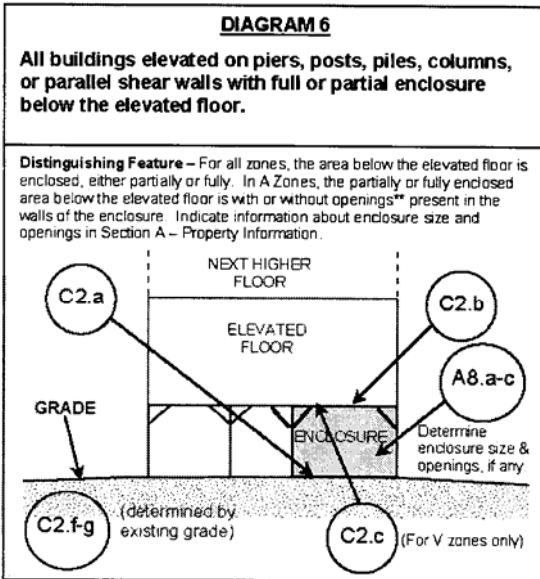
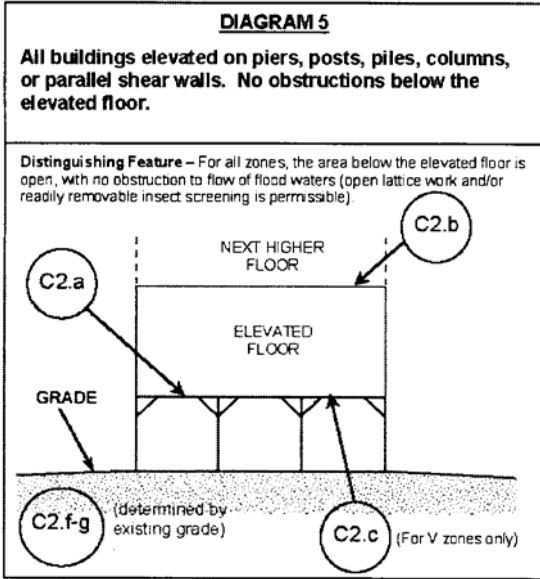
## BUILDING DIAGRAMS

The following eight diagrams illustrate various types of buildings. Compare the features of the building being certified with the features shown in the diagrams and select the diagram most applicable. Enter the diagram number in Item A7., the square footage of crawl space or enclosure(s) and the area of flood openings in square inches in Items A8.a-c, the square footage of attached garage and the area of flood openings in square inches in Items A9.a-c, and the elevations in Items C2.a-g.

In A zones, the floor elevation is taken at the top finished surface of the floor indicated; in V zones, the floor elevation is taken at the bottom of the lowest horizontal structural member (see drawing in instructions for Section C).



A floor that is below ground level (grade) on all sides is considered a basement even if the floor is used for living purposes, or as an office, garage, workshop, etc.



An "opening" is defined as a permanent opening in a wall that allows for the free passage of water automatically in both directions without human intervention. Under the NFIP, a minimum of two openings is required for enclosures or crawl spaces with a total net area of not less than one square inch for every square foot of area enclosed. Each opening must be on different sides of the enclosed area. If a building has more than one enclosed area, each area must have openings on exterior walls to allow floodwater to directly enter. The bottom of the openings must be no higher than one foot above the grade underneath the flood vents. Alternatively, you may submit a certification by a registered professional engineer or architect that the design will allow for the automatic equalization of hydrostatic flood forces on exterior walls. A window, a door, or a garage door is not considered an opening.

## **ELEVATED BUILDINGS**

An elevated building is one that has no basement and that has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings or columns.

## **BUILDINGS WITH BASEMENTS**

For flood insurance purposes, a basement is defined as an area of a building, including a sunken room or sunken portion of a room, having its floor subgrade on all sides.

## **WHEN TO USE AN ELEVATION CERTIFICATE**

An Elevation Certificate is required when flood insurance is applied for on a building that is located in a Special Flood Hazard Area (SFHA) and construction or substantial improvement started after December 31, 1974, or on or after the date of the initial FIRM of the community, whichever is later.

These buildings are described as being Post-FIRM.

