Attachment D

# Biggert Waters Flood Insurance Reform Act of 2012

## Impact of National Flood Insurance Program (NFIP) Changes

**Note: This Fact Sheet deals specifically with Sections 205 and 207 of the Act.**

In 2012, the U.S. Congress passed the Biggert Waters Flood Insurance Reform Act of 2012 which calls on the Federal Emergency Management Agency (FEMA) and other agencies to make a number of changes to the way the NFIP is run. Some of these changes have already been put in place, and others will be implemented in the coming months. Key provisions of the legislation will require the NFIP to raise rates to reflect true flood risk, make the program more financially stable, and change how Flood Insurance Rate Map (FIRM) updates impact policyholders. The changes will mean premium rate increases for some – but not all -- policyholders over time.

### What this means:

The new law encourages Program financial stability by eliminating some artificially low rates and discounts. Most flood insurance rates will now move to reflect full risk, and flood insurance rates will rise on some policies.

Actions such as buying a property, allowing a policy to lapse, or purchasing a new policy can trigger rate changes. You should talk to your insurance agent about how changes may affect your property and flood insurance policy. There are investments you and your community can make to reduce the impact of rate changes. And FEMA can help communities lower flood risk and flood insurance premiums.

### What is Changing Now?

Most rates for most properties will more accurately reflect risk. Subsidized rates for non-primary/secondary residences are being phased out now. Subsidized rates for certain other classes of properties will be eliminated over time, beginning in late 2013. There are several actions which can trigger a rate change, and not everyone will be affected. It's important to know the distinctions and actions to avoid, or to take, to lessen the impacts.

Not everyone will be affected immediately by the new law – **only 20 percent of NFIP policies receive subsidies**. Talk to your agent about how rate changes could affect your policy. Your agent can help you understand if your policy is impacted by the changes.

- Owners of subsidized policies on **non-primary/secondary** residences in a Special Flood Hazard Area (SFHA) will see 25 percent increase annually until rates reflect true risk – began January 1, 2013.
- Owners of subsidized policies on **property that has experienced severe or repeated flooding** will see 25 percent rate increase annually until rates reflect true risk – beginning October 1, 2013.
- Owners of subsidized policies on **business/non-residential properties in a Special Flood Hazard Area** will see 25 percent rate increase annually until rates reflect true flood risk -- beginning October 1, 2013.
  *(Each property's risk is different. Some policyholders may reach their true risk rate after a couple years of increases, while other policyholder increases may go beyond five years to get to the full risk rate required by the new law. Rate tables on true risk will not be available until June 2013.)*

**Primary residences** in SFHAs **will be able to keep their subsidized rates** unless or until:

- The property is sold;

- The policy lapses;
- You suffer severe, repeated, flood losses; or
- A new policy is purchased.

### Grandfathering Changes Expected in 2014

The Act phases-out grandfathered rates and moves to risk-based rates for most properties when the community adopts a new Flood Insurance Rate Map. If you live in a community that adopts a new, updated Flood Insurance Rate Map (FIRM), grandfathered rates will be phased out. This will happen gradually, with new rates increasing by 20% per year for five years.

### What Can Be Done to Lower Costs?

For home owners and business owners:

- Talk to your insurance agent about your insurance options.
- You will probably need an Elevation Certificate to determine your correct rate.
- Higher deductibles might lower your premium.
- Consider incorporating flood mitigation into your remodeling or rebuilding.
  - Building or rebuilding higher will lower your risk and could reduce your premium.
  - Consider adding vents to your foundation or using breakaway walls.
- Talk with local officials about community-wide mitigation steps.

For community officials:

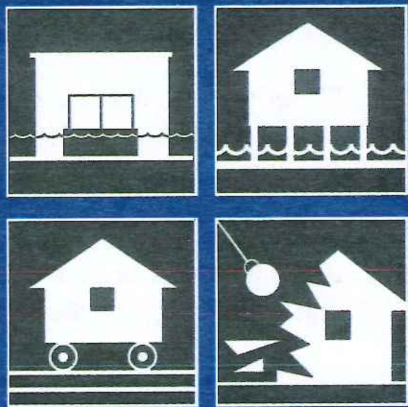
- Consider joining the Community Rating System (CRS) or increasing your CRS activities to lower premiums for residents.
- Talk to your state about grants. FEMA issues grants to states, which can then distribute the funds to communities to help with mitigation and rebuilding.

