Welcome to
The NFIP’s Basic Agent Tutorial:
Key Fundamentals of Flood Insurance
Focused on flood insurance basics for insurance professionals
(Part 2)

Here’s our AGENDA

- Section 1 – Introduction and General Rules
- Section 2 - Policy Rating, Elevations, Premiums and More
  - Finish Rating Case Study
- Section 3- Coverage, limitations and Exclusions in the SFIP
- Section 4- Loss Settlement Provisions
- Section 5- Flood Insurance Resources

This course is divided into two sessions
Each session is approximately 2 hours
Lisle, IL Rating Case Study

- Single family dwelling with detached garage
- 2-story home - no basement
- Built in 1995 in Lisle
- Post-FIRM construction
- Flood Zone – AE
- +1 Elevation Difference
- $250,000 – Building
- $100,000 – Personal Property
- Minimum deductibles

"Let me get back to you with a quote!"

Step 5

✓ Review Key Rating Components
✓ Basic & Additional Limits
✓ Increased Cost of Compliance
✓ Community Rating System
✓ Reserve Fund Assessment
✓ Premium Surcharge
✓ Federal Policy Fee
How much flood insurance coverage is available?

<table>
<thead>
<tr>
<th></th>
<th>Emergency Program</th>
<th>Regular Program</th>
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</thead>
<tbody>
<tr>
<td><strong>Residential (1-4 family)</strong></td>
<td></td>
<td></td>
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<tr>
<td>Building</td>
<td>$35,000</td>
<td>$250,000</td>
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<tr>
<td>Contents</td>
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<tr>
<td><strong>Other Residential</strong></td>
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<td><strong>Non-Residential Business/Other Non-Residential</strong></td>
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<tr>
<td>Building</td>
<td>$100,000</td>
<td>$500,000</td>
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Rating: Basic and Additional Limits

<table>
<thead>
<tr>
<th></th>
<th>Basic Limit</th>
<th>Additional Limit</th>
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<tbody>
<tr>
<td><strong>Building Coverage</strong></td>
<td></td>
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<tr>
<td>Single family</td>
<td>$60,000</td>
<td>$190,000</td>
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<tr>
<td>2—4 family</td>
<td>$60,000</td>
<td>$190,000</td>
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<tr>
<td>Other residential</td>
<td>$175,000</td>
<td>$325,000</td>
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<tr>
<td>Non-res. Bus./Other Non-res.</td>
<td>$175,000</td>
<td>$325,000</td>
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</table>

|                          |             |                  |
| **Contents Coverage**    |             |                  |
| Single family            | $25,000     | $75,000          |
| 2—4 fam; other res.     | $25,000     | $75,000          |
| Non-res. Bus./Other Non-res. | $150,000 | $350,000 |
Lisle, IL
Rating Case Study

"Let me get back to you with a quote!"

FIRM ZONES AE, A1–A30 — BUILDING RATES

<table>
<thead>
<tr>
<th>1 FLOOR No Basement/Less than/ Cramped</th>
<th>More Than 1 FLOOR No Basement/Less than/ Cramped</th>
<th>More Than 1 FLOOR With Basement/Damp/Outstanding</th>
<th>Manufactured (Mobile) Home</th>
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<tbody>
<tr>
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<td>Other Residential, Non-Residential Business, Other Non-Residential</td>
<td>Other Residential, Non-Residential Business, Other Non-Residential</td>
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<td>30 / .76</td>
<td>21 / .13</td>
<td>26 / .08</td>
<td>24 / .08</td>
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<tr>
<td>+3 .34 / .09</td>
<td>.34 / .09</td>
<td>.30 / .08</td>
<td>.24 / .08</td>
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<tr>
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<td>.40 / .11</td>
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<td>.46 / .18</td>
<td>.40 / .18</td>
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<td>1.87 / .18</td>
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<tr>
<td>-1 5.18 / .33</td>
<td>4.43 / .18</td>
<td>4.15 / .08</td>
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FIRM ZONES AE, A1–A30 — CONTENTS RATES

