

Frequently Asked Questions and Answers Concerning Flood Insurance

- Sources Used: (1) www.floodsmart.gov
(2) National Flood Insurance Program, Answers to Questions about the NFIP, FEMA F-084/ March 2011.
(3) National Flood Insurance Program, Myths and Facts about the National Flood Insurance Program: FEMA.
(4) <http://www.fema.gov/flood-insurance-reform-act-2012>

1. Doesn't my homeowner's insurance policy cover flooding?

No. Flood damage is not typically covered by a homeowner's insurance policy.

2. Who may purchase a flood insurance policy?

Flood insurance coverage is available to all owners of eligible property (a building and/or its contents) located in a community participating in the National Flood Insurance Program (NFIP). Owners and renters may insure their property against flood loss. Owners of buildings in the course of construction, condominium associations, and owners of residential condominium units in participating communities all may purchase flood insurance.

3. What types of property may be insured against flood loss?

Insurance may be written on any building eligible for coverage with two or more outside rigid walls and a fully secured roof that is affixed to a permanent site. Buildings must resist flotation, collapse, and lateral movement. The structure must be located in a community that participates in the NFIP. Manufactured (i.e., mobile, travel trailers without wheels) homes that are affixed and anchored to a permanent foundation are eligible for coverage. Contents coverage for personal belongings located within an eligible building can also be purchased.

4. What kinds of property are not insurable under the NFIP?

Buildings entirely over water or principally below ground, gas and liquid storage tanks, animals, birds, fish, aircraft, wharves, piers, bulkheads, growing crops, shrubbery, land, livestock, roads, machinery or equipment in the open, and most motor vehicles are not insurable through the NFIP.

5. Is the purchase of flood insurance mandatory?

Lenders are mandated under the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 to require the purchase of flood insurance by property owners who acquire mortgages and loans from federally regulated, supervised, or insured financial institutions for the acquisition or improvement of land, facilities, or structures located within or to be located within a Special Flood Hazard Area (SFHA) also referred to as the 1% annual chance floodplain (formerly called the 100-year floodplain).

6. FEMA has never mapped my property in the floodplain or the Regulatory Floodway but it is now proposing to put my property in the floodplain/Floodway for the first time. Do I have to pay the full cost of flood insurance?

For more information, contact your insurance agent. If you do not have an insurance agent, you can contact the National Flood Insurance Program for a referral at **1-800-427-4661**. As a result of new legislation enacted July 6, 2012, U.S. Congress is still evaluating how this will impact structures affected by flood map changes.

7. What is the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and how will it affect my floodplain property?

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) was signed by President Obama on July 6, 2012 and it will affect flood insurance premium rates and the administrative structure of the NFIP. The Act calls for new rates that reflect the full flood risk of future losses on a structure, known as actuarial rates. Current federal subsidies will be phased out and eventually eliminated. The expectation is that the price that property owners pay for their flood insurance policies will become commensurate with the amount of risk and potential cost of flood damage to the structure. Since each property's risk is different, some policyholders may reach their full risk rate after a few years of premium increases while other policyholder increases may go beyond five years to reach the full risk rate required by the Act.

8. My property is currently mapped in the floodplain and is proposed to go into the Regulatory Floodway. What are the insurance and future building implications as a result of this remapping?

If your property is currently mapped in the floodplain and is proposed to go into the Regulatory Floodway, FEMA advises that your annual flood insurance rate will not change; rates are the same for floodplain and floodway properties. For properties in the Unincorporated Ventura County, the current Floodplain Management Ordinance prohibits new buildings and structures, building additions, storage of equipment and other materials, and site grading in the Regulatory Floodway.

