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Overview

- Flooding is the most common and costly natural disaster in the United States, causing billions in economic losses each year.
- According to the National Flood Insurance Program (NFIP), **90 percent** of all natural disasters in the United States involve flooding.
- There is no coverage for flooding in standard homeowners or renters policies or in most commercial property insurance policies.
- Coverage is available in a separate policy from the National Flood Insurance Program (NFIP) and from a few private insurers.
**2018 – 2019 Updates**

- The 2019 Flood Manual was updated as of October 1 of 2019.
- **Flood Insurance Rate Increases**
  - FEMA’s National Flood Insurance Program announced rate hikes that will affect policyholders nationwide.
  - The government boosted flood insurance rates in April 2018—with a second hike coming in 2019—in an effort to buoy the federally funded program that’s sinking in debt. Premiums on new and renewed policies will increase by 8% on average beginning this month.
- These premium increases follow a year of significant losses for the National Flood Insurance Program (NFIP), which paid out more than $8 billion in claims in 2017, according to FEMA, which administers the program. Most of these claims were incurred by hurricanes Harvey and Irma, which devastated coastal states like Texas and Florida and added a projected $16 billion of losses to the program’s current $24.6 billion of debt.

**2018 – 2019 Updates cont.**

- **Who is affected most by the rate hike?**
- The NFIP’s premium increases will affect policyholders of all risk classes nationwide. However, more than half of these policies are carried by homeowners in just three states: Florida, Louisiana and Texas.
- The largest rate hikes will affect federally subsidized flood policies, which make up 20% of all NFIP policies, according to Barry. Those increases are designed to bring the federally subsidized policies up to levels that match their flood-loss risk. Property owners who carry one of the following four categories of Pre-Flood Insurance Rate Map (Pre-FIRM) subsidized policies will see the highest of those increases.
  - Nonprimary residential properties
  - Business properties
  - Severe Repetitive Loss (SRL) properties
  - Substantially damaged or improved properties

**2018 – 2019 Updates cont.**

- **Pre-FIRM policies written for properties constructed before the initial flood insurance rate maps were created. Property owners who carry Pre-FIRM policies have enjoyed subsidized rates lower than what is necessary to cover their properties’ potential flood losses.**
- **Now policies that cover these four property types will receive an annual rate increase of up to 25% until their premiums reach full-risk rates. All other Pre-FIRM subsidized policies will receive an annual average rate increase of at least 5%.”**
- **Pre-FIRM policyholders aren’t the only property owners who will have to pay more for their flood insurance, though. The NFIP needs to bolster the program nationally to sustainably protect all property owners at risk of inland flooding. That means all other risk classes could see a rate increase of up to 18% per policy.**
- **The NFIP estimates that the average premium will increase from $866 to $935. Adding surcharges and fees, the average property owner can expect to pay $1,062 for their flood insurance policy this year.”**
Which policies are targeted by 2019 increases?
Unlike 2018’s rate increases, the ones beginning in 2019 will be applied to Preferred Risk Policies (PRPs)—those written for properties in moderate risk areas—as well as policies written in regions with new or updated flood maps.
PRPs—as well as A99 and AR Zone policies that qualify for PRP premiums—will receive a base-rate increase of 8% before other fees are applied.
Policies in regions with new or recently updated flood maps will receive PRP rates for the first year after the effective date of the updated map.
However, following that year, each newly mapped policy will receive an annual rate increase of 15% until they reach flood-risk rates.

Recent Developments
Hurricane Harvey: Hurricane Harvey made landfall in Texas as a Category 4 storm on August 25, 2017 and then turned into the single biggest rain event in U.S. history.
Sept. 2019 - Five deaths are linked to floods from Tropical Storm Imelda, the worst storm in Texas since Hurricane Harvey and one of the wettest tropical cyclones in the nation’s history, according to the National Weather Service.
Imelda dumped as much as 43 inches of rain in some parts of southeast Texas, according to the National Weather Service. In comparison, Harvey dropped about 60 inches of rain.