### Background:

In 1968, Congress created the National Flood Insurance Program (NFIP). Since most homeowners' insurance policies did not cover flood, property owners who experienced a flood often found themselves financially devastated and unable to rebuild. The NFIP was formed to fill that gap and was designed to incorporate community adoption of minimum standards for new construction and development to minimize future risk of flood damage. Pre-existing homes and businesses, however, could remain as they were. Owners of many of these older properties were eligible to obtain insurance at lower, subsidized rates that did not reflect the property's true flood risk.

In addition, as the initial flood risk identified by the NFIP has been updated, many homes and businesses that had been built in compliance with existing standards have received discounted rates in areas where the risk of flood was revised. This "Grandfathering" approach prevented rate increases for existing properties when the flood risk in their area increased.

After 45 years, flood risks continue and the costs and consequences of flooding are increasing dramatically. In 2012, Congress passed legislation to make the NFIP more sustainable and financially sound over the long term.



If your building is damaged by a flood, you may be required to meet certain building requirements in your community to reduce future flood damage before you repair or rebuild.

The National Flood Insurance Program (NFIP) Standard Flood Insurance Policy (SFIP) provides Increased Cost of Compliance (ICC) coverage, which may be available to help cover the costs of meeting those requirements, subject to eligibility. For more information, contact your insurance agent and refer to Section III, Coverage D of your SFIP.

For more information about the NFIP and flood insurance, call

**1-800-427-4661**

or contact your insurance company or agent.

For an agent referral, call 1-888-435-6637

Also, visit FEMA's website at

**www.fema.gov**

for valuable guidance to help you reduce losses from floods, fires, and other disasters.

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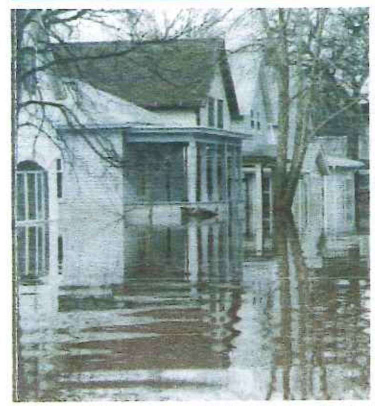
National Flood Insurance Program

# Increased Cost of Compliance Coverage

## How You Can Benefit

FEMA



# Increased Cost of Compliance Coverage

## How Much Coverage Is Available

If eligible, National Flood Insurance Program (NFIP) policyholders may receive up to $30,000 of Increased Cost of Compliance (ICC) coverage to help pay the costs to bring their building into compliance with their community's floodplain ordinance. The coverage availability and payment limits are subject to the terms of the Standard Flood Insurance Policy (SFIP) and maximum coverage limits, including all applicable NFIP rules and regulations.

## Filing an ICC Claim

You may be eligible to file a claim for your ICC coverage in two instances:

1. When your community determines that your building is "substantially damaged", wherein the cost to repair or improve the structure exceeds its market value by a threshold amount adopted by law or ordinance. Community building officials are responsible for the issuance of substantial damage declarations.
2. When your community has a "repetitive loss" provision in its floodplain management ordinance and determines that your building was damaged by a flood two times in the past 10 years, where the cost of repairing the flood damage, on average, equaled or exceeded 25 percent of its market value at the time of each flood.

### Four Options Covered: Floodproofing, Relocation, Elevation, or Demolition (F.R.E.D.)

There are four options you can pursue to comply with your community's floodplain management ordinance and help reduce future flood damage to your building. You may decide which of these options (F.R.E.D.) is best for you.

**1. Floodproofing.** This option is available primarily for non-residential buildings. It involves making a building watertight through a combination of adjustments or additions of features to the building that reduces the potential for flood damage.