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<tr>
<th>Lowest Floor Above Ground Level</th>
<th>Lowest Floor Above Ground Level</th>
<th>More Than 1 Floor With Basement/Damp/Outstanding</th>
<th>Manufactured (Mobile) Home</th>
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<td>Other Residential, Non-Residential Business, Other Non-Residential</td>
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<td>13 / .23</td>
<td>23 / .12</td>
<td>23 / .12</td>
<td>23 / .12</td>
</tr>
<tr>
<td>+2 .40 / .11</td>
<td>.40 / .11</td>
<td>.40 / .11</td>
<td>.40 / .11</td>
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<tr>
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<td>.40 / .11</td>
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<tr>
<td>0 2.09 / .12</td>
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<td>1.77 / .12</td>
<td>1.53 / .13</td>
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<td>-1 2.21 / .13</td>
<td>2.10 / .12</td>
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<td>-3 2.42 / .20</td>
<td>2.42 / .16</td>
<td>1.61 / .12</td>
<td>1.39 / .12</td>
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</tbody>
</table>

"Let me get back to you with a quote!"
Lisle, IL 
Rating Case Study

• Building Coverage:*
  • Basic: 60,000 X .76 = $456.00
  • Add'l: 190,000 X .08 = $152.00

• Personal Property Coverage:*
  • Basic: 25,000 X .39 = $98.00
  • Add'l: 75,000 X .12 = $90.00

• Less 2% Deductible Discount
• Annual Subtotal: $780.00

* Rates per $100 of coverage limit (4/1/19 rates)

“Let me get back to you with a quote!”

Lisle, IL 
Rating Case Study

• Annual Subtotal: $780.00
• Increased Cost of Compliance: $6.00
• Subtotal: $786.00

“Let me get back to you with a quote!”
Community Rating System (CRS)

- Encourages communities to exceed minimum NFIP requirements
- > 1,300 communities participate in CRS
- CRS classes 1 – 10:
  - Class 1 = 45% premium discount
  - Class 9 = 5% discount
  - Class 10 = No discount


Class 1
Roseville, CA

Class 2
Tulsa, OK
Sacramento County, CA
Fort Collins, CO
King County, WA
Pierce County, WA
Thurston County, WA

Lisle, IL Rating Case Study

- Single family dwelling
- 2-story home - no basement
- Built in 1995 in Lisle, IL
- Post-FIRM construction
- Flood Zone – AE
- +1 Elevation Difference
- $250,000 – Building
- $100,000 – Personal Property
- Minimum deductibles

<table>
<thead>
<tr>
<th>STATE</th>
<th>COMMUNITY NUMBER</th>
<th>COMMUNITY NAME</th>
<th>CRS ENTRY DATE</th>
<th>CURRENT EFFECTIVE DATE</th>
<th>CURRENT CLASS</th>
<th>% DISCOUNT FOR MINIMUM NFIP</th>
<th>% DISCOUNT FOR MIDDLENFIP</th>
<th>STATUS</th>
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<tr>
<td>I.</td>
<td>170367</td>
<td>Highland Park, City of</td>
<td>5/1/2015</td>
<td>5/1/2015</td>
<td>8</td>
<td>10</td>
<td>5</td>
<td>C</td>
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<tr>
<td>I.</td>
<td>170480</td>
<td>Huntley, Village of</td>
<td>5/1/2019</td>
<td>5/1/2019</td>
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<td>15</td>
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<td>10/1/2008</td>
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<td>C</td>
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<td>Lake in the Hills, Village of</td>
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<td>10/1/2011</td>
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<td>10</td>
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</tbody>
</table>
Lisle, IL Rating Case Study

- Annual Subtotal: $780.00
- Increased Cost of Compliance: $6.00
- Subtotal: $786.00

- $786.00 x .75 = $589.50 or $590.00

"Let me get back to you with a quote!"

Reserve Fund Assessment

- Builds reserves to fund future claims activity
  - 15% Assessment
    - Preferred Risk Policy
    - Newly Mapped
    - All other policies
  - Applied after ICC and CRS discount
  - No agent commission paid on reserve fund

<table>
<thead>
<tr>
<th>ASSESSED POLICY</th>
<th>RESERVE FUND ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>GIF**</td>
<td>0%</td>
</tr>
<tr>
<td>FIRM</td>
<td>15%</td>
</tr>
<tr>
<td>Newly Mapped</td>
<td>15%</td>
</tr>
<tr>
<td>All Other Policies</td>
<td>15%</td>
</tr>
</tbody>
</table>

Introduced October 1, 2013
Lisle, IL
Rating Case Study

- Annual Subtotal: $780.00
- Increased Cost of Compliance: $6.00
- CRS discount – 25%
- Subtotal: $590.00

• $590.00 X 1.15 = $678.50 or $679.00

"Let me get back to you with a quote!"