Hurricane Michael Brought Water Levels Over 20’ High to the Coast
According to a database of high water marks of landfalling U.S. hurricanes from 1933 – 2017 compiled by Katie Peek of Western Carolina University, the peak high water marks of 20.6’ - 21.2’ in Mexico Beach would put Michael in fifth or sixth place for highest water levels ever recorded from a U.S. landfalling hurricane since 1933.
The database, which culls data from 36 sources—primarily publications by NOAA, USGS, and FEMA—lists twenty hurricanes with maximum high-water marks in excess of 15 feet above normal (including Michael):
Katrina, 2005: 34.11’ above MSL at Biloxi, MS (Cat 3)
Camille, 1969: 24.6’ above MSL at Pass Christian, MS (Cat 5)
Carla, 1961: 22’ above MSL at Calhoun County, TX (Cat 4)
Opal, 1995: 21.5’ above MSL at Mirimar Beach, FL (Cat 3)
Michael, 2018: 20.6’ - 21.2’ above MSL at Mexico Beach, FL (Cat 4)
Irene, 2011: 20.77’ above NAVD at Lido Beach, NY (Cat 1)

Recent Developments
Low flood insurance take-up rates: A 2016 Insurance Information Institute survey found that 12 percent of American homeowners had a flood insurance policy, down from 14 percent in 2015. A McKinsey & Co. analysis of take up rates for flood insurance in areas most affected by the three Category 4 hurricanes that recently made landfall in the United States — Harvey, Irma and Maria — found that as many as 80 percent of Texas, 60 percent of Florida and 99 percent of Puerto Rico homeowners lacked flood insurance. Some of the reasons cited for lack of coverage is that it is too expensive, that homeowners are not aware they don’t have it, and that people underestimate the risk of flooding.
Recent Developments

- **Private flood insurance**: Flood insurance had long been considered an untouchable risk by private insurers because they did not have a reliable way of measuring flood risk. In recent years insurers have become increasingly comfortable with using sophisticated models to underwrite insurance risk, and modeling firms are getting better at predicting flood risk. In 2017 private insurers reported their flood insurance premiums separately for the first time. FM Global had 54 percent of the market share (based on 2016 year-end premiums). And the top three companies held almost 81 percent of the market share. Direct premiums written for all companies totaled $376 million (next slide).

NFIP Definition of “flood”

- 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 (one of which is your property) from:
  - Overflow of inland or tidal waters,
  - Unusual and rapid accumulation or runoff of surface waters from any source,
  - Mudflow.
- Over a 30 year mortgage...you have a 26% chance of a flood. You have a 10% chance of a fire.

Private Flood Insurance

- Increasingly private insurers are offering flood coverage. The policies either supplement federal flood insurance by providing higher coverage limits or replace it as the homeowners primary flood policy. A few insurance carriers provide it as an optional rider on their homeowners coverage.
- Depending on your situation, you may find private flood insurance has lower premiums than the federal version. Or, it may require fewer add-on costs.
- For example, in about 20 percent of cases, the government will require that a professional come to the home to draft an ‘elevation certificate’ to determine the insurance rate. The homeowner pays that bill.
- In addition, private coverage may cover your living expenses if you have to relocate while your home is being cleaned up after a flood. That’s something federal flood insurance won’t provide.

NFIP Background

- After substantial losses in the Midwest during 1951, President Truman called for reformation of flood insurance to secure American homes or businesses
- Federal Flood Insurance Act of 1956 enacted to establish a program of federal insurance against flood losses and disasters
NFIP Background

- National Flood Insurance Program instituted in 1968
- Flood Disaster Protection Act of 1973 mandated purchase requirements for properties in flood-prone areas

Emergency Program Defined

- The emergency program refers to flood insurance coverage that becomes available after the community has entered into an agreement with the government, but before the detailed flood risk study has been completed
- This is the initial participation phase.
  - Limited amount of coverage available
  - Flood Hazard Boundary Map is created

Community Participation

- NFIP open to any community that submits an official statement to FEMA indicating a need for the insurance
- FEMA then agrees to make flood insurance available.
- The community agrees to adopt and enforce floodplain management regulations.
- The community is then entered into the Community Status Book Report.

