

EFFECTS OF NONCOMPLIANCE IN THE NATIONAL FLOOD INSURANCE PROGRAM

Effects on a community

- 1) If a community fails to enforce its local ordinance, it may be placed on probation until all program deficiencies have been corrected and violations remedied to the maximum extent possible. In addition, a \$50.00 surcharge will be placed on all flood insurance policies in the community for at least one year.
- 2) If a community fails to take the remedial measures mentioned above, it may be suspended from the National Flood Insurance Program (NFIP), or if a community elects not to participate in the NFIP, federal sanctions are imposed upon the community. Suspension and/or sanctions have the following effects on the community.
 - Flood insurance is not available on buildings located within a nonparticipating or suspended community. No owner of a residence, business, or public building will be able to purchase a flood insurance policy.
 - No Federal grants or loans for buildings or projects may be made in identified flood hazard areas if flood insurance is a condition of the grant or loan. Includes all Federal agencies such as HUD, EPA, SBA, EDA, DOT, DOE, etc.
 - No Federal disaster assistance may be provided in identified flood hazard areas if flood insurance is a condition of the assistance, (i.e., disaster recovery loans and grants).
 - No Federal mortgage insurance may be provided in identified flood hazard areas. This includes FHA, VA, Farmers Home Administration, etc.
 - Actuarial rates go into effect regardless of whether or not a community participates in the program. Unprotected construction today may be prohibitively expensive to insure should the community re-enter the program later.
 - Local governing body may be held liable by not participating because their action:
 - Denies the ability of its citizens to purchase flood insurance; and
 - Does not take positive steps to reduce the exposure of life and property in the face of authoritative scientific and technical data.
 - If flood damages have occurred, claims have been paid, and all or part of the damage can be attributed to acts or omissions of the community, the Federal Emergency management Agency's (FEMA) General Counsel Office may proceed with subrogation actions against the community.

EFFECTS OF NONCOMPLIANCE IN NFIP

- If it appears that a community is ignoring violations or granting unwarranted variances, FEMA may request the Federal Insurance Administration to conduct field inspections of structures within a community. If the structures were improperly rated earlier, this could lead to increased costs to individuals for flood insurance.

Effects on Individual Structures

- If an individual structure is found to be in violation of Federal, State, or local floodplain management regulations, flood insurance coverage may be denied. As a result, no federal disaster assistance, grants, or loans would be available for this structure.
- If an individual structure is found not to be in compliance with the local ordinance, it may be re-rated, using the actual elevation for the lowest floor (including basement).
- If a structure is rated incorrectly due to fraudulent, willful concealment, or misrepresentation of fact by the policy holder or his agent, claims may be denied and back premiums may be collected during claims adjustment.
- If claims have been paid and damage can be attributed to act or omissions of the individual, subrogation action may be brought by the FEMA Office of General Counsel.

Example

Flood Insurance Rates for \$80,000 structural coverage on a single-family dwelling with no basement and \$30,000 contents coverage based on elevation of the lowest floor above or below the Base Flood Elevation (BFE).

+2 feet	\$ 230.50
+1 foot	\$ 281.50
0 feet	\$ 402.00
- 1 foot	\$1,117.00
- 2 feet	Policy must be submitted to Washington to be rated