HFIAA* Premium Surcharge

- Applies to all new and renewed policies annually
  - $25 for primary residences
  - $250 for all other policies
  - Applies to contents-only policies

- Surcharge is a fully earned** flat fee based on building occupancy
- Not subject to earned commissions

<table>
<thead>
<tr>
<th>PROJECT TYPE</th>
<th>HFIAA SURCHARGE</th>
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<tbody>
<tr>
<td>Primary Residence**</td>
<td>$25</td>
</tr>
<tr>
<td>All Other MFIP policies, including Non-Primary Residence, Non-Residential, and Other Non-Residential Buildings**</td>
<td>$250</td>
</tr>
</tbody>
</table>

* HFIAA – Homeowner Flood Insurance Affordability Act

**See the How to Cancel and How to Endorse sections of the NFIP Flood Insurance Manual for exceptions
Lisle, IL
Rating Case Study

- Annual Subtotal: $780.00
- Increased Cost of Compliance: $6.00
- CRS discount – 25%
- Reserve Fund Assessment – 15%
- Subtotal: $679.00
- HFIAA Surcharge: $25.00
- Subtotal: $704.00

“Let me get back to you with a quote!”

Federal Policy Fees

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>Federal Policy Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Rated Policies/</td>
<td>$50</td>
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<tr>
<td>NewlyMapped Properties</td>
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<tr>
<td>Preferred Risk Policies/</td>
<td>$25</td>
</tr>
<tr>
<td>Tenants’ contents only</td>
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</tr>
<tr>
<td>policies (ex. RCBAP/GFIP)</td>
<td></td>
</tr>
<tr>
<td>RCBAP</td>
<td></td>
</tr>
<tr>
<td>1 unit -</td>
<td>$ 50.00 per policy</td>
</tr>
<tr>
<td>2-4 units -</td>
<td>$ 150.00 per policy</td>
</tr>
<tr>
<td>5-10 units -</td>
<td>$ 400.00 per policy</td>
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<tr>
<td>11-20 units -</td>
<td>$ 800.00 per policy</td>
</tr>
<tr>
<td>21 or more -</td>
<td>$2,000.00 per policy</td>
</tr>
</tbody>
</table>

- Charged for all new and renewal policies
- Fully earned on effective date of policy (except as indicated in Cancellation section of the NFIP Flood Insurance Manual)
- Not subject to earned commissions
Lisle, IL
Rating Case Study

- Annual Subtotal: $780.00
- Increased Cost of Compliance: $6.00
- CRS discount – 25%
- Reserve Fund Assessment – 15%
- HFIAA Surcharge: $25.00
- Subtotal: $704.00
- Federal Policy Fee: $50.00
- Total Amount Due: $754.00

"Let me get back to you with a quote!"

Total w/o CRS discount = $979.00

Key Takeaways

- HFIAA limits individual premium increases to 18% with limited exceptions:
  - Mis-ratings
  - Increases in coverage amount
  - Subsidized groups receiving 25% increases
- Reserve fund assessment is included in premium cap calculation
- HFIAA Premium surcharge & Federal Policy Fee not subject to premium increase limitations
Step 6
✓ Other Rating Considerations
✓ Newly Mapped procedure
✓ Grandfather rules
✓ Elevated buildings
✓ Building enclosures
✓ Proper flood openings
✓ Breakaway walls

Newly Mapped Procedure

• Effective April 2015
• Newly Mapped procedure
• Properties in B, C, X, D, AR and A99 zones on the old map to an SFHA on new map
• Must meet specific loss eligibility requirements
Newly Mapped procedure applies to:

- Properties newly mapped into an SFHA from B, C, X, D, AR and A99 zones
- Policies previously issued under the PRP Eligibility Extension
- Properties newly mapped into SFHA may be eligible to receive a "preferred risk premium" for the first year after map revision