How Much Flood Insurance Coverage Is Available?

- **Emergency Program**
  - Residential (1-4 family)
    - Building - $35,000
    - Contents - $10,000
  - Other Residential
    - Building - $100,000
    - Contents - $10,000
  - Non-Residential Business
    - Building - $100,000
    - Contents - $100,000
Regular Program defined

- Under the regular program, coverage is classified as basic insurance limits and additional insurance limits.
- Basic limits are similar to the limits available under the emergency program.
- This is the final phase of participation.
  - Full limits of coverage are now available.
  - Flood Insurance Rate Map is created (FIRM).

How Much Flood Insurance Coverage Is Available?

- **Regular Program**
  - **Residential** (1-4 family)
    - Building - $250,000
    - Contents - $100,000
  - **Other Residential**
    - Building - $500,000
    - Contents - $100,000
  - **Non-Residential Business**
    - Building - $500,000
    - Contents - $500,000

Community Rating System

- Implemented to recognize and encourage measures that exceed the NFIP standards.
- 3 goals:
  - reduce flood losses
  - facilitate accurate insurance rating
  - and promote the awareness of flood insurance.
- Communities assigned classification based on these categories:
  - public information
  - mapping and regulations
  - flood damage reduction
  - flood preparedness
- Discounted flood insurance premiums are available.

Eligible Buildings

- Coverage may be purchased for nearly all residential and nonresidential building structures.
- New flood insurance coverage cannot be provided for any property that the Director determines has been declared by a state or local zoning authority to be in violation of state or local laws that are intended to discourage or restrict land development or occupancy in flood-prone areas.
Coastal Barrier Resources System and Other Protected Areas

- Coastal barriers are landscape features that shield the mainland from the full force of wind, wave, and tidal energies
- Protect mainland communities from storms
- These areas were mapped and designated as protected areas.
- Communities may permit development in these areas even though no Federal assistance is available, provided that the development meets NFIP requirements.
- Your ability to write NFIP policies may be restricted in these areas.

Who Needs Flood Insurance?

- Property owners should be aware that flood losses happen in every U.S. state
- 25% of all flood claims come from homes located in low-risk flood zones.
- As an agent you should know:
  - Every building in a participating community is in a flood zone
  - Flood insurance can be purchased in any flood zone
  - Building and contents coverage limits are usually purchased separately
  - A federal disaster declaration is not required for a policyholder to file a flood insurance claim.
  - The Standard Flood Insurance Policy is not a guaranteed replacement cost policy.
  - The SFIP provides limited coverage for basements.
  - The SFIP excludes time-element exposures.
- The Flood Disaster Protection Act of 1973 mandated flood insurance for many properties

Modern Flood Reform

- Reform needed after multi-billion dollar loss in 1993, with low participation of owners purchasing insurance
- This act brought more property owners into the NFIP, thus increasing resources for the program
- This increased income to the insurance fund and helped to decrease the financial impact of flooding to all parties involved in substantial losses caused by floods
Recommended in Moderate and Low Flood Risk Zones
- $100,000 of flood insurance can be purchased for as little as $130 a year in low-risk areas

Why Flood Insurance is Better Than Disaster Assistance
- Loans are used for disaster assistance, and flood insurance pays for flood damage regardless of if a disaster is declared
- **Flood Insurance:**
  - A policyholder is in control.
  - Flood insurance claims are paid even if a disaster is not declared by the President.
  - There is no payback requirement.
  - Flood insurance policies are continuous, and are not non-renewed or canceled for repeat losses.
  - About 25% of NFIP claims come from outside of mapped Special Flood Hazard Areas.
- **Disaster Assistance:**
  - Most forms of federal disaster assistance require a presidential declaration
  - The most common form of federal disaster assistance is a loan, which must be paid back with interest.
  - The duration of a Small Business Administration disaster home loan could extend to 30 years.