9. Are there any additional building requirements if my property is located in the floodplain?

Yes. If your property is already mapped in a floodplain or is proposed by FEMA to go into the floodplain for the first time, please be aware that new buildings and structures, building additions, and site grading will need to be designed and built to a number of flood protection standards, as enforced through the Floodplain Ordinance and the Building Code. Standards may include for example, elevating the building and service equipment such as air conditioning units and electrical outlets, building with flood resistant materials, and installation of flood vent openings in raised foundation walls. For City of Ojai residents, more information is available from the City Building Official at (805) 646-5581 ext.112 and at

DeputyBuildingOfficial@ci.ojai.ca.us For residents in the Unincorporated Ventura County, additional information is available at www.vcfloodinfo.com

10. If my property is being removed from the FEMA floodplain, do I still have to purchase flood insurance?

If your property is determined by FEMA to be outside the 1% annual chance (100-year) floodplain and subsequently re-mapped in the 0.2% annual chance flood (500-year floodplain), your lender may not require you to purchase flood insurance. However, lenders can require flood insurance in any flood zone as a condition of your loan. If you do not have federally related financing such as a loan or mortgage, you are not required by federal regulators to have flood insurance, although it is always recommended and available to you for purchase.

11. Why is there a requirement to purchase flood insurance in communities that have not suffered flooding in many years, or ever?

A major purpose of the NFIP is to alert communities to the danger of flooding and to assist them in reducing potential property losses from flooding. Historical flood data are only one element used in determining a community's flood risk. Flooding occurs in moderate-to-low risk areas as well as in high-risk areas. Poor drainage systems, rapid accumulation of rainfall, snowmelt, and broken water mains can all result in flood. Properties on a hillside can be damaged by mudflow, a covered peril under the Standard Flood Insurance Policy. Structures located in high-risk flood areas have a significant chance (26 percent) of suffering flood damage during the term of a 30-year mortgage. In a high-risk area, your home is more than twice as likely to be damaged by a flood than by fire. For these reasons, flood insurance is required by law for buildings in high-risk flood areas as a condition of receiving a mortgage from a federally regulated or insured lender.

12. After a flood occurs, federal disaster assistance will pay for my flood damage, right?

Before a community is eligible for disaster assistance, it must be declared a federal disaster area. Federal disaster assistance declarations are issued in less than 50% of flooding events. The premium for an NFIP policy can be less expensive than the monthly payments on a federal disaster loan. Furthermore, if you are uninsured and receive federal disaster assistance after a flood, you must purchase flood insurance to remain eligible for future disaster relief.

13. I live in a high-risk flood area. After my home was damaged in a flood, I received federal disaster assistance. Do I need to purchase flood insurance now?

Yes. If you live in a SFHA and have received disaster assistance in the form of a federal grant or loan, you must cover the building for flood insurance for as long as you own it. Should you sell the building, you are required to inform the new owner of the necessity to purchase and maintain flood insurance. Failure to carry flood insurance could result in the denial of future federal disaster assistance.

14. How is flood insurance purchased?

After a community joins the NFIP, a policy may be purchased from any licensed property insurance agent or broker who is in good standing in the state in which the agent is licensed or through any agent representing a Write Your Own (WYO) Company, including an employee of the company authorized to issue the coverage. To find insurance agents who write flood insurance in your area, you can visit <http://www.floodsmart.gov> or call toll free 1-888-379-9531. The agent will complete the flood insurance application, obtain the proper supporting documentation required, and determine the rates for establishing the flood insurance premium. The steps to purchase flood insurance are as follows:

- ◆ Identify the flood zone in which the structure is located.
- ◆ Complete the flood insurance application.
- ◆ If required, obtain supporting documentation (i.e., elevation certificate, photos, zone determination).
- ◆ Submit the completed application, supporting documentation, and full premium to the insurer.

15. How are flood insurance premiums calculated?

Flood insurance premiums vary. A number of factors are considered in determining the premium for flood insurance coverage. They include the amount of coverage purchased; the deductible amount selected; the flood zone; location; age of the building; building occupancy; and design of the building (foundation type). For buildings in SFHAs built after the community entered the flood program (Post-FIRM), the elevation of the building in relation to the Base Flood Elevation (BFE) is also a factor in determining the premium. The lender reviews the current NFIP maps for the community in which the property is located to determine its location relative to the published SFHA and completes the Standard Flood Hazard Determination Form (SFHDF). If the lender determines that the structure is indeed located within the SFHA and the community is participating in the NFIP, the borrower is then notified that flood insurance will be required as a condition of receiving the loan. A similar review and notification are completed whenever a loan is sold on the secondary loan market or perhaps when the lender completes a routine review of its mortgage portfolio.