*Preferred Risk Policy premium before:
  - Reserve Fund Assessment
  - Federal Policy Fee
  - After first year, policies begin transition to full-risk rates

**Effective April 1, 2015**

---

Newly Mapped into SFHA on or after April 1, 2015

- Eligible for Newly Mapped procedure:
  - If coverage effective within 12 months of map revision, or
  - Within 45 days of initial lender notification if the notification occurred within 24 months of map revision date

- Not eligible for Newly Mapped procedure:
  - If coverage not effective within eligibility period…
  - Post-FIRM buildings may qualify for built-in-compliance grandfathering
  - Pre-FIRM buildings may qualify for Pre-FIRM subsidized rates

**Quick Key:** Buildings in Lisle affected by the 8/1/19 map change must put coverage in effect within the eligibility period to take advantage of the Newly Mapped procedure.

**NOTE:** All Properties must meet Preferred Risk Policy loss requirements to be eligible for Newly Mapped Procedure
Grandfather Rules
Continuous Coverage vs. Built-in Compliance

- Allows a property owner to:
  - “Lock” in a previous flood zone
  - “Lock” in a previous Base Flood Elevation
  - For rating purposes

- If policy was obtained prior to the effective date of the map change:
  - Rates can be based on prior zone/BFE
  - Continuous coverage must be maintained
If building was built in compliance with FIRM in effect at time of construction:

- Use old map’s zone or BFE, or
- Use current rating criteria
- Submit proof to carrier
- Continuous coverage not required

FEMA Flood Map Service Center: Welcome!

Looking for a Flood Map?

Enter an address, a place, or longitude/latitude coordinates:

Search

[Search All Products]

Access the full range of flood risk products for your area.

About Flood Map Service Center

The FEMA Flood Map Service Center (FMSC) is the official source for flood hazard information produced in support of the National Flood Insurance Program (NFIP). Use the FMSC to find your official flood map, access a range of other flood hazard products, and make advantage of tools for better understanding flood risk.

Find "historic" flood maps by clicking on Search All Products.
Elevated buildings:

- Do not have basements
- Lowest elevated floor raised above ground level by:
  - Foundation walls
  - Shear walls
  - Posts
  - Piers
  - Pilings
  - Columns

Note: In Zones V and VE, solid foundation perimeter walls are unacceptable for elevated buildings.

An enclosure is:

- Portion of an elevated building below the lowest elevated floor
- Partially or fully shut in by rigid walls

Finished Enclosure:
- Drywall is mudded, taped and painted
- Painted plywood

Unfinished Enclosure:
- Drywall only painted
- Drywall is mudded and taped but not painted
- Block walls even if painted
Proper opening requirements:

- Must automatically equalize flood forces by allowing entry and exit of floodwaters
- A minimum of 2 openings on at least 2 exterior walls
- Total net area of not less than 1 square inch for every square foot of enclosure
- Bottoms of openings no higher than 1 foot above the higher of the exterior or interior grade

Can only be used for:
- Building Access
- Parking
- Storage

Breakaway walls are:

- Not part of structural support
- Intended to collapse under certain lateral loading forces
- Without causing damage the elevated portion of the building or the supporting foundation system

- Should be less than 300 square feet
- Unfinished – Breakaway walls
- Used for access, parking or storage only
- No machinery or equipment

V Zones – Coastal Areas
The Newly Mapped procedure and Grandfathering are two rating options that may discount premiums for certain eligible policyholders.

- Flood openings are allowed in A zone buildings but must meet certain criteria based on size, location and number of openings.
- Breakaway walls are the standard in V zones. V zones are located in coastal areas only.

Section 3

COVERAGE, LIMITATIONS AND EXCLUSIONS IN THE SFIP
Case Study Facts
Six months later – Flash floods strike Lisle. Torrential rains flood the house’s first floor with about 2 feet of water.

Damage to the first floor consists of:

- Severe warping of the home’s hardwood flooring
- Carpeting in the bedrooms soaked and muddied by flood waters
- Drywall and the insulation behind it damaged
- Appliances and mechanicals damaged and inoperative
- Furniture, clothing and other personal articles, including the homeowner’s valuable baseball card collection severely impacted

Other Damage:
House has a detached garage inundated by flood waters, destroying all the personal property items in it as well as flooding the family’s second car parked in the garage.