The Flood Insurance Reform Act of 2004 (FIRA)

FIRA
- Requirements
- Severe repetitive loss properties
- Disaster management/Mitigation
- Pilot Program for Mitigation of Severe Repetitive Loss Properties
- Mitigation Activities
- Supplemental Forms
- Implementation of the Flood Insurance Reform Act
Biggert-Waters Flood Insurance Reform Act of 2012 (BW12)

FAQ

What is the Biggert-Waters Flood Insurance Reform Act of 2012?

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) is a law passed by Congress and signed by the President in 2012 that extends the National Flood Insurance Program (NFIP) for five years, while requiring significant program reform.

In general, which properties will be most affected by changes in rates?

Rate changes will have the greatest effect on properties located within a Special Flood Hazard Area (SFHA) that were constructed before a community adopted its first Flood Insurance Rate Map (FIRM) and have not been elevated.

What happens if a policy with subsidized rates is allowed to lapse or the property is sold?

Starting Fall of 2013, for all currently subsidized policies, there will be an immediate increase to the full risk rates for all new and lapsed policies and upon the sale/purchase of a property (sale provision delayed as of 3/21/14, allowing seller to pass on subsidized policies).
What does “full risk rate” actually mean?
- Simply put, it means that the premium reflects both the risk assumed by the program (that is, the expected average claims payment) and all administrative expenses.

When will NFIP Grandfathering be eliminated?
- Currently, the NFIP Grandfather procedure provides eligible property owners the option of using risk data from previous Flood Insurance Rate Maps (FIRMs) if a policyholder maintained continuous coverage through a period of a FIRM revision or if a building was constructed “in compliance” with the requirements for the zone and BFE reflected on a previous FIRM (modified on 3/21/14 capping increase to 18% per year for Grandfathered policies)

Rate Differences
- Examples:
  - 4 ft above BFE
    - Subsidized Rate - Pre-Firm: $4,321/yr
    - Full-Risk Rate - Post-Firm: $624/yr
  - 1 ft below BFE
    - Subsidized Rate – Pre-Firm: $4,321/yr
    - Full-Risk Rate – Post-Firm: $4,683/yr
  - 4 ft below BFE
    - Subsidized Rate – Pre-Firm: $4,321/yr
    - Full-Risk Rate – Post-Firm: $11,670/yr

Modifications to BW12 by HO Flood Ins Affordability Act 2014
- For Most Pre-FIRM Primary Residences in High-Risk Areas, Subsidized Rates Remain in Effect, but with Newly Required Minimum Increases—and an 18 Percent Increase Limit for Any Individual Policy—Until Premiums Reach Their Full-Risk Rates.
- **Existing policies** - Policies can be renewed at subsidized rates.
- **Newly written policies** - Policies can be issued and renewed at subsidized rates.
- **Policies on newly purchased buildings** - Policies can be issued and renewed at subsidized rates.
- **Policies re-issued after a lapse** - Policies for pre-FIRM buildings in high-risk areas that lapsed due to a late renewal payment (received after the 30-day grace period but less than 90 days after expiration) can be re-issued and renewed at subsidized rates.
Modifications to BW12 by HO Flood Ins Affordability Act 2014

**PRE-FIRM BUILDING POLICIES IN HIGH-RISK AREAS**

For Other Pre-FIRM Buildings in High-Risk Areas, Subsidized Rates Continue, but Will Increase More Quickly to Reach Full-Risk Rates.

- Policies for non-primary residences (secondary or vacation homes or rental properties) - 25% annual increases at policy renewal until premiums reach their full-risk rates.
- Policies for business buildings - Future 25% annual increases at policy renewal.
- Policies for Severe Repetitive Loss properties - 25% annual increases at policy renewal for severely or repetitively flooded properties that include 1 to 4 residences.

**OTHER POLICIES**

For Most Other Policy Types, Rates Will Increase by No More than 18 Percent for Any Individual Policy.