16. How many buildings or locations (and their contents) may be insured on each policy?

Only one building and its contents can be insured on a policy. Building coverage and contents coverage must be purchased separately. Contents coverage is not automatically included in the standard flood insurance policy. However, the Dwelling Form of the Standard Flood Insurance Policy (SFIP) does provide coverage for up to 10 percent of the policy limit purchased for detached garages. The detached garage must not be used for residential, business, or farming purposes.

17. What is the flood insurance policy term?

Flood insurance coverage is available for a 1-year term.

18. How much flood insurance coverage is available?

The following coverage limits are available under the Dwelling Form and the General Property Form of the Standard Flood Insurance Policy (SFIP). Coverage limits under the Residential Condominium Building Association Policy (RCBAP) are listed in the NFIP Flood Insurance Manual.

Regular Program Building Coverage:

- ◆ Single-family dwelling - \$250,000
- ◆ Two- to four-family dwelling - \$250,000
- ◆ Other residential - \$250,000
- ◆ Non-residential structures - \$500,000

Contents Coverage:

- ◆ Residential - \$100,000
- ◆ Non-residential – \$500,000

19. Is there a minimum coverage requirement for a flood insurance policy?

No, there is no minimum coverage requirement if coverage is being purchased voluntarily. However, if coverage is being purchased as the result of a lender requirement (mandatory purchase requirement), the amount of flood insurance required must be at least equal to the lesser of:

- (1) the outstanding principal balance of the loan,
- (2) the maximum amount available under the NFIP, or (3) the total insurable value of the property. Some lenders reserve the right in their loan documents to require the purchase of flood insurance above the amount required by law. If so, they may require the amount of coverage to be as high as the building's replacement cost value. Property owners should consult with their insurance agent and lender to determine the appropriate amount of insurance to purchase. This does not apply to the Group Flood Insurance Policy (GFIP).

20. Is there a waiting period for flood insurance to become effective?

Yes. There is generally a 30-day waiting period from the time an insurance policy is purchased to when it actually goes into effect.

21. Does insurance under the NFIP provide coverage at replacement cost?

Replacement cost coverage is available for a single-family dwelling, insured under the Dwelling Form that is the policyholder's principal residence and is insured for at least 80 percent of the building's total insurable value at the time of the loss, or the maximum amount of insurance available under the Program. Replacement cost coverage does not apply to manufactured (i.e., mobile) homes smaller than certain dimensions specified in the policy. Losses are adjusted on a replacement cost basis for residential condominium buildings insured under the Residential Condominium Building Association Policy (RCBAP). However, coverage amounts less than 80 percent of the building's full replacement cost value (RCV) at the time of loss will be subject to a coinsurance penalty. Building losses under the General Property Form are always adjusted on an

actual cash value basis. Contents losses are always adjusted on an actual cash value basis. Actual cash value means the replacement cost of an insured item of property at the time of loss, less the value of physical depreciation of the item damaged.

22. Does the Standard Flood Insurance Policy (SFIP) provide additional living expenses if the insured dwelling is flood damaged and cannot be occupied while repairs are being made?

No. The policy covers only direct physical flood damage to the dwelling and does not provide for additional living expenses.

23. What is the County of Ventura and the City of Ojai doing to help?

Both the County of Ventura and the City of Ojai participate in the NFIP thereby ensuring that residents are able to purchase flood insurance protection. Both organizations work closely and regularly with FEMA to carefully review FEMA's flood maps to ensure accuracy and reasonableness with the goal of removing properties from the floodplain where technically warranted. Since October 2011, the County has been a Class 6 community in the NFIP's Community Rating System (CRS). This annual flood protection and flood risk awareness program provides flood insurers in the unincorporated Ventura County with a 20% discount on their annual policy premiums. The City of Ojai is currently working with County staff to become a CRS community.

24. Where can I get additional information on flood insurance?

Additional information on flood insurance can be obtained by visiting the National Flood Insurance Program's FloodSmart website at: <http://www.floodsmart.gov/floodsmart/pages/faqs.jsp> or you can call toll free: **1-888-379-9531**. Additional information on floodplain management and the Community Rating System is available at: www.vcfloodinfo.com

08.13.2013