Standard Flood Insurance Policy (SFIP)
NFIP coverage forms

- National Flood Insurance Program
  - Dwelling Form
  - General Property Form

- Residential Condominium Building Association Policy
Provides building and/or personal property coverage for:

- Non-condominium 1-to-4 family dwellings
- Dwelling unit in a residential condominium building
- Residential townhouse/rowhouse
- Mobile Homes/Travel Trailers as dwellings

Quick Key:
Lisle Case Study house uses Dwelling Form – watch for coverage specifics.

Provides building and/or personal property coverage for:

- Non-condominium Residential Buildings with 5 or more units
  - Apartment building
  - Co-operative building
  - Dormitory
  - Assisted living facility
- Non-residential Buildings
  - Office building
  - School, Church
  - Factory, Warehouse
  - Agricultural building
  - Restaurant, etc.
Provides building and, if purchased, contents coverage (commonly owned):

- Condominium buildings with 75% or more of total floor area for residential use
- Issued to a residential condominium association
- On behalf of association and unit owners

Preferred Risk Policy (PRP)

Description & Eligibility Requirements

- Lower-cost Standard Flood Insurance Policy (SFIP)
- Uses Dwelling or General Property Forms
  - RCBAP not eligible
- Buildings in B, C, X, A99 and AR zones
  - In regular program communities
  - Must meet eligibility requirements

Not Eligible for PRP, if:

- Any of following exist:**
  - 2 flood claim payments for separate losses, each > $1,000
  - 3 or more flood claim payments for separate losses, regardless of $
  - 2 Federal flood disaster relief payments for separate occurrences, each > $1,000
  - 3 Federal flood disaster relief payments for separate occurrences, regardless of amount
  - 1 flood claim payment and 1 Federal disaster relief payment, each for separate losses and each > $1,000

**During any 10-year period, regardless of change of ownership of the building
Standard Flood Insurance Policy (SFIP):

• Coverage A:
  • Building Property
• Coverage B:
  • Personal Property
• Coverage C:
  • Other Coverages
• Coverage D:
  • Increased Cost of Compliance

SFIP is a single peril property policy. Will pay for “direct physical loss by or from flood.”

What is a Building?

• Walled and roofed
• Affixed to a permanent site
• Principally above ground level
Coverage A – Building Property

- Must have 2 or more outside rigid walls
- A fully secured roof
- Affixed to a permanent site
- Must resist flotation, collapse or lateral movement
- At least 51% of ACV above ground level

Coverage A: Building Property
Manufactured/Mobile Homes & Travel Trailers

- Eligible buildings include:
  - Manufactured (Mobile Homes)
  - Travel Trailers
- Must be affixed to a permanent foundation
- No weight supported by wheels or axles
- Anchored in SFHAs to resist flotation, collapse or lateral movement
What is a Building?

Covers materials and supplies while contained in an enclosed building on premises or adjacent to the premises

Coverage A: Building Property

Buildings in the Course of Construction

- Allows issuance of SFIP before building is walled and roofed
- Offers coverage while work is in progress except when:
  - Construction halted for more than 90 days
  - Lowest floor for rating is below BFE
- Building deductible is doubled until walled and roofed

What is a Building?

Covers materials and supplies while contained in an enclosed building on premises or adjacent to the premises

Coverage A: Building Property

Buildings in the Course of Construction

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  - Lowest floor for rating is below BFE
- Building deductible is doubled until walled and roofed

Coverage A: Building Property

Additions and Extensions

NFIP insures additions and extensions attached to and in contact with the building, by means of a:

- Rigid exterior wall
- Solid load-bearing interior wall
- Stairway
- Elevated walkway
- Roof

NOTE: At the insured's option, additions and extensions connected by any of these methods may be separately insured.
What is a Building?

NOTE: Option does not apply to any detached garage used or held for use for residential, business, or farming purposes.