- Policies for newer (“post-FIRM”) buildings in high-risk areas - Not affected by subsidies; already paying full-risk rates.
- Policies for buildings in moderate- to low-risk areas - Not affected by subsidies; properties in these areas (shown as B, C, or X zones on flood maps) do not pay subsidized rates.
- Policies for buildings “grandfathered in” when map changes show higher flood risk - Grandfathering remains in effect at this time. Buildings constructed in compliance with earlier maps or continuously covered by flood insurance stay in their original rate class when maps change or properties are sold.
- Policies for buildings covered by Preferred Risk Policy Eligibility Extension (PRP EE) - Properties continue to be eligible for lower, preferred-risk rates for the first year after a map change. Starting the following year, rates will increase by no more than 18% for any individual policy until premiums reach their full-risk rate.

**OTHER HFIAA 14 PROVISIONS**

**RATE CHANGES WHEN PROPERTIES ARE SOLD**

- The 2014 law protects policyholders from significant and unanticipated increases in flood insurance costs that could impact their property sales. Subsidized rates continue to apply, and as of May 1, 2014, both the policy and its subsidized rates can be transferred to the new owner. Grandfathered rates can also be transferred at the time of sale.

**OTHER PROVISIONS OF THE NEW LAW**

- **Surcharges.** A new surcharge will be added to all new and renewed policies to offset the subsidized policies and achieve the financial sustainability goals of BW-12. A policy for a primary residence will include a $25 surcharge. All other policies will include a $250 surcharge. This new surcharge will be included on all policies, including full-risk-rated policies and Preferred Risk Policies. The surcharge will be implemented in 2015.
- **Deductibles.** To help homeowners manage their premium costs, the law raises maximum residential deductible limits from $5,000 to $10,000.

**FLOOD MAPS AND ZONE DETERMINATIONS**

- Special Flood Hazard Areas are made to assess flood risk or probability.
Flood Hazard Boundary Map (FHBM)
- Map published by Federal Insurance Administration for a specific community which indicates areas within the community that are subject to severe flooding
- Basis for requiring a community to join NFIP
- Created during the Emergency Program

Flood Insurance Rate Map (FIRM)
- Risk data acquired to identify floodplain areas are used from Flood Insurance Studies (FIS)
- SFHA – Special Flood Hazard Area
- Based on 1% annual chance flood – Base Flood Elevation (BFE), also called the 100 year Flood Plain
- FloodSmart.gov (floodsmart.gov)
- FEMA.gov/NFIP (fema.gov/nfip)
- Community is now entering the Regular Program

Pre-Firm and Post-Firm
- Pre-FIRM means buildings whose construction began on or before your community joined the NFIP.
- Post-FIRM means those after the initial Flood Insurance Rate Map, insurance based upon its elevation above the Base Flood Elevation (BFE)
- Question/Answer:
  - Was the building constructed prior to 12/31/74?
    - Yes. Always Pre-Firm
  - What is the community’s FIRM date?
  - Was the building constructed after the FIRM date?
    - Yes. It’s Post-Firm

So, Why Is It Important?
- Flood risks can change over time. Water flow and drainage patterns can change dramatically because of surface erosion, land use, and natural forces. Likewise, the ability of levees and dams to provide the necessary protection can change.
- As a result, the flood maps for those areas may no longer accurately portray the current flood risks. To reflect the most current flood risks, the Federal Emergency Management Agency (FEMA) is updating and modernizing the nation’s flood maps using the latest data gathering and mapping technology.
- New flood maps (known as Digital Flood Insurance Rate Maps, or DFIRMs) are being issued nationwide.
So, Why Is It Important?

- When the new flood maps become effective, some residents and business owners will find that their property's flood risk has changed. Some will find that their building is mapped into a high-risk flood zone (noted on the flood maps with the letter beginning with “A” or “V”); and if there is a mortgage on the property through a federally regulated or insured lender, they will be required to purchase flood insurance.
- Others will find that their Base Flood Elevation (BFE) for the property has increased. Either of these changes could result in higher flood insurance premiums.

What Is The Grandfathering Rule?