**2. Relocation.** This moves your building out of harm's way.

**3. Elevation.** This raises your building to or above the flood elevation level adopted by your community.

**4. Demolition.** This tears down and removes flood-damaged buildings.

## How to File an ICC Claim

If your community does determine that your building is substantially or repetitively damaged, a local official will explain the floodplain management ordinance provisions that you will have to meet. You may also want to consult with the local official before you make the final decision about which of the options to pursue.

Once your community has made this determination, contact your insurer or insurance agent to file an ICC claim. The insurer will assign a claims representative who will help you prepare your ICC claim. The ICC claim will be adjusted separately from the flood damage claim you file under your SFIP. You should start getting estimates from contractors to take the necessary steps to F.R.E.D. – floodproof, relocate, elevate, or demolish.

## How Your ICC Claim Is Processed

You may be able to receive a partial payment once the claims representative has a copy of the signed contract for the work, a permit from the community to do the work, and your signed ICC Proof of Loss. If the work is not completed within the required time frame, you must return any partial payment to your insurer.

When the work is completed, local officials will inspect it and issue a certificate of occupancy or a confirmation letter. Once you submit this document to your claims representative, your insurer will pay the final installment or full payment.

It's important to remember, only policyholders with substantially or repetitively flood-damaged buildings may be eligible for ICC coverage. ICC helps pay for the costs of meeting the floodplain management requirements adopted by law or ordinance in your community. Any item paid for in the original flood damage claim cannot be duplicated in the ICC payment.

**MYTH: The NFIP encourages coastal development.**

**FACT:** One of the NFIP's primary objectives is to guide development away from high-flood risk areas. NFIP regulations minimize the impact of structures that are built in SFHAs by requiring them not to cause obstructions to the natural flow of floodwaters. Also, as a condition of community participation in the NFIP, those structures built within SFHAs must adhere to strict floodplain management regulations enforced by the community.

In addition, the Coastal Barrier Resources Act (CBRA) of 1982 relies on the NFIP to discourage building in fragile coastal areas by prohibiting the sale of flood insurance in designated CBRA areas. While the NFIP does not prohibit property owners from building in these areas, any Federal financial assistance, including federally backed flood insurance, is prohibited. However, the CBRA does not prohibit privately financed development or insurance.

**MYTH: Federal disaster assistance will pay for flood damage.**

**FACT:** Before a community is eligible for disaster assistance, it must be declared a federal disaster area. Federal disaster assistance declarations are issued in less than 50 percent of flooding events. The premium for an NFIP policy, averaging a little over $500 a year, can be less expensive than the monthly payments on a federal disaster loan.

Furthermore, if you are uninsured and receive federal disaster assistance after a flood, you must purchase flood insurance to remain eligible for future disaster relief.

**MYTH: The NFIP does not cover flooding resulting from hurricanes or the overflow of rivers or tidal waters.**

**FACT:** The NFIP defines covered flooding as a general and temporary condition during which the surface of normally dry land is partially or completely inundated. Two properties in the area or two or more acres must be affected. Flooding can be caused by:

- Overflow of inland or tidal waters, or
- Unusual and rapid accumulation or runoff of surface waters from any source, such as heavy rainfall, or
- Mudflow, i.e., a river of liquid and flowing mud on the surfaces of normally dry land areas, or
- Collapse or subsidence of land along the shore of a lake or other body of water, resulting from erosion or the effect of waves, or water currents exceeding normal, cyclical levels.

For more information about the NFIP and flood insurance, call
**1-800-427-4661**
or contact your insurance company or agent.

For an agent referral, call 1-888-435-6637
TDD 1-800-427-5593

http://www.fema.gov/business/nfip
http://www.floodsmart.gov

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*National Flood Insurance Program*

# Myths and Facts about the National Flood Insurance Program

FEMA

## Who needs flood insurance? Everyone!

And almost everyone in a participating community of the National Flood Insurance Program (NFIP) can buy flood insurance. Nationwide, more than 20,000 communities have joined the Program. In some instances, people have been told that they cannot buy flood insurance because of where they live. To clear up this and other misconceptions about National Flood Insurance, the NFIP has compiled a list of common myths about the Program, and the real facts behind them, to give you the full story about this valuable protection.