# ELEVATION CERTIFICATE

OMB No. 1660-0008  
Expires February 28, 2009

Important: Read the instructions on pages 1-8

SECTION A - PROPERTY INFORMATION		For Insurance Company Use:
A1. Building Owner's Name		Policy Number
A2. Building Street Address (including Apt., Unit, Suite, and/or Bldg. No.) or P.O. Route and Box No.		Company NAIC Number
City	State	ZIP Code
A3. Property Description (Lot and Block Numbers, Tax Parcel Number, Legal Description, etc.)		
A4. Building Use (e.g., Residential, Non-Residential, Addition, Accessory, etc.)		
A5. Latitude/Longitude: Lat. _____ Long. _____ Horizontal Datum: <input type="checkbox"/> NAD 1927 <input type="checkbox"/> NAD 1983		
A6. Attach at least 2 photographs of the building if the Certificate is being used to obtain flood insurance.		
A7. Building Diagram Number _____		
A8. For a building with a crawl space or enclosure(s), provide:		A9. For a building with an attached garage, provide:
a) Square footage of crawl space or enclosure(s) _____ sq ft		a) Square footage of attached garage _____ sq ft
b) No. of permanent flood openings in the crawl space or enclosure(s) walls within 1.0 foot above adjacent grade _____		b) No. of permanent flood openings in the attached garage walls within 1.0 foot above adjacent grade _____
c) Total net area of flood openings in A8.b _____ sq in		c) Total net area of flood openings in A9.b _____ sq in

SECTION B - FLOOD INSURANCE RATE MAP (FIRM) INFORMATION					
B1. NFIP Community Name & Community Number		B2. County Name		B3. State	
B4. Map/Panel Number	B5. Suffix	B6. FIRM Index Date	B7. FIRM Panel Effective/Revised Date	B8. Flood Zone(s)	B9. Base Flood Elevation(s) (Zone AO, use base flood depth)
B10. Indicate the source of the Base Flood Elevation (BFE) data or base flood depth entered in Item B9. <input type="checkbox"/> FIS Profile <input type="checkbox"/> FIRM <input type="checkbox"/> Community Determined <input type="checkbox"/> Other (Describe) _____					
B11. Indicate elevation datum used for BFE in Item B9: <input type="checkbox"/> NGVD 1929 <input type="checkbox"/> NAVD 1988 <input type="checkbox"/> Other (Describe) _____					
B12. Is the building located in a Coastal Barrier Resources System (CBRS) area or Otherwise Protected Area (OPA)? Designation Date _____ <input type="checkbox"/> CBRS <input type="checkbox"/> OPA <input type="checkbox"/> Yes <input type="checkbox"/> No					

SECTION C - BUILDING ELEVATION INFORMATION (SURVEY REQUIRED)	
C1. Building elevations are based on: <input type="checkbox"/> Construction Drawings* <input type="checkbox"/> Building Under Construction* <input type="checkbox"/> Finished Construction *A new Elevation Certificate will be required when construction of the building is complete.	
C2. Elevations - Zones A1-A30, AE, AH, A (with BFE), VE, V1-V30, V (with BFE), AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO. Complete Items C2.a-g below according to the building diagram specified in Item A7.	
Benchmark Utilized _____	Vertical Datum _____
Conversion/Comments _____	
Check the measurement used.	
a) Top of bottom floor (including basement, crawl space, or enclosure floor) _____	<input type="checkbox"/> feet <input type="checkbox"/> meters (Puerto Rico only)
b) Top of the next higher floor _____	<input type="checkbox"/> feet <input type="checkbox"/> meters (Puerto Rico only)
c) Bottom of the lowest horizontal structural member (V Zones only) _____	<input type="checkbox"/> feet <input type="checkbox"/> meters (Puerto Rico only)
d) Attached garage (top of slab) _____	<input type="checkbox"/> feet <input type="checkbox"/> meters (Puerto Rico only)
e) Lowest elevation of machinery or equipment servicing the building (Describe type of equipment in Comments) _____	<input type="checkbox"/> feet <input type="checkbox"/> meters (Puerto Rico only)
f) Lowest adjacent (finished) grade (LAG) _____	<input type="checkbox"/> feet <input type="checkbox"/> meters (Puerto Rico only)
g) Highest adjacent (finished) grade (HAG) _____	<input type="checkbox"/> feet <input type="checkbox"/> meters (Puerto Rico only)