- When flood map changes occur, the National Flood Insurance Program (NFIP) provides a lower-cost flood insurance option known as “grandfathering.”
- Grandfathering is available for property owners who:
  - have a flood insurance policy in effect when the new flood map becomes effective and then maintain continuous coverage, or
  - have built in compliance with the FIRM in effect at the time of construction
- The results of grandfathering can provide cost savings to a property owner when the new map takes effect. However, there will be cases when using elevation rating with the new flood map may result in lower premiums than grandfathering. So, both options should always be evaluated.

Timing is also important as most pre-FIRM buildings have only one chance to grandfather and lock in the existing zone for future rating, and that is before the new flood map becomes effective.
- It is important to remember that if a building has been substantially damaged or improved, it is not eligible to be grandfathered to the flood map that was in effect at the time of the building’s original construction date. The map in effect at the time of the last substantial improvement or damage must be used.

Special Flood Hazard Areas Defined

- Special Flood Hazard Areas (SFHAs) are land areas that are at high risk for flooding, as indicated on the FIRMS
- Must have >26% chance of flood damage during 30-year mortgage
**Base Flood Elevation**

- Base Flood Elevation (BFE) refers to the elevation of an area associated with the "100-year flood (1 flood a year)".
- Only properties in high-risk flood zones have a BFE, which reflects the height (in feet) above sea level that flood water is projected to rise in a "100-year" storm — a storm that has a 1% per year chance of occurring.
- Elevation certificates can get pretty involved on how to calculate exactly what the elevation is.
- The Elevation Certificate certifies: building elevation, documents community compliance, determines policy rates, and supports map revisions and amendments.
- A surveyor, engineer, or architect must certify the building elevation.
- Insurance agents use this information for rating.

**Flood Zone Determination**

- Zones are assigned to areas
  - Special Flood hazard Areas (high risk):
    - AE (replaced A1-A30)
    - A, AH, A0, A99, AR
    - VE are special flood hazards areas in coastal areas (replaced V1-V30) (highest flood rates)
  - Non-Special Flood Hazard Areas (low to moderate risk):
    - B, C, X
    - D (undetermined)
- FEMA Map Service Center: Locating Flood Maps
  - www.msc.fema.gov

**The Standard Flood Insurance Policy (SFIP)**

- The Policy
  - Specifies terms and conditions of the agreement of insurance between FEMA as the insurer and the named insured
  - Policy – entire written contract between the named insured and NFIP
**Property Covered**

- **Coverage A – Building Property**
  - Dwelling
  - Detached Garage if used to park a car or for storage (10%), reduces building limit
  - Includes: awnings, canopies, blinds, built-in dishwashers & microwaves, permanently installed carpet over unfinished flooring, central a/c, elevators, fire sprinkler systems, walk-in freezers, plumbing fixtures, cooking stove, refrigerators, permanently-installed wall mirrors

- **Coverage B – Personal Property**
  - Includes: portable a/c units, carpet not permanently installed, carpet over finished floor, clothes washer & dryer, food freezer, portable microwaves & dishwashers
  - Excludes: property not inside a fully enclosed building, located entirely over water, open structures, vehicles unless used mainly to service the location or to assist handicapped persons, land or plants, accounts or valuable paper
  - $2500 per loss limit on artwork, photographs, collectibles, memorabilia, rare books, autographed items, jewelry, precious stones, gold, silver, or furs.

- **Coverage C – Other Coverages**
  - Debris removal
  - $1000 for loss avoidance measures – sandbags, supplies, and labor
  - $1000 to remove property to safety

**Loss Payment**

- NFIP adjusts all losses with the insured
- They may reject proof of loss and the insured may accept the denial, exercise rights of policy, or file amended proof of loss within 60 days
Policies and Products Available

- Standard Dwelling Policy
- General Property Form
- Residential Condominium Building Association Policy

Building

- Specifications for different definitions of buildings

General Property Policy

Residential Condominium Building Association (RCBAP)

- Required for all buildings owned by a condominium association
- Only covers a residential condominium building in a regular program community
- Federal Policy Fee - $25 to $50
Preferred Risk Policies