Coverage A: Building Property

Detached Garages

- At policyholder’s option:
  - 10% of building coverage can be applied to a detached garage
  - Applies to Dwelling Form only
  - Not additional coverage
  - Reduces building limit of liability

Coverage A: Building Property

- Awnings, canopies
- Blinds
- Built-in dishwashers
- Built-in microwave ovens
- Carpet permanently installed over unfinished flooring
- Central air conditioners
- Elevator equipment
- Fire sprinkler systems
- Walk-in freezers
- Furnaces and radiators
- Garbage disposal units
- Hot water heaters, including solar water heaters
- Light fixtures
- Outdoor antennas & aerials fastened to buildings
- Permanently installed cupboards, bookcases, cabinets, paneling and wallpaper
- Plumbing fixtures
- Pumps and machinery for operating pumps
- Ranges, cooking stoves and ovens
- Refrigerators
- Wall mirrors (permanently installed.)
Dwelling Form vs. GPP/RCBAP

Coverage B – Personal Property

Dwelling Form:
- If personal property coverage is purchased, the SFIP insures:
  - Personal property inside a building
  - At the described location

General Property/RCBAP:
- If personal property coverage is purchased, the SFIP insures:
  - Personal property inside
  - Fully enclosed insured building

Quick Key:
Lisle, IL case study house has damage to personal property in detached garage. Detached garage is a building at the described location.
Coverage B: Personal Property

Dwelling Form

• Air conditioning units, portable or window type
• Carpets, not permanently installed, over unfinished flooring
• Carpets over finished flooring
• Clothes washers and dryers
• “Cook-out” grills
• Freezers, other than walk-in, and food in any freezer
• Portable microwave ovens and portable dishwashers

General Property/RCBAP

• Air conditioning units
• Carpet, not permanently installed, over unfinished flooring
• Carpets over finished flooring
• Clothes washers and dryers
• “Cook-out” grills
• Freezers, other than walk-in, and food in any freezer
• Outdoor equipment and furniture stored inside the insured building
• Ovens and the like
• Portable microwave ovens and portable dishwashers

Quick Key:
Lisle, IL case study: house has carpet damage. Is it Coverage A or B? Luckily insured has purchased both coverages.

Coverage B: Personal Property
General Property Form

<table>
<thead>
<tr>
<th>If Household Personal Property:</th>
<th>If Other than Household:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical household personal property</td>
<td>Furniture and fixtures</td>
</tr>
<tr>
<td>Belonging to the insured or to a member of the insured’s household</td>
<td>Machinery and equipment</td>
</tr>
<tr>
<td>Insured’s option: property belonging to a guest or domestic worker</td>
<td>Stock</td>
</tr>
<tr>
<td>Insured may be legally liable for</td>
<td>Other personal property owned by insured and used in insured business</td>
</tr>
<tr>
<td>Under the General Property Form, coverage will be either for household personal property or other than household personal property, while within the insured building, but not both.</td>
<td></td>
</tr>
</tbody>
</table>
Case Study Facts

Just to continue the discussion from a flood loss and coverage standpoint – what if this house had a basement? Let’s say that portions of the basement are finished with an office and a rec room area included.

Items damaged in basement:
- Desk and chair
- Computer and printer
- Television and stereo
- Pool table
- Carpeting
- Wall paneling
- All major mechanicals
- Appliances, including a refrigerator
- Electrical outlets
- Sump pump
- Other personal items

What’s Covered/What’s Not?

Coverage A & B – Basements

Basement is defined as:

- Any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.
**Coverage A: Basement/Enclosures**

Covered Building Property in Basements/Enclosures*

- Central air conditioners
- Cisterns & the water in them
- Unfinished drywall (walls, ceilings) in a **basement**
- Electrical junction and circuit breaker boxes
- Electrical outlets and switches
- Elevators and related equipment
- Fuel tanks and fuel in them
- Furnaces and hot water heaters
- Heat pumps
- Non-flammable insulation in a **basement**

*Applies to basements in ANY zone and Post-FIRM enclosures in SFHAs listed. Please see the policy for complete details.