### MYTH: You can't buy flood insurance if you are located in a high-flood risk area.

**FACT:** You can buy National Flood Insurance no matter where you live if your community participates in the NFIP, except in Coastal Barrier Resources System (CBRS) or other protected areas. The Program was created in 1968 to make federally backed flood insurance available to property owners who live in eligible communities. Flood insurance was then virtually unavailable from the private insurance industry. The Flood Disaster Protection Act of 1973, as amended, requires federally regulated lending institutions to make sure that mortgage loans secured by buildings in high-flood risk areas are protected by flood insurance.

Lenders should notify borrowers, prior to closing, that their property is located in a high-flood risk area and that National Flood Insurance is required.

### MYTH: You can't buy flood insurance immediately before or during a flood.

**FACT:** You can purchase National Flood Insurance at any time. There is usually a 30-day waiting period after premium payment before the policy is effective, with the following exceptions:

1. If the initial purchase of flood insurance is in connection with the making, increasing, extending, or renewing of a loan, there is no waiting period. Coverage becomes effective at the time of the loan, provided application and payment of premium is made at or prior to loan closing.
2. If the initial purchase of flood insurance is made during the 13-month period following the effective date of a revised flood map for a community, there is a 1-day waiting period. This applies only where the Flood Insurance Rate Map (FIRM) is revised to show the building to be in a Special Flood Hazard Area (SFHA) when it had not been in an SFHA.

The policy does not cover a "loss in progress," defined by the NFIP as a loss occurring as of 12:01 a.m. on the first day of the policy term. In addition, you cannot increase the amount of insurance coverage you have during a loss in progress.

### MYTH: Homeowners insurance policies cover flooding.

**FACT:** Unfortunately, many home and business owners do not find out until it is too late that their homeowners and business multiperil policies do not cover flooding. The NFIP offers a separate policy that protects the single most important financial asset, which for most people is their home or business.

Homeowners can include contents coverage in their NFIP policy. Residential and commercial renters can purchase contents coverage. Business owners can purchase flood insurance coverage for their buildings and contents/inventory and, by doing so, protect their livelihood.

### MYTH: Flood insurance is only available for homeowners.

**FACT:** Most people who live in NFIP participating communities, including renters and condo unit owners, are eligible to purchase federally backed flood insurance. A maximum of $250,000 of building coverage is available for single-family residential buildings; $250,000 per unit for residential condominiums. The limit for contents coverage on all residential buildings is $100,000, which is also available to renters.

Commercial structures can be insured to a limit of $500,000 for the building and $500,000 for the contents. The maximum insurance limit may not exceed the insurable value of the property.

### MYTH: You can't buy flood insurance if your property has been flooded.

**FACT:** You are still eligible to purchase flood insurance after your home, apartment, or business has been flooded, provided that your community is participating in the NFIP.

### MYTH: Only residents of high-flood risk areas need to insure their property.

**FACT:** All areas are susceptible to flooding, although to varying degrees. If you live in a low-to-moderate flood risk area, it is advisable to have flood insurance. Nearly 25 percent of the NFIP's claims come from outside high-flood risk areas. Residential and commercial property owners located in low-to-moderate risk areas should ask their agents if they are eligible for the Preferred Risk Policy, which provides inexpensive flood insurance protection.

### MYTH: National Flood Insurance can only be purchased through the NFIP directly.

**FACT:** NFIP flood insurance is sold through private insurance companies and agents, and is backed by the federal government.

### MYTH: The NFIP does not offer any type of basement coverage.

**FACT:** Yes it does. The NFIP defines a basement as any area of a building with a floor that is below ground level on all sides. While flood insurance does not cover basement improvements (such as finished walls, floors, or ceilings), or personal belongings kept in a basement (such as furniture and other contents), it does cover structural elements and essential equipment.