Types of Buildings Covered
- Coverage Limits: $250,000 Dwelling / $100,000 Contents
- Occupancy: 1-4 family dwelling
- Non-Special Flood Hazard Areas - Zones B, C, X, AR, A99
- Loss History: Not Eligible for Preferred Risk if:
  - 2 flood insurance claims or disaster relief payments over $1000
  - 3 flood insurance claims or disaster relief payments of any size
    (claims counted within 10 years regardless of building ownership)

Preferred Risk Policy For Commercial Property
- For Building Owners
- Contents-Only Coverage

Conversion of a Standard Rated Policy to a Preferred Risk Policy
- Eligibility due to: map revision, letter/map amendment, or revision
Definitions

- **Basement/enclosure**
  - any area of the building, including any sunken room or sunken portion of a room, having its floor below ground level

- **Elevated building**
  - has no basement and that has its lowest elevated floor raised above ground level

Definitions

- **Flooding**
  - temporary condition of partial or complete inundation of 2 or more acres of normally dry land area or 2 or more properties from:
    - overflow of inland or tidal waters
    - rapid accumulation of runoff of surface waters from any source
    - mudflows
    - land collapse along shores of a lake or body of water

Damages Not Covered

- **Single Peril Policy**
  - covers losses caused only by flood as defined by NFIP

- **Mudflow**
  - river of liquid and flowing mud on the surfaces of normally dry land areas, as when earth is carried by a current of water (covered)

- **Mudslides**
  - caused by earth movements such as landslides, slope failure, or saturated soil moving down a slope (not covered)

Properties Covered

**Basement items covered:**

- central a/c, fuels tanks, furnaces, hot water heaters, heat pumps;
- drywall and the cost of labor to nail it to the framing (unfinished, unfloated, not taped);
- electrical junctions, switches, and circuit breaker boxes, required utilities connections;
- elevators and related equipment (unless installed below the BFE after 9/30/87);
- fuels tanks, furnaces, hot water heaters, heat pumps;
- Insulation, pump & tanks in solar energy systems;
- cisterns, sump pumps; water softeners; well water tanks and pumps;
- staircases and foundation system.
Properties Covered

- Appurtenant Structures – detached garage
- Loss Avoidance Measures: sandbags, supplies, labor… debris removal, and improvements and betterments

Property Not Covered

- Decks
- Finished items in basements
- In enclosures
- Additional living expenses
- Increased cost of compliance ($30,000 included)

“Finished and Furnished”

- Average cost of finishing a basement
  - $60,000
- Average flood claim
  - $50,000
- A Backup of Sump and Sewer endorsement might provide some coverage.
  - Varies by company

When Does an NFIP Policy Become Effective?

- There is a 30 day waiting period before new or modified flood insurance policies go into effect.
- Exceptions are provided for:
  - Insurance in connection with a loan transaction
  - Wildfire exception
  - Insurance purchased within 13 months of a map revision (1-day wait)
National Flood Insurance Plan

General Rules
- Participating communities
- Emergency Program
- Regular Program
- Maps: FIRM, FHBM
- Probation
- Suspension
- Non-participating communities
- Coastal Barrier Resources Act
- Federal land

Statutory Coverage Limits
- Emergency Program
  - 1-4 family dwelling $35,000 building/$10,000 contents
    ($50,000 in Alaska, Guam, Hawaii, and US Virgin Is.)
  - Other buildings $100,000
  - Other contents $100,000 non-residential/$10,000 residential
- Regular Program
  - Residential buildings $250,000 / contents $100,000
  - Non-residential buildings $500,000 / contents $500,000

Deductibles
- Regular Program – dependent upon Flood Hazard Zone $500 - $10,000
- Emergency Program - $1,000
- Application of Deductibles
Property Value Determination for Selecting Coverage Amount

- The value of flood damage in the Dwelling Form is based on either Replacement Cost Value (RCV) or Actual Cost Value (ACV)
  - RCV applies to principle residence (you or spouse lived there 80% of prior 365 days)
  - Limit is 80% or more of the full RCV or maximum limit available
  - ACV applies to everything else