---

**Coverage B: Basement/Enclosures**

Covered Personal Property in Basements/Enclosures

**If policyholder has purchased personal property coverage:**

- Portable or window air conditioning units
- Clothes washers and dryers
- Food freezers (other than walk-in) and food in any freezer

*If installed in their functioning locations and, if necessary for operation, connected to a power source.*
Coverage C – Other Coverages

The SFIP pays the expense to remove:

- Non-owned debris on or in insured property
- Debris of insured property anywhere
- Value of labor based on Federal minimum wage

**NOTE:** This coverage does not increase the Coverage A or Coverage B limit of liability.

---

Coverage C – Other Coverages

The SFIP pays the expense for:

- Loss avoidance measures:
  - Sandbags, supplies, labor (up to $1,000)
  - Property removed to safety (up to $1,000)
  - Value of labor based on Federal minimum wage

**NOTE:** This coverage does not increase the Coverage A or Coverage B limit of liability.
Condo Loss Assessments

Coverage C – Other Coverages

The SFIP pays the expense for:

- Condominium loss assessments (Dwelling Form):
  - Assessed to policyholder by condo association
  - Up to the Coverage A limit of liability
  - NOTE: This coverage does not increase the Coverage A or Coverage B limit of liability.

Pollution Damage

Coverage C – Other Coverages

The SFIP pays the expense for:

- Pollution Damage (General Property Form)
  - $10,000 maximum limit
  - Does not include testing or monitoring unless required by law or ordinance
  - NOTE: This coverage does not increase the Coverage A or Coverage B limit of liability.
Coverage C: Other Coverages
Coverage C: Does not increase Coverage A or B

- Coverage A - $250,000
- Coverage B - $100,000
- Debris Removal Expense:
  - $15,000
- Reduces Coverage A or B limit
  - For example:
    - Coverage A - $235,000

SFIP pays for complying with state or local floodplain management law or ordinance
- Compliance activities include:
  - Elevation, Relocation, Demolition, Floodproofing
- Eligibility requires:
  - Substantial damage
    - 50% of market value, or
    - Lower local standard
  - Repetitive loss
    - 2 flood losses in 10 years
    - 25% of market value

Coverage D: Increased Cost of Compliance
Coverage D: Compliance & Eligibility

SFIP pays for complying with state or local floodplain management law or ordinance
- Compliance activities include:
  - Elevation, Relocation, Demolition, Floodproofing
- Eligibility requires:
  - Substantial damage
    - 50% of market value, or
    - Lower local standard
  - Repetitive loss
    - 2 flood losses in 10 years
    - 25% of market value

ICC Limit of Liability $30,000

See Part III. Property Covered - Section D of SFIP for complete details on eligibility and coverage
Property Not Covered

Examples of Property Not Covered

- Personal property not inside a building
- Building, and contents in it, located entirely in, on, or over water
- Open structures, including a boathouse in, on, or over water
- Recreational vehicles
- Self-propelled vehicles or machines licensed for public road use
- Land, land values, lawns, trees, shrubs, plants, growing crops or animals
- Accounts, bills, coins, currency, other valuable papers
- Underground structures and equipment, including wells, septic tanks, septic systems

Quick Key:
Case Study house had the family's second car damaged by flood. Vehicles licensed for public road use are not covered.

- Walks, decks, driveways, etc.
- Containers & related equipment, such as tanks containing gases and liquid
- Buildings and their contents if > 49% of ACV is below ground
- Fences, retaining walls, seawalls, piers, docks, etc.
- Aircraft, watercraft or their furnishings and equipment
- Hot tubs and spas that are not bathroom fixtures
- Swimming pools and their equipment

See Standard Flood Insurance Policy coverage forms for more information

Exclusions

Partial list of SFIP Exclusions

The SFIP does not provide coverage for:

- Loss of revenue or profits
- Loss of access
- Loss of use
- Loss from interruption of business or production
- Additional living expenses
Exclusions
Partial list of SFIP Exclusions

SFIP does not pay for losses for:

- Water or water borne material that:
  - Backs up thru sewers or drains
  - Discharges or overflows from a sump pump
  - Seeps or leaks on or thru covered property
  - Damage from the pressure or weight of water

Exception:
Unless there is a flood in the area and the flood is the proximate cause of one of the excluded items.