SECTION D - SURVEYOR, ENGINEER, OR ARCHITECT CERTIFICATION			
This certification is to be signed and sealed by a land surveyor, engineer, or architect authorized by law to certify elevation information. I certify that the information on this Certificate represents my best efforts to interpret the data available. I understand that any false statement may be punishable by fine or imprisonment under 18 U.S. Code, Section 1001.			
<input type="checkbox"/> Check here if comments are provided on back of form.			
Certifier's Name		License Number	
Title		Company Name	
Address		City	State ZIP Code
Signature		Date	Telephone
		PLACE SEAL HERE	

In most cases, the lowest floor level of a Pre-FIRM building is below the BFE and it would not benefit policyholders to pay the cost for an Elevation Certificate because the actuarial rate would be higher than the Pre-FIRM rate.

However, the decisions to purchase the Elevation Certificate and to request Post-FIRM rating of a Pre-FIRM building are an option of the insured.

Sometimes Pre-FIRM buildings can be rated as Post-FIRM. These buildings are constructed with flood mitigation in mind. Pre-FIRM construction located in an SFHA can be rated using the Post-FIRM elevation rates, which are more favorable if the lowest floor elevation of the building is at or above the BFE for the community.

The new EC Form (see above) and instructions (and as shown on pages Cert 11-26 in the Flood Insurance Manual, Special Certifications), will be phased in on a voluntary basis until December 31, 2006. Elevations certified on or after January 1, 2007, must be on the new form and include at least two photos, as described in the new EC form. Please review the Special Certifications section of the Flood Insurance Manual for additional information.

## GRANDFATHERING

When Flood Insurance Rate Maps (FIRMs) are updated, areas previously identified at low-to-moderate risk of flooding may be identified on the new FIRM as high flood risk areas (SFHAs). However, two classes of property owners qualify for Grandfathering based on pre-existing conditions. Grandfathering recognizes policyholders who built in compliance with a previous FIRM and/or maintained flood insurance coverage under the NFIP before the new FIRM is implemented.

Property owners whose buildings are now listed in high flood areas on the new maps are faced with much higher flood insurance premiums. Grandfathering allows such property owners to qualify for standard flood insurance premium rates based on their existing conditions.

- Grandfathered policyholders have the option of:
- Using current rating criteria for that property based on pre-existing conditions, or

Having the premium rate determined by using the BFE and/or flood zone on the FIRM (old map) in effect when the building was originally constructed (for those built in compliance) or when coverage was first obtained (for those with continuous coverage).

## RESOURCES FOR RATING A FLOOD INSURANCE POLICY

Resources include:

- Flood Insurance Manual – includes the rating steps and eligibility criteria;
- Agents, particularly if new to the NFIP, should seek assistance from the Participating NFIP Write Your Own Company;
- Flood Insurance Premium Rating Software providers, vendors are listed online at

<http://www.fem.gov/business.nfip/software.htm>

## QUIZ

1. For flood insurance purposes, a basement is defined as an area of a building, including a sunken room or sunken portion of a room, having its floor sub-grade on all sides.
  - A. True.
  - B. False
  
2. The term FIRM stands for:
  - A. Flood Insurance Regulation Map
  - B. Flood Insurance Rate Map.
  - C. Blanket Coverage.
  - D. Flood Hazard Boundary Map
  
3. A (n) \_\_\_\_\_ has no basement, it's lowest elevated floor is raised above ground level by foundation walls.
  - A. Condominium.
  - B. Elevated building.
  - C. Enclosure.

## ANSWERS TO QUIZ

1A 2B 3B

## SECTION SIX – CLAIMS HANDLING PROCESS

SECTION Six, Claims Handling Process, details:

- Helping Your Client File a Claim
- Claims Handbook
- Appeals Process
- Other topics

### HELPING YOUR CLIENT TO FILE A CLAIM

- Ask for addresses, including work address and temporary address, if applicable, when insured is available and how long he or she will be staying there. Ask for all phone numbers, including home, sell, work and temporary telephone numbers.
- Obtain written Notice of Loss

As soon as possible—and, by all means, before the claim adjuster's on-site inspection—offer your policyholder the following advice:

- Document all content losses (NFIP Contents Inventory Sheet).
- Photograph all property that has to be thrown away before the adjuster arrives.
- Place all account books, financial records, receipts, and other documents in a safe place for review with the adjuster.
- Go room to room and list the damaged items by age and replacement cost value as it relates to personal property losses.
- To help the claims adjuster, take exterior and interior photos to show water level and damage.
- Remove from the building everything that was water logged by the flood. This includes curtains and drapes, carpeting, recliners, sofas, other upholstered furniture, bedding, and clothes. Place water logged items in a pile for the adjuster to see.
- Have your utilities checked.
- Open windows; get fans or air conditioning going to dehumidify. Air circulation is the key to the dry-out process.