Loss Settlement

- NFIP will pay the least of the following after applying deductible for covered loss: applicable amount of insurance, actual cash value, repair/replacement cost
- Actual cost value
  - Replacement cost value at the time of the loss
- Replacement cost value
  - Cost to replace that part of the insured building that is damaged by the flood

Coverage Issues

- One building per policy (except for a detached garage – 10% of Building coverage)
- Waiting Period – 30 days
- Building and contents coverages purchased separately.
- Policy Term – 1 year

Cancellations
Pro-Rata Refunds

- Building sold or removed
- Contents sold or removed
- Policy cancelled/rewritten for common expiration date
- Duplicate NFIP policies
- Policy not required by mortgagee

Full Refunds

- Nonpayment of premium
- Risk not eligible for coverage
- Property closing did not occur
- Change in location
- Voidance prior to effective date

Pro-Rata Refunds

- Condominium policy converting to Residential Condominium Building Association Policy (RCBAP)
- Mortgage paid off
- Duplicate policies from other sources other than the NFIP
- Mortgage paid off on a mortgage portfolio protection program

Full Refunds

- Voidance due to credit card error
- Insurance no longer required
- Removal from special hazard area
- Policy was written to wrong facility
- Cancel/rewrite due to misrating
No Refunds

- Continuous lake flooding or closed basin lakes
- Fraud

Completing the Cancellation/Nullification Request Form

Follow steps on form
Sign form

Ratings Steps

The Steps

- Determine exact location
- Determine if building is in eligible community
- Determine the NFIP program phase
- Determine location of contents in the structure
- Determine the date of construction or date of substantial improvements
The Steps
- Pre-firm
- Post-firm
- Premium calculation
  - Emergency Program
  - Regular Program

Types of Buildings
- Elevated Buildings
- Flood-proofed Buildings
- Certification

Special Rating Situations
- Tentative Rates
  - rate applied when producers are unable to provide all required underwriting information
- Submit for rate
- Provisional rates
  - available to enable the placement of coverage prior to receiving the Elevation Certificate
- Policies requiring Re-rating

The Elevation Certificate
The Purpose of the Elevation Certificate

- The Elevation Certificate is an important administrative tool of the NFIP
- Used to provide elevation information necessary to ensure compliance with community floodplain management ordinances, and to determine premium rates
- Locating an Elevation Certificate:
  - Ask the local floodplain manager
  - Ask the sellers
  - Check the property deed
  - Hire a licensed land surveyor, professional engineer or certified architect.

Elevation Certificates: Who Needs Them and Why

- Go to: [www.fema.gov](http://www.fema.gov)
- There's a Search Function. Type in: Elevation Fact Sheet.
- It contains all the specifics as to when and who needs one.
- Pre-FIRM Zones – certificate not required
- Post-FIRM Zones – B,C,X,D,A99 and AR – certificate is required
- Basically, if your building is in a high-risk area – a zone indicated with the letters A or V on a Flood Insurance Rate Map – the EC includes important information that is needed for determining a risk-based premium rate for a flood insurance policy.

Lowest Floor Elevation

- Construction Practices and the Lowest Floor
- Lowest Floor Guide: Non-elevated buildings, Elevated Buildings in a zones, Enclosures with openings
- Crawl Spaces
- Elevated Buildings in V Zones

Claims Handling Process
**Adjuster Qualifications**

- 5 categories for application:
  - Residential
  - Manufactured
  - Commercial
  - Large commercial
  - Residential condominium building association policy

**Areas of Authorization Requirements**

**Helping Your Client to File a Claim**

- Producer’s responsibilities
- Single Adjuster Program Implementation
- Insured Responsibilities
- Payment of Claim
- Supplemental Claim
- Appeals Process
- Claims Handbook

**Point of Sale, Renewal Responsibilities, and the Agent**

**Notification of Coverages Being Purchased**

- Acknowledgement Forms
- Policy Exclusions
- Explanation Regarding How Losses Will be Adjusted
- Number and Dollar Amounts of Claims on Property
Notification of Coverages Being Purchased

- Agent Resources
- Write Your Own Company
- Technical Assistance/FEMA website/
  Flood Insurance Manual

You may access this class presentation after class at
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