Flood Insurance Reform Act of 2004
Summary of Coverage

Information sent to policyholder by WYO Company or NFIP Servicing Agent:

- Summary of Coverage form
- Cover letter for enclosures
- Copy of flood insurance policy
Flood Insurance Reform Act of 2004
Claims Handbook

FEMA sends to policyholder:

- Property’s loss history information
- Claims handbook
- Acknowledgment form to sign
- Cover letter referencing enclosures

The Standard Flood Insurance Policy has three coverage forms:
- Dwelling Form
- General Property Form
- RCBAP Form

Each SFIP coverage form consists of four major coverage areas:
- Coverage A - Building Property
- Coverage B - Personal Property
- Coverage C - Other Coverages
- Coverage D - Increased Cost of Compliance

Building and Personal Property coverage is limited in basements and certain elevated building enclosures.

Key Takeaways
Section 4

LOSS SETTLEMENT PROVISIONS

Loss Settlement - Deductibles

- Minimum deductibles vary based on:
  - Policy rating
  - Amount of coverage

- Optional deductibles are available

- Separate for building and for contents

- No deductible for:
  - Loss avoidance measures
  - Loss assessments
  - ICC

NOTE: Deductible doubles for building under construction prior to being walled and roofed
Loss Settlement Provisions
Loss Settlement and the SFIP

- Replacement Cost Value
- Actual Cash Value
- Special Loss Settlement

Loss Settlement Approaches

Replacement Cost under Dwelling Form

Replacement Cost Loss Settlement applies to:
- Single Family Dwelling
  - Building only
  - Contents (ACV)
- Must be principal residence
- Insured-to-Value:
  - 80% of replacement cost at time of loss, or
  - Maximum under NFIP

Quick Key:
Principal Residence: the insured or insured’s spouse must have lived there for at least 80% of 365 days immediately before the loss.
Loss Settlement Provisions
Replacement Cost under RCBAP

- Insures a residential condominium building owned by a condominium association.
- Replacement cost loss settlement applies to condos other than manufactured homes/travel trailers.
- If insured to at least 80% of its replacement cost value at the time of loss or max limit there is no coinsurance penalty.

RCBAP Maximum Amount of Insurance

- The maximum RCBAP building coverage
- Equals the replacement cost value of the building, or
- $250,000 per unit times the number of units, whichever is less.

$250,000 \times 10 \text{ Units} = $2,500,000

$250,000 \times 100 \text{ Units} = $25,000,000
Loss Settlement Provisions
Replacement Cost under RCBAP

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RCBAP Co-Insurance Penalty
Applies to Building Coverage Limit

\[
\text{Limit of Recovery} = \frac{\text{Amount of insurance at time of loss}}{\text{Amount of insurance required}} \times \text{Amount of loss (before deductible)}
\]
Loss Settlement Provisions
Actual Cash Value

Actual Cash Value loss settlement applies to:
- 2-to 4 family dwellings
- Single family that are not eligible for RCV
- Other Residential buildings
- Non-residential buildings
- Detached garages
- Personal property
- Mobile homes/travel trailers (see Special Loss Settlement)

Loss Settlement Provisions
Manufactured/Mobile Homes and Travel Trailers

Special Loss Settlement applies to:
- Mobile homes/travel trailers
  - At least 16’ wide; at least 600 square feet
  - Must be principal residence
- Partial losses settled according to replacement cost loss settlement conditions
- If it is total loss, coverage is the least of:
  - The building’s limit of liability
  - Replacement cost of dwelling
  - 1.5 times ACV
• Minimum deductibles vary based on the policy rating approach and amount of coverage.

• The Standard Flood Insurance Policy features three approaches to loss settlement, depending on the form used:
  • Actual Cash Value loss settlement
  • Replacement Cost loss settlement
  • Special loss settlement

• The RCBAP is the only coverage form with a co-insurance clause.

Section 5
FLOOD INSURANCE RESOURCES
Access the NFIP Flood Insurance Manual:

- Online at the Flood Insurance Library:
FloodSmart.gov
www.floodsmart.gov

Agents.FloodSmart.gov
www.agents.floodsmart.gov
Access “Agent Marketing Tools” handout

Key Fundamentals Course Page

Handouts at: www.h2opartnersusa.com/agent/floodtraining.html
FEMA Map Service Center
Locating flood maps: https://msc.fema.gov

Office of the Flood Insurance Advocate
https://www.fema.gov/national-flood-insurance-program-flood-insurance-advocate
• All attendees will be receiving an email with a link to a survey and feedback form.

• Please take time to complete and help us improve our training effort!

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