



Flood insurance frequently asked questions

Resource kit 90614

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This resource kit is intended to address the more commonly asked (and sometimes not so common) questions regarding the National Flood Insurance Program.

Q. What are my options in regards to flood policies?

A. An agent has several options when placing flood insurance:

- place all business with one or more Write-Your-Own (WYO) companies;
- place with the NFIP directly and with one or more WYO companies; or
- place all flood insurance directly with the NFIP (NFIP-direct business).

Q. Is there only one type of flood map?

A. Actually there are three:

- Flood Hazard Boundary Map (FHBM)—initial identification generally used for emergency program communities.
- Flood Insurance Rate Map (FIRM)—official map of a community on which FEMA delineates both the special flood hazard areas (SFHA) and the flood-risk premium zones applicable to the community.
- Countrywide FIRM—official source of flood-risk data for several communities that supersedes all previous versions. Shows flooding information for the entire geographic area of a county.

Q. Where are the maps kept?

A. Communities are provided copies of their flood maps. They are generally kept in community planning or building permit departments where they should be available for review. Individual maps may be ordered by calling the FEMA Map Service Center at (800) 358-9616 or by downloading the order form at: <http://www.msc.fema.gov/webapp/wcs/stores/mapstore/docs/orderfrm.pdf> or maps can be located at: <http://msc.fema.gov/webapp/wcs/stores/servlet/StoreCatalogDisplay?storeId=10001&catalogId=10001&langId=-1&userType=G>.

Q. What is meant by the term “grandfather” in terms of flood insurance?

A. To recognize policyholders who have built in compliance with the FIRM and/or remained loyal customers of the NFIP by maintaining continuous coverage, the Federal Emergency Management Agency has “grandfather rules.” These rules allow such policyholders to benefit in the rating for that building. For such buildings, the insured would have the option of using the current rating criteria for that property or having the premium rate determined by using the Base Flood Elevation (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). This results in a cost savings to insureds when the new map resulting from a map revision would result in a higher premium rate.

Q. What is meant by “preferred risk”?

A. Preferred risk is NOT a policy, it is a rating break for those properties in a low-hazard flood zone **per the current map**. When the map changes, and the property is re-mapped into a higher hazard zone, the preferred rates no longer apply and the policy must be rated per the actuarial rates for the applicable zone.

Q. Can you grandfather a preferred risk?

A. No. Grandfathering applies to Flood Zone and Base Flood Elevation (BFE) only—it does not apply to rating, including preferred-risk rates.

Q. How much flood insurance am I required to purchase?

A. If the property in question, that you are securing a loan for, is located in a Special Flood Hazard Area (SFHA) and flood insurance is available, then the lender must require the borrower to obtain the proper amount of flood insurance before closing the loan. The minimum required coverage is the lesser of the outstanding principal balance on the loan, or the maximum amount available from the NFIP. The amount of the insurance should not be less than the value of the improved structure.

Q. Can a bank require flood insurance that is more than the outstanding balance of the loan?

A. Yes. The lender is protecting their interest and if the lender wants for example, 80 percent replacement cost, they can make that request to the borrower.

Q. Is damage from a rainstorm covered?

A. No. When rain enters through a wind-damaged window or door, or comes through a hole in a wall or roof, the NFIP considers the resulting damage to be windstorm-related, not flood-related.

Q. Does my flood insurance policy cover me for flood damage caused by hurricanes, rivers or tidal waters?

A. Yes, providing that, if confined to your property, the flood water covers at least two acres. Another general condition that also exists is if two adjacent properties are affected and one of them is yours, then there is coverage.

Q. Does the government need to declare an emergency in order for the flood coverage to become effective?

A. A presidential, state or local government disaster declaration is not required for an NFIP policyholder to file a claim.

Q. Would a flood trigger business interruption coverage?

A. The National Flood Insurance Program policy does not provide business interruption. Also, the standard forms do not provide this coverage for flooding situations. In a countrywide filing, ISO added an endorsement to be used with any of the three causes of loss forms to add back coverage for loss from flood (CP 10 65 10 00) that may be used to trigger business interruption coverage with some insurers.

Q. Where can I contact FEMA or the NFIP?

A. The FEMA/NFIP regional offices can be contacted at:

Connecticut and New Hampshire (Region I)

P.O. Box 2156
Merrimack, NH 03054
Phone: (603) 423-0470
Fax: (603) 423-0395

New York and New Jersey (Region II)

HC 87 Box 36
Pocono Lake, PA 18347
Phone: (570) 643-6582
Fax: (570) 643-6582

A listing of all regional offices can be found here
http://www.fema.gov/business/nfip/nfip_regions.shtm.

Q. If I disagree with the flood maps is there anything I can do about it?

A. In some cases, a lender determines that a property is in a SFHA shown on a Flood Insurance Rate Map (FIRM) but the property owner disagrees with that determination. The SFHA also is known as the 100-year floodplain. It is more precisely defined as the floodplain associated with a flood that has a 1 percent-annual chance of being equaled or exceeded in any given year. Therefore, the SFHA is not a flood event that happens once in 100 years, rather a flood event that has a 1 percent chance of occurring every year. Property owners in this situation have a couple of options. Depending on the specific circumstances, you may apply for a Letter of Determination Review (LODR), a Letter of Map Amendment (LOMA), or a Letter of Map Revision Based on Fill (LOMR-F). The application forms for LOMAs and LOMR-Fs can be found on the FEMA Forms Web page and provide comprehensive, step-by-step instructions for requesters to follow ensuring your submittal is complete and logically structured.

Q. Can the bank charge a fee to determine if I am in a flood zone?

A. Lenders may charge borrowers a reasonable fee for determining whether the building or mobile home securing the loan is located or will be located in a SFHA.

Q. Is there a delay in the effective date from when the policy was purchased?

A. There is a 30-day waiting period from the time a policy is purchased until you are covered, with the following exceptions:

- There is no waiting period if you have an existing flood insurance policy and an additional amount of flood insurance is required with the making, increasing, extending or renewing of a loan, such as a second mortgage, home equity loan or re-financing. Coverage is effective immediately, as long as the premium is presented at, or prior to, loan closing.
- There is no waiting period when flood insurance is required as a result of a lender determining that a loan which does not have flood insurance should be protected by flood insurance. Coverage is effective immediately, as long as the premium is presented at the completion of a loan application.
- There is a one-day waiting period when an additional amount of insurance is required as a result of a map revision. This applies when the map revision is from a non-Special Flood Hazard Area to a Special Flood Hazard Area and only if the endorsement is received within 13 months following the map revision. The increased amount of coverage will be available 24 hours after the amount of coverage is applied for and the additional premium is made. 4/12