### APPEALS PROCESS

Agents are encouraged to understand the four-step claims appeals process and properly advise policyholders.

Walk your policyholders through the following four steps that they must follow to appeal their insurer's proposed claim settlement. Policyholders should:

1. Contact and talk to the adjuster first. The adjuster has more knowledge about the claim than anyone else. Ask for clarification and explanations of decisions that have been made.
2. If not satisfied with the adjuster's answers, get contact information for the adjuster's supervisor.
3. If adjuster's supervisor can't resolve the issues, contact the insurance company's claim representative.
4. Ask the agent or insurance company representative for assistance.

## CLAIMS HANDBOOK

The NFIP Claims Handbook explains:

- Steps in filing a claim and seeing it to completion.
- Procedures for filing supplementary claims, proof of loss, and information.
- The claims appeal process.

## QUIZ

1. The first step in helping a client file a claim is
  - A. explains that an approved claims adjuster will contact him within 24-48 hours.
  - B. Ask insured for daytime address and phone number.
  - C. Obtain written notice of loss.
  - D. All of the above.
  
2. The NFIP Claims handbook explains:
  - A. Steps in filing a claim and seeing it to completion.
  - B. Procedures for filing supplementary claims, proof of loss, and information.
  - C. The claims appeal process.
  - D. All of the above.
  
3. How many steps to appealing a claim:
  - A. Five
  - B. Three
  - C. Four
  - D. Two

## ANSWERS TO QUIZ

1C 2D 3C

## **SECTION SEVEN – REQUIREMENTS OF FLOOD INSURANCE REFORM ACT**

SECTION 7, Requirements of the Flood insurance Reform Act of 2004, explains Point of Sale and Renewal Responsibilities, Renewal Notice, Notification of Coverages Being Purchased, ACV vs. RCV, and other topics

### **POINT OF SALE AND RENEWAL RESPONSIBILITIES**

At the point of sale, always briefly "walk" your clients, whether first-times or renewals, through the main sections of the SFIP—Agreement, Definitions, Property Covered, Property Not Covered, Exclusions, Deductibles, Coinsurance (RCBAP only), General Conditions, Liberalization Clause, What Law Governs, and Claim Guidelines in Case of a Flood.

### **RENEWAL NOTICE**

At least forty-five days prior to the policy expiration, all parties listed on the policy (insured, agent, and mortgagee) are mailed a Renewal Notice. Agents may use this opportunity to discuss the Inflation Factor and any program changes that may impact coverages at renewal.

### **EXAMPLES OF POLICY EXCLUSIONS THAT APPLY**

- Loss of revenue or profits, interruption of business or production, or any economic loss
- Additional living expenses
- Loss already in progress
- Earth movement/land subsidence, except subsidence of land as explained in the SFIP pages 1 of 19
- Mildew or mold damage
- Pressure or weight of ice
- Freezing or thawing
- Sewer backup and seepage (unless flood is the proximate cause)
- Testing for monitoring of pollutants
- Power, heating, or cooking failure (unless flood is the proximate cause)
- Theft, fire, explosion, wind or windstorm

## EXPLANATION OF HOW LOSSES WILL BE ADJUSTED (ACV vs. RCV)

The three types of loss settlements have previously been explained and are:

Actual Cash Value Settlements, which includes a deduction for depreciation; Loss Settlement on a Replacement Cost Basis, which does not take depreciation; and the Special Loss Settlement applicable to manufactured and mobile homes.

The coinsurance penalty, which is only applicable to the RCBAP and loss settlement examples were explained in SECTION 4. More detailed information is available in each of the policy forms under Loss Settlement and also the Claims Manual.

## AGENT RESOURCES

FEMA WEBSITES:

<http://www.fema.gov/business/nfip>

<http://www.floodsmart.gov>

<http://www.training.nfipstat.com>

Flood Insurance Manual online

WYO Company List