The following items are covered under building coverage, as long as they are connected to a power source, if required, and installed in their functioning location:

- Sump pumps
- Well water tanks and pumps, cisterns, and the water in them
- Oil tanks and the oil in them, natural gas tanks and the gas in them
- Pumps and/or tanks used in conjunction with solar energy
- Furnaces, water heaters, air conditioners, and heat pumps
- Electrical junction and circuit breaker boxes and required utility connections
- Foundation elements
- Stairways, staircases, elevators, and dumbwaiters
- Unpainted drywall walls and ceilings, including nonflammable insulation
- Cleanup

The following items are covered under contents coverage:

- Clothes washers and dryers
- Food freezers and the food in them

The NFIP recommends both building and contents coverage for the broadest protection.

National Flood Insurance Program

# Summary of Coverage

FEMA F-679 / November 2012

FEMA

**This document was prepared by the National Flood Insurance Program (NFIP)** to help you understand your flood insurance policy. It provides general information about deductibles, what is and is not covered by flood insurance, and how items are valued at the time of loss.

This document is based on the **Standard Flood Insurance Policy Dwelling Form**, which is used to insure one-to-four-family residential buildings and single-family dwelling units in a condominium building. There are two other policy forms:

- **The General Property Form** is used to insure five-or-more-family residential buildings and non-residential buildings.
- **The Residential Condominium Building Association Policy Form** is used to insure residential condominium association buildings.

While the three forms are similar, they do contain some important differences. For example, the General Property Form does not provide coverage for contents in any building other than the insured building, and the Residential Condominium Building Association Policy Form contains a coinsurance clause, which provides for a pro-rata reduction in the building claim payment if the building is not insured to 80 percent of its replacement value.

## Two Types of Flood Insurance Coverage

The NFIP's Dwelling Form offers coverage for: 1) Building Property, up to $250,000, and 2) Personal Property (Contents), up to $100,000. The NFIP encourages people to purchase both types of coverage. Your mortgage company may require that you purchase a certain amount of flood insurance coverage.

**For information about your specific limits of coverage and deductibles, refer to the Declarations Page in your flood insurance policy. It is also a good idea to review your policy with your insurance agent or company representative.**

## What Is a Flood?

Flood insurance covers direct physical loss caused by "flood." In simple terms, a flood is an excess of water on land that is normally dry. Here's the official definition used by the National Flood Insurance Program.

A flood is (1) "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 your property) from a. overflow of inland or tidal waters; b. unusual and rapid accumulation or runoff of surface waters from any source; or 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 undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in A.1.a. above.

* Mudflow is defined (in part) as "A river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water."

## Three Important Facts About Your Flood Policy

A Standard Flood Insurance Policy is a single-peril (flood) policy that pays for direct physical damage to your insured property up to the replacement cost or Actual Cash Value (ACV) (see "How Flood Damages Are Valued") of the actual damages or the policy limit of liability, whichever is less.

1. **Contents coverage must be purchased separately.**
2. **It is not a valued policy.** A valued policy pays the limit of liability in the event of a total loss. For example: Your home is totally destroyed by a fire and it costs $150,000 to rebuild it. If your homeowners insurance policy is a valued policy with a $200,000 limit of liability on the building, you would receive $200,000. Flood insurance pays the replacement cost or ACV of actual damages, up to the policy limit.
3. **It is not a guaranteed replacement cost policy.** A guaranteed replacement cost policy pays the cost to rebuild your home regardless of the limit of liability. For example: Your home is totally destroyed by a fire and it costs $200,000 to rebuild it. If your homeowners insurance policy is a guaranteed replacement cost policy with a $150,000 limit of liability on the building, you would receive $200,000. Flood insurance does not pay more than the policy limit.

## Choosing Deductibles

Choosing the amount of your deductible is an important decision. As with car or homeowners insurance, choosing a higher deductible will lower the premium you pay, but will also reduce your claim payment.

You can choose different deductibles for Building Property and Personal Property coverage. The deductibles will apply separately to Building Property and Personal Property claims. Your mortgage company may require that your deductible be no more than a certain amount.

Review the Declarations Page in your flood insurance policy for amounts of coverage and deductibles. Talk with your insurance agent, company representative, or lender about raising or lowering deductibles within an allowable range.

