

## **QUESTIONS AND ANSWERS REGARDING PARTICIPATION IN THE NATIONAL FLOOD INSURANCE PROGRAM**

- 1. What are the consequences of not joining the NFIP? Specifically regarding FEMA reimbursement funds and damage to infrastructure to roads, bridges and regarding government assistance.**

If a community does not participate in the NFIP then there are certain limitations on FEMA disaster assistance. This includes both public and individual assistance. These limitations stem from the Flood Insurance Act of 1968, which prohibits federal assistance toward acquisition or construction within special flood hazard areas (SFHA) of nonparticipating communities. With Public Assistance, nonparticipating communities are not eligible for repair of insurable buildings in the SFHA. With Individual Assistance, nonparticipating communities are not eligible for the repair of insurable structures.

- 2. How does NFIP participation relate to FEMA programs in general?**

In addition to disaster assistance programs discussed above, some other FEMA programs require participation in the NFIP as a condition for eligibility. All of FEMA's mitigation grant programs have some level of restrictions for non-participating communities. The Flood Mitigation Assistance (FMA) Program, which provides grants for mitigation of flood damage, is funded through NFIP insurance premiums. As a result, nonparticipating communities are ineligible under FMA. Under the Hazard Mitigation Grant Program (HMGP), a post-disaster mitigation grant program, non participating communities may not receive grants for mitigation projects located with a SFHA.

- 3. When did other area towns join the NFIP?**

Most Mississippi cities and towns joined the NFIP in the 1970's and 1980's when their flood insurance maps were initially

developed. Today, out of 308 communities only 32 are non-participants.

**4. Can you withdraw from the NFIP and how do you do it?**

Yes you can withdraw from the program. Flood insurance will no longer be available within that community. A community that withdraws from the NFIP faces the same limitations on certain forms of federal assistance as a community that does not participate in the NFIP. There are other implications as well, contact the MEMA FPM Bureau for further details.

**5. What does flood insurance actually cover? What kind of damage, what kind of events, what kind of property?**

Flood insurance covers direct physical loss caused by a “flood.” A flood is an excess of water on land that is normally dry.

Under Building Property Coverage the following is covered:

- 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
- Detached garages (up to 10 percent of Building Property coverage). Detached buildings (other than garages) require a separate Building Property policy.
- Debris removal

The following 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
- Clothes washers and dryers
- Food freezers and food in them
- Certain valuable items such as original artwork and furs (up to \$2500)

The following is not insured by building 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

In regards to basements the following are generally not covered:

- 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 lowest elevated floor)
- Walls and ceilings not made of drywall
- Most personal property such as clothing, electronic equipment, kitchen supplies, and furniture

For more information on flood insurance specifics please read the NFIP Summary of Coverage:

[http://www.fema.gov/pdf/nfip/summary\\_cov.pdf](http://www.fema.gov/pdf/nfip/summary_cov.pdf)

**6. When is Flood Insurance required to be purchased?**

If a structure is located within a Special Flood Hazard Area (SFHA), then flood insurance is required for mortgages and other loans. The Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 requires the purchase of flood insurance by property owners who are being assisted by Federal programs or by Federally regulated institutions in the acquisition or improvement of land, or facilities, or structures located or to be located within the SFHA.

For more information on mandatory purchase requirements:

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

**7. When is Flood Insurance optional?**

Flood insurance is optional for areas outside of the special flood hazard area. Sometimes a lender will require the purchase of flood insurance even if the property is located outside the SFHA. If that is the case then the insurance premiums are less expensive and can sometimes be purchased as a “preferred risk policy.”

**8. Who requires flood insurance?**

Mandatory purchase requirements apply to:

- Federally regulated lenders
- Government-sponsored enterprises
- Federal agency lenders

**9. How much does flood insurance cost?**

There are several factors that determine the cost of flood insurance. They are date of construction, flood zone, basement or no basement, height above or below the BFE, and building type. You can go to

<http://www.floodsmart.gov/floodsmart/pages/premiumest.isp> for more information.

**10. How does a homeowner purchase flood insurance?**

They can go to the same private insurance companies that sell home and auto insurance.

**11. My lending institution said I'm in the floodplain and they require flood insurance on my loan/mortgage. I don't believe I'm in a flood zone. What can I do?**

All federally regulated lending institutions must review the community Flood Insurance Rate Map (FIRM) to determine if your structure is located in a Special Flood Hazard Area (SFHA). If such a determination is made, it must require the borrower to purchase flood insurance. These determinations are based on in/out (horizontal) and do not involve the vertical elevation of the structure. If you disagree, you may request that FEMA review the lender's determination. FEMA will review the information that the institution used and issue a letter of findings. Your request (FEMA Standard Flood Hazard Determination) must be postmarked no later than 45 days after the lender notifies you of its determination. FEMA's responses to these requests are called LODRs and offer two basic dispositions: (1) the lender's determination stands or (2) it is overturned. FEMA's response does not amend or revise the NFIP map for your community. Occasionally, a lending institution may require insurance if it determines that a part of your lot is in the SFHA. The NFIP does not insure land. However, even if you submit evidence that your building is out of the floodplain, the lender may still decide to require flood insurance on your building.

**12. How do you file a claim?**

You must contact your insurance agent to file a claim. A Proof of Loss form must be filled out detailing the damaged and destroyed property. An adjuster will "scope" damages to property and prepare a report. It is important to keep records of all insured items and make sure the documentation is safe from floodwaters.