

# **I. NATIONAL FLOOD INSURANCE PROGRAM**

## **A. BACKGROUND**

The National Flood Insurance Program (NFIP) is a federal program that allows property owners to purchase insurance protection against losses from flooding. This insurance is designed to provide an alternative to costly, taxpayer-funded disaster assistance in repairing flood damage to buildings and their contents.

Congress established the NFIP with the passage of the National Flood Insurance Act of 1968. It is this act that provides the authority and guidelines for the NFIP. All changes since 1968 have been made as amendments to this act. The Federal Emergency Management Agency (FEMA) administers the NFIP.

Participation in the NFIP is based on an agreement between local communities and the federal government. The agreement states that, if a community will implement and enforce measures to reduce future flood risks to new construction in Special Flood Hazard Areas, the federal government will make flood insurance available within the community as financial protection against future flood losses.

## **B. THE WRITE YOUR OWN PROGRAM**

In 1981, a strong effort was initiated by FEMA to reinvolve the insurance industry in the NFIP. A cooperative effort between FEMA and insurance company representatives led to the creation of the Write Your Own (WYO) Program in July 1983. The WYO companies issue and service federally backed Standard Flood Insurance Policies under their own names, collect premiums, and pay claims. They are reimbursed for their services by FEMA. In August 1983, FEMA extended an invitation to all licensed property and casualty companies to participate in the WYO Program for fiscal year 1984.

## **C. THE NFIP TODAY**

The NFIP now has two programs—the NFIP Direct Program and the WYO Program.

### **1. NFIP Direct Program**

The program that deals with the issuing and servicing of flood insurance policies, and the handling of resultant claims, directly by the federal government is known as the NFIP Direct Program. The NFIP Servicing Agent assists and advises agents and adjusters who handle Direct Program policies.

### **2. WYO Program**

The WYO Program now accounts for approximately 90 percent of all flood policies. The NFIP Bureau and Statistical Agent assists and advises the WYO companies. However, this does not diminish the authority of the WYO company or relieve the company of its obligations. The WYO company still collects the premium, issues the policy, and provides adjustment and payment for claims.

## D. FLOOD HAZARD ZONES

In addition to providing flood insurance for property, the NFIP is actively engaged in evaluation of existing and potential flood hazards and long-term reduction of them. Accordingly, various zones of flooding probability and severity have been established.

Flood Insurance Rate Maps (FIRMs) are produced to show the projected elevations to which flooding is likely to occur in a Special Flood Hazard Area (SFHA). These maps can be inspected at various locations, depending on the individual community. Places to check would be the building inspector's office, city engineer's office, city hall, planning commission, courthouse, etc. In some instances, the local agent may have the maps available. Maps can also be obtained by contacting the FEMA Map Service Center at 1-800-358-9616. The zone designations currently in use and the criteria by which they are grouped are as follows:

<b>Zone Designation</b>	<b>Criteria</b>
Zone A	SFHA in which the lowest floor elevation is required and the Base Flood Elevations (BFEs) are not provided.
Zones A1-A30	SFHAs in which the lowest floor elevation is required and the BFEs are provided.
Zone AE	SFHA designation used in place of Zones A1-A30 on some maps.
Zone AH	SFHA in which shallow water depths (ponding) and/or unpredictable flow paths between 1 and 3 feet deep occur. BFEs are provided.
Zone AO	SFHA in which shallow water paths (sheet flow) and/or unpredictable flow paths between 1 and 3 feet deep occur. BFEs are not provided. Base flood depths may be provided.
Zone A99	SFHA in which enough progress has been made on a protective system such as dikes, dams, and levees to consider it complete for insurance rating purposes. BFEs are not provided.
Zone AR	SFHA in which there has been decertification of a previously accredited flood protection system that is being restored to provide base flood protection.
Zones AR/AE, AR/AH, AR/AO, AR/A1-A30, and AR/A	Dual-zone SFHAs in which, because of flood risk from water sources that the flood protection system does not contain, there will continue to be hazard of flooding after the flood protection system is adequately restored.

<b><u>Zone Designation (continued)</u></b>	<b><u>Criteria (continued)</u></b>
Zone V	Coastal high-hazard SFHA in which inundation by tidal floods with velocity occurs. BFEs are not provided.
Zones V1-V30	Coastal high-hazard SFHAs in which inundation by tidal floods with velocity occurs. BFEs are provided.
Zone VE	SFHA designation used in place of Zones V1-V30 on some maps.
Zone VO	SFHA in which shallow water depths and/or unpredictable flow paths between 1 and 3 feet deep with velocity occur.
Zones B, C, and X	Areas in which moderate or minimal flooding may result from severe storm activity or local drainage problems. Because they are not SFHAs, these zones may be lightly shaded or unshaded on the FIRM. Zone X is the designation for B and C Zones and is used in place of these zones on some maps.
Zone D	Area of undetermined flood hazard in which the population usually is very sparse. The designation of Zone D can also be used when one community has incorporated portions of another community's area where no map has been prepared.

## **E. PROGRAM PHASES AND COVERAGE LIMITS**

### **1. Program Phases**

Flood insurance may be written only in those communities that have been designated by FEMA as participating in the NFIP.

#### **a. Emergency Program**

This is the initial phase of a community's participation in the NFIP. Limited amounts of coverage are available.

#### **b. Regular Program**

This is the final phase of a community's participation in the NFIP. In this phase, a Flood Insurance Rate Map is in effect and full limits of coverage are available.

### **2. Amounts of Insurance Available**

The table on the next page shows maximum amounts of insurance available under the Standard Flood Insurance Policy (SFIP) for building coverage and contents coverage, in both Emergency Program communities and Regular Program communities.

**AMOUNTS OF INSURANCE AVAILABLE:  
DWELLING FORM AND GENERAL PROPERTY FORM<sup>1</sup>**

	<b>EMERGENCY PROGRAM</b>	<b>REGULAR PROGRAM</b>		
	<b>Insurance Limits</b>	<b>Basic Insurance Limits</b>	<b>Additional Insurance Limits</b>	<b>Total Insurance Limits</b>
<b>BUILDING COVERAGE</b>				
Single-Family Dwelling	\$ 35,000 <sup>2</sup>	\$ 50,000	\$200,000	\$250,000
Two- to Four-Family Dwelling	\$ 35,000 <sup>2</sup>	\$ 50,000	\$200,000	\$250,000
Other Residential	\$100,000 <sup>3</sup>	\$150,000	\$100,000	\$250,000
Non-Residential	\$100,000 <sup>3</sup>	\$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

<sup>1</sup>For the Residential Condominium Building Association Policy (which is written only in Regular Program communities), the amount of building coverage available is the lesser of replacement cost value or \$250,000 times the number of insured units in the building. See the CONDO section of the *Flood Insurance Manual* for contents coverage options.

<sup>2</sup>In Alaska, Guam, Hawaii, and the U.S. Virgin Islands, the amount of building coverage available in the Emergency Program for Single-Family Dwellings and Two- to Four-Family Dwellings is \$50,000.

<sup>3</sup>In Alaska, Guam, Hawaii, and the U.S. Virgin Islands, the amount of building coverage available in the Emergency Program for Other Residential and Non-Residential buildings is \$150,000.