### Reminder: Keep Your Receipts

**While you are not expected to keep receipts for every household item and article of clothing, do try to keep receipts for electronic equipment, wall-to-wall carpeting, major appliances, and other higher-cost items. Your adjuster will be able to process your claim more quickly when you can prove how much items cost at the time of purchase. Also keep receipts for any repairs made with a flood insurance settlement.**

## What Is Covered by Flood Insurance—and What Is Not

Physical damage to your building or personal property "directly" caused by a flood is covered by your flood insurance policy. For example, damages caused by a sewer backup are covered if the backup is a direct result of flooding. If the backup is caused by some other problem, the damages are not covered.

The following charts provide general guidance on items covered and not covered by flood insurance. Refer to your policy for the complete list. (For information on flood insurance coverage limitations in areas below the lowest elevated floor and in basements, see page 3 of this document.)

### General Guidance on Flood Insurance Coverage

**What is insured under BUILDING PROPERTY coverage:**

- The insured building and its foundation.
- The electrical and plumbing systems.
- Central air-conditioning equipment, furnaces, and water heaters.
- Refrigerators, cooking stoves, and built-in appliances such as dishwashers.
- Permanently installed carpeting over an unfinished floor.
- Permanently installed paneling, wallboard, bookcases, and cabinets.
- Window blinds.
- A detached garage (up to 10 percent of Building Property coverage); detached buildings (other than detached garages) require a separate Building Property policy.
- Debris removal.

**What is insured under PERSONAL PROPERTY coverage:**

- Personal belongings such as clothing, furniture, and electronic equipment.
- Curtains.
- Portable and window air conditioners.
- Portable microwave ovens and portable dishwashers.
- Carpets not included in building coverage (see above).
- Clothes washers and dryers.
- Food freezers and the food in them.
- Certain valuable items such as original artwork and furs (up to $2,500).

**What is NOT insured under either Building Property or Personal Property coverage:**

- Damage caused by moisture, mildew, or mold that could have been avoided by the property owner.
- Currency, precious metals, and valuable papers such as stock certificates.
- Property and belongings outside of a building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs, and swimming pools.
- Living expenses such as temporary housing.
- Financial losses caused by business interruption or loss of use of insured property.
- Most self-propelled vehicles such as cars, including their parts (see Section IV.5 in your policy).

## General Guidance on Flood Insurance Coverage Limitations in Areas Below the Lowest Elevated Floor and in Basements

Flood insurance coverage is limited in areas below the lowest elevated floor (including crawlspaces) depending on the flood zone and date of construction (refer to Part III, Section A.8 in your policy) and in basements regardless of zone, or date of construction. As illustrated below, these areas include 1) basements, 2) crawlspaces under an elevated building, 3) enclosed areas beneath buildings elevated on full-story foundation walls that are sometimes referred to as "walkout basements," and 4) enclosed areas under other types of elevated buildings.

**What is insured under BUILDING PROPERTY coverage:**

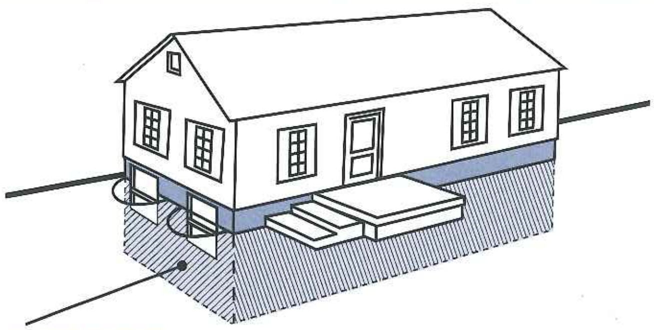
- Foundation walls, anchorage systems, and staircases attached to the building.
- Central air conditioners.
- Cisterns and the water in them.
- Drywall for walls and ceilings (in basements only).
- Non-flammable insulation (in basements only).
- Electrical outlets, switches, and circuit-breaker boxes.
- Fuel tanks and the fuel in them, solar energy equipment, and well water tanks and pumps.
- Furnaces, water heaters, heat pumps, and sump pumps.

