

How the National Flood Insurance Program (NFIP) Works¹

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Introduction

The Federal Insurance and Mitigation Administration (FIMA), a division of the Federal Emergency Management Agency (FEMA), makes flood insurance available in areas where the appropriate public body has adopted adequate floodplain management regulations for its flood-prone areas. Community participation is voluntary, although some states require NFIP participation as part of their

floodplain management program. Communities who wish to participate in the National Flood Insurance Program (NFIP) must fulfill two phases:

1. NFIP Emergency Program
2. NFIP Regular Program

Phase 1. NFIP Emergency Program

Community participation in the NFIP is promoted in two ways: the community develops interest in flood insurance, or FEMA notifies the community that it contains one or more Special Flood Hazard Areas (SFHA). Communities include in their applications resolutions or ordinances the community has adopted to regulate new construction in the SFHA. The resolutions or ordinances do not need to be burdensome, but rather add only minimal new regulation. [Note: A flood-prone community that does not apply for participation in the NFIP within one year of notification is ineligible for federal or federally-related financial assistance for acquisition, construction, or reconstruction of insurable buildings in the SFHA.]

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1. After assessing the community's degree of flood risk and development potential, FEMA authorizes the sale of flood insurance in the community up to the Emergency Program limits (Table 1).
2. If appropriate, FEMA arranges for a study of the community to determine base flood elevations and flood risk zones. Consultation with the community occurs throughout the study. Communities with minimal or no flood risk are converted to the Regular Program without a study.
3. FEMA provides the studied community with a Flood Insurance Rate Map delineating base flood elevations and flood risk zones. The community has six months to meet the requirements, such as the adoption of base flood elevations in local zoning and building code ordinances.
4. Once the community adopts more stringent ordinances, FEMA converts the community to NFIP's Regular Program (Phase 2).

Sources for This Publication

National Flood Insurance Program: How the NFIP Works. Federal Emergency Management Agency, Access online at <http://dem.nv.gov/uploadedFiles/demnv.gov/content/Resources/How%20the%20NFIP%20Works%20022010.pdf>

Introduction to the National Flood Insurance Program (NFIP). Congressional Research Service, Access online at <https://fas.org/sgp/crs/homsec/R44593.pdf>

Phase 2. NFIP Regular Program

1. FEMA authorizes the sale of additional flood insurance in the community up to Regular Program limits (Table 2).
2. The community implements adopted floodplain management measures.
3. FEMA arranges for periodic community assistance visits with local officials to provide technical assistance regarding compliance with NFIP floodplain management requirements.
4. Local officials may request flood map updates as needed. FEMA evaluates requests, encourages cost-sharing, and issues revised maps as priorities dictate.

Table 1. Emergency program flood insurance coverage limits.

Type of Building	Building Coverage Limit	Contents Coverage Limit
Single family dwelling	\$35,000*	\$10,000
Other residential	\$100,000*	\$10,000
Non-residential	\$100,000*	\$100,000

* Under the Emergency Program, higher limits of building coverage are available in Alaska, Hawaii, the US Virgin Islands, and Guam.

Table 2. Regular program flood insurance coverage limits.

Type of Building	Building Coverage Limit	Contents Coverage Limit
Single family dwelling	\$250,000	\$100,000
Other residential	\$250,000	\$100,000
Non-residential	\$500,000	\$500,000