National Flood Insurance Program

Summary of Coverage

FEMA F-679 / November 2012

U.S. DEPARTMENT OF HOMELAND SECURITY 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:

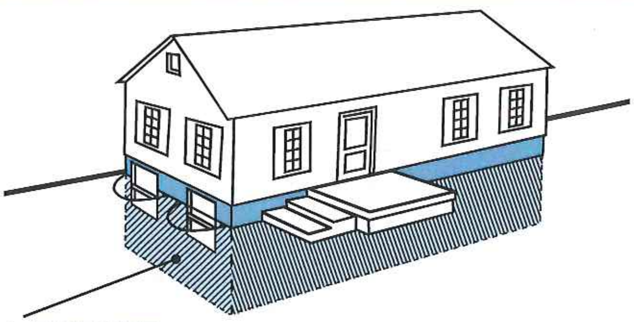
- Foundation walls, anchorage systems, and staircases attached to the building.
- Central air conditioners.
- Cisterns and the water in them.
- Drywall for walls and ceilings (in basements only).
- Non-flammable insulation (in basements only).
- Electrical outlets, switches, and circuit-breaker boxes.
- 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.

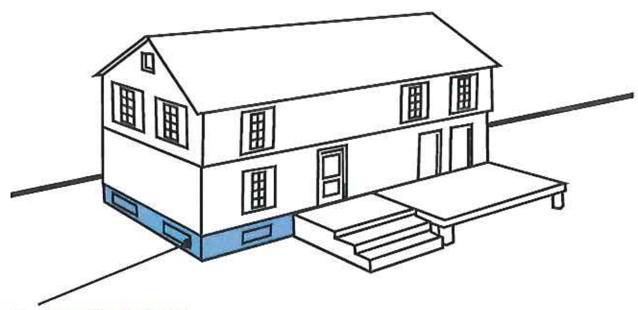
What is NOT insured under either Building Property or Personal Property coverage:

- 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.



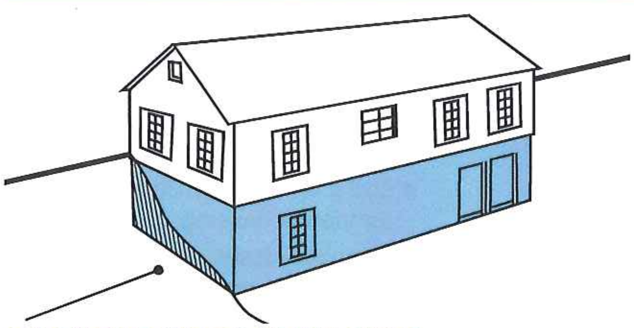
1. BASEMENT

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.



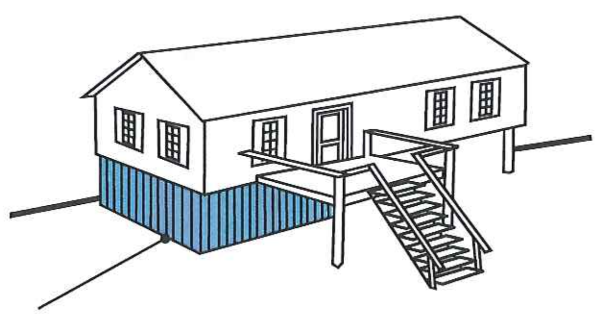
2. CRAWLSPACE

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.

FEMA

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

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

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How April 2015 Program Changes Will Affect Flood Insurance Premiums

The National Flood Insurance Program (NFIP) is in the process of implementing Congressionally mandated reforms required by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) that repeal and modify the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters). The new law slows some flood insurance rate increases and offers relief to some policyholders who experienced steep flood insurance premium increases in 2013 and early 2014. Flood insurance rates and other charges will be revised for new or existing policies beginning on April 1, 2015. In addition to insurance rates, other changes resulting from Biggert-Waters and HFIAA will be implemented that will affect the total amount a policyholder pays for a flood insurance policy. Highlights of some of those changes follow. For full explanations and guidance, see WYO Bulletin (W-14053) and the Flood Insurance Manual.

