

Flood Insurance for Local Officials and Floodplain Managers

”What Every Community Official Needs to Know About Flood Insurance”

**Illinois Association for Floodplain and Stormwater
Management**

2011 Annual Conference

Mariott Bloomington-Normal