**What is insured under PERSONAL PROPERTY coverage:**

- Washers and dryers.
- Food freezers and the food in them (but not refrigerators).
- Portable and window air conditioners.

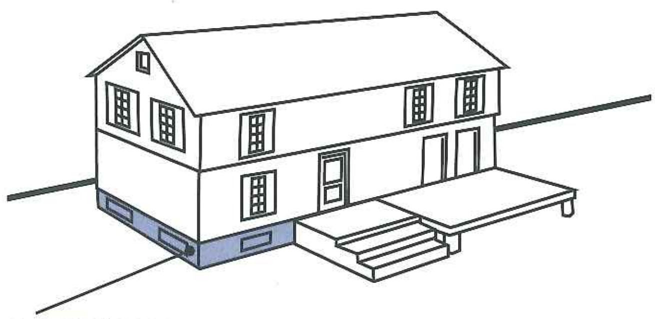
**What is NOT insured under either Building Property or Personal Property coverage:**

- Paneling, bookcases, and window treatments such as curtains and blinds.
- Carpeting, area carpets, and other floor coverings such as tile.
- Drywall for walls and ceilings (below the lowest elevated floor).
- Walls and ceilings not made of drywall.
- In certain cases staircases and elevators.
- Most personal property such as clothing, electronic equipment, kitchen supplies, and furniture.



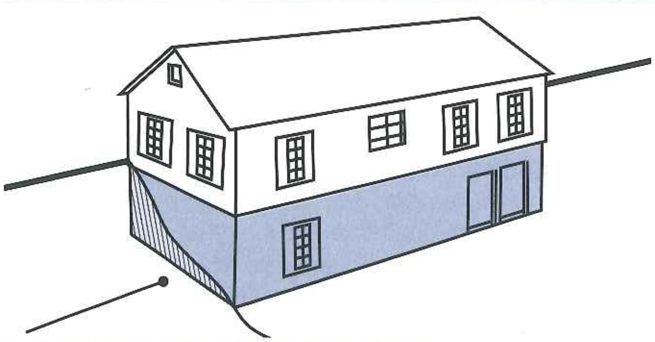
**1. BASEMENT**

Coverage limitations apply to "basements," which are any area of the building, including a sunken room or sunken portion of a room, having its floor below ground level on all sides.



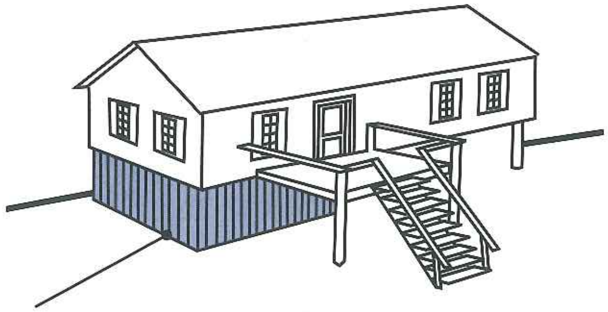
**2. CRAWLSPACE**

When a building is elevated on foundation walls, coverage limitations apply to the "crawlspace" below.



**3. ELEVATED BUILDING ON FULL-STORY FOUNDATION WALLS**

Coverage limitations apply to the enclosed areas (lower floor) even when a building is constructed with what is sometimes called a "walkout basement."



**4. ELEVATED BUILDING WITH ENCLOSURE**

Coverage limitations apply to "enclosed areas" at ground level under an "elevated building." An elevated building allows water to flow freely under the living quarters, thus putting less strain on the building in the event of flooding. An "enclosure" is the area below the lowest elevated floor that is fully shut in by rigid walls.

## How Flood Damages Are Valued

The value of flood damage covered under the Dwelling Form is based on either Replacement Cost Value or Actual Cash Value.

**Replacement Cost Value (RCV)**

RCV is the cost, without depreciation, to replace that part of a building that is damaged. To be eligible, three conditions must be met:

1. The building must be a single-family dwelling; *and*
2. The building must be your principal residence at the time of loss, meaning you live there at least 80 percent of the year; *and*
3. Your building coverage is at least 80 percent of the full replacement cost of the building, or is the maximum available for the property under the NFIP.

**Actual Cash Value (ACV)**

ACV is Replacement Cost Value at the time of loss, less the value of its physical depreciation.

Some building items such as appliances and carpeting are always adjusted on an ACV basis. For example, wall-to-wall carpeting could lose from 10 to 14 percent of its value each year, depending on the quality of the carpeting. This depreciation would be factored into the adjustment.

Personal property is always valued at ACV.

## Special Considerations for Multiple Claims

Owners of NFIP-insured residential property, identified as "severe repetitive loss" (SRL) property, may be eligible for a FEMA mitigation grant for property improvements that reduce the likelihood of future flood damages. Participation in the SRL program is voluntary, but property owners who refuse an offer of mitigation may expect an increase in their flood insurance premium rate equal to 150% of the chargeable rate for the property at the time the offer was made.

An NFIP-insured property is defined as a severe repetitive loss property when it meets one of the following criteria since 1978, regardless of ownership:

1. Four or more separate flood claim payments have been made and each claim payment exceeds $5,000 (including building and contents payments), or
2. At least two separate flood claim payments (building payments only) have been made and the cumulative payments exceed the current value of the property.

### A FINAL NOTE

This document provides general information about flood insurance coverage. However, please be aware that your Standard Flood Insurance Policy, your application, and any endorsements, including the Declarations Page, make up your official contract of insurance. Any differences between this information and your policy will be resolved in favor of your policy. If you have questions, call your insurance agent or company representative.

## What Is Increased Cost of Compliance (ICC) Coverage?

Most NFIP policies include ICC coverage, which applies when flood damages are severe. ICC coverage provides up to $30,000 of the cost to elevate, demolish, or relocate your home. If your community declares your home "substantially damaged" or "repetitively damaged" by a flood, it will require you to bring your home up to current community standards.

The total amount of your building claim and ICC claim cannot exceed the maximum limit for Building Property coverage ($250,000 for a single-family home). Having an ICC claim does not affect a Personal Property claim (up to $100,000), which is paid separately.

Details about eligibility are in Section III.D. of your policy.

Congress created the National Flood Insurance Program (NFIP) in 1968 to reduce future flood damage through floodplain management, and to provide people with flood insurance through individual agents and insurance companies. The Federal Emergency Management Agency (FEMA) manages the NFIP. As required by Congress, this document was prepared by the NFIP to help flood insurance policyholders understand their policy.

*National Flood Insurance Program*

# The Benefits of Flood Insurance Versus Disaster Assistance

U.S. Department of Homeland Security FEMA

# The Benefits of Flood Insurance Versus Disaster Assistance

## Flood Insurance

- You are in control. Flood insurance claims are paid even if a disaster is not declared by the President.
- More than 20 percent of NFIP claims come from outside of mapped Special Flood Hazard Areas.
- There is no payback requirement.
- Flood insurance policies are continuous, and are not non-renewed or canceled for repeat losses.
- Flood insurance reimburses you for all covered building losses up to $250,000 for residential occupancies and up to $500,000 for businesses. Contents coverage is also available up to $100,000 for residential occupancies and up to $500,000 for businesses.
- The average cost of a flood insurance policy is about $600 annually. The cost of a preferred risk policy is less than $200 annually, if you live in a moderate-to-low-risk area.

## Disaster Assistance

- Most forms of Federal disaster assistance require a Presidential declaration.
- Federal disaster assistance declarations are not awarded in all flooding incidents.
- The most typical form of disaster assistance is a loan that must be repaid with interest.
- The duration of a Small Business Administration (SBA) disaster home loan could extend to 30 years.
- The average Individuals and Households Program award for Presidential disaster declarations related to flooding in 2008 was less than $4,000.
- Repayment on a $50,000 SBA disaster home loan is $240 a month or $2,880 annually at 4 percent interest.

For more information about the NFIP and flood insurance, call 1-800-427-4661, or contact your insurance company or agent.
For an agent referral, call 1-888-435-6637 • http://www.floodsmart.gov •
http://www.fema.gov/national-flood-insurance-program

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