The changes taking place in April include an increase in the Reserve Fund Assessment, the implementation of an annual surcharge on all new and renewed policies, an additional deductible option, an increase in the Federal Policy Fee, and rate increases for most policies. Key changes include:

- Implementing annual rate changes that set rates using rate-increase limitations set by HFIAA for individual premiums and rate classes:
    - Limiting increases for individual premiums to 18 percent of premium.
    - Limiting increases for average rate classes to 15 percent.
    - Mandatory increases for certain subsidized policyholders under Biggert-Waters and HFIAA.
- Increasing the Reserve Fund assessments required by Biggert-Waters.
- Implementing annual surcharges required by HFIAA.
- Guidance on substantially damaged and substantially improved structures, and additional rating guidance on buildings constructed before their communities' first Flood Insurance Rate Maps (FIRMs) became effective (known as pre-FIRM structures).
- Implementing a new procedure for properties newly mapped into the Special Flood Hazard Area (SFHA) and existing **Preferred Risk Policy Eligibility Extension** (PRP EE), a cost-saving flood insurance coverage option for property owners whose buildings were newly mapped into an SFHA. The premiums will be the same as the PRP, which offers low-cost flood insurance to owners and tenants of eligible residential and non-residential buildings located in moderate- to low-risk areas for the first year (calculated before fees and assessments) to comply with provisions of HFIAA.
- Reformulating expense loading on premiums, reducing the expense load on the highest-risk policies as an interim step while investigating expenses on policies as required by Biggert-Waters.

The changes will take effect on April 1, 2015.

Reserve Fund Assessment Increasing

- Biggert-Waters required the establishment of a Reserve Fund to help cover costs when claims exceed the annual premium collected by the NFIP. FEMA began collecting an assessment in 2013 to add money to the Reserve Fund.
- The Reserve Fund assessment initially applied to all policies other than PRPs in 2013. The assessment on those policies will increase in 2015.
- Starting in 2015, PRPs will begin contributing to the Reserve Fund.

Policy	2014 Fee (as a percent of premium)	2015 Fee (as a percent of premium)
Preferred Risk Policies (PRPs)	0%	10%
Property Newly Mapped into the SFHA (Previous Preferred Risk Policies Eligibility Extension [PRP EE])	0%	15%
All Other Policies	5%	15%

HFIAA Surcharge Begins

- HFIAA slowed the elimination of subsidies provided for in Biggert-Waters and amended most of the provisions mandating that certain policies transition immediately to full-risk rates.
- To compensate for the decrease in revenue, the new law calls for the addition of a surcharge on all policies that will be collected until, with limited exceptions, all subsidies are eliminated.
- The surcharge is a flat fee applied to all policies based on the occupancy type of the insured building and is *not* associated with the flood zone in which the building is located or the construction date of the building (e.g., pre- or post-FIRM).
- The surcharge also applies to a renter's contents-only policy based on the policyholder's occupancy of the building or unit.

Occupancy Type	Annual Surcharge
Primary Residential: single-family and individual condominium units	$25
Non-Primary Residential: single-family and individual condominium units	$250
Multifamily Residential: condominium and other buildings	$250
Non-Residential	$250

When a Map Change Occurs

- Current PRP EE policies and policies for insured buildings that are newly mapped into high-risk areas from moderate- to low-risk areas will be eligible to receive PRP rates for 1 year after the maps become effective. The Federal Policy Fee for these and existing PRP EE policies will increase to $45 to ensure the solvency and sustainability of the program.
- For these policies, the rates at renewal will increase no more than 18 percent each year.
- Grandfathering remains a cost-saving option for policyholders when new maps show their buildings in a higher-risk area (e.g., Zone A to Zone V; increase in Base Flood Elevation).

What Is Grandfathering?

When FIRM changes occur, the NFIP provides a lower-cost flood insurance rating option known as "grandfathering," which is available for property owners who:

- Have flood insurance policies in effect when the new flood maps become effective and then maintain continuous coverage; or
- Have built in compliance with the FIRM in effect at the time of construction.

To learn more, visit the NFIP's Grandfathering Fact Sheet at **floodsmart.gov/floodsmart/pdfs/Grandfathering+Fact+Sheet+for+Agents-2010.pdf.**

Other Changes Coming in April

- As required by HFIAA, the maximum deductible for a flood insurance policy will increase to $10,000 for single-family and two- to four-family dwellings. If used, the deductible must apply to both building and contents. For single-family homes, choosing the maximum deductible will result in up to a 40 percent discount from the base premium. It is important to remember that using the maximum deductible may not be appropriate in every financial circumstance and may not be allowed by lenders to meet mandatory purchase requirements.
- The Federal Policy Fee will increase by $1 for most policies other than the PRP, which remains $22. The exception is policies rated using the map change table, which will increase to $45 to ensure the solvency and sustainability of the program.
- A new rate table showing annual rate increases of 25 percent will be created for pre-FIRM buildings that have been substantially damaged or improved. However, repairs made to these structures typically must meet current building codes and, therefore, will usually receive a better rate using post-FIRM rate tables.
- In most cases, average rate increases for each rating class are capped at 15 percent; the annual surcharge and Federal Policy Fee are not included in the rate calculation and could result in the total amount charged a policyholder increasing by more than 18 percent.

For full explanations and guidance, see WYO Bulletin (W-14053) and the Flood Insurance Manual.

Read the latest WYO Bulletins for complete rate-change information at **NFIPiService.com**

FEMA

Fact Sheet

National Flood Insurance Program (NFIP)

The HFIAA Surcharge

As of April 1, 2015, every National Flood Insurance Program (NFIP) policy includes an annual surcharge required by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA). The amount of the surcharge depends on the use of the insured building and the type of policy form insuring the building, regardless of its flood zone designation.

Policies for owner-occupied single-family detached buildings and individual condominium units that are the primary residence of a policyholder insured under the Dwelling Policy form will include a $25 surcharge. Additionally, contents-only policies insured under the Dwelling Form and held by a tenant in the tenant's primary residence will include the $25 surcharge.

Policies for all other buildings will include a $250 surcharge, which also applies to policies insured under the Residential Condominium Building Association Policy form, regardless of the number of units, attached and detached, or use of the building. In fact, even if the condominium association is being surcharged $250 for the entire building, a unit-owner with an individual policy that includes building coverage, can also be surcharge appropriately; based on the use. Lastly, all buildings insured under the General Property form will include a $250 surcharge. Policies covering buildings designed for use by more than one family will be charged a $250 surcharge, even if the landlord uses the building as a primary residence, or the building is owned by a condominium association.

What to Expect

It's important to know the annual amount due to your insurer for flood insurance at the time of application or renewal includes this surcharge. You do not need to make a separate payment. In addition, upon renewal of a policy, insurers will be sending out a notice to verify that the building is being used as a primary residence. The documentation must be provided to the insurer prior to the policy expiration date in order for the appropriate surcharge to be included in the renewal notice.

If a policyholder does not send back the documentation to their insurance agent that verifies the policy is for a primary residence, a $250 surcharge will be applied. Working with their agent, if an incorrect surcharge was used for renewal, policyholders are able to correct the surcharge during the current policy year. The correction will be made once the documentation is provided to the insurance agent.

Why A Surcharge

The Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) mandated that the Federal Emergency Management Agency (FEMA) eliminate certain subsidized rates that did not reflect the true risk available for structures that were built in high-risk areas before their communities entered the NFIP. To maintain the affordability of flood insurance for the policyholders eligible for subsidized rates, the most recent legislation –HFIAA– slowed the elimination of the subsidies. To support the financial stability of the NFIP, Congressionally-mandated surcharges are required for all policyholders to offset the slow-down of the elimination of current subsidized rates, and will continue until all subsidy is eliminated. The surcharge is paid at the time of application or renewal each year until the subsidies are eliminated. The surcharge revenue will go into the NFIP Reserve Fund that is used to help cover the cost of future claims in a catastrophic event and may also be used to pay the program's debt to the U.S. Treasury from previous catastrophic events.

Premium Caps Do Not Apply to the Surcharge

HFIAA placed limits on the percentage that NFIP premiums can increase each year. However, the HFIAA surcharge is not considered premium and is not included when calculating limits on insurance rate increases. So, for example, while total premium will not increase more than the 18 percent premium increases allowed for most individual policies, the total percentage increase in the cost of the policy may exceed 18 percent once the appropriate surcharge is added.

Learn More

Call your insurance agent for more information about your policy, the surcharge included in your premium, and the documentation needed to verify your primary residence. Visit www.fema.gov/flood-insurance-reform to learn more about legislative changes to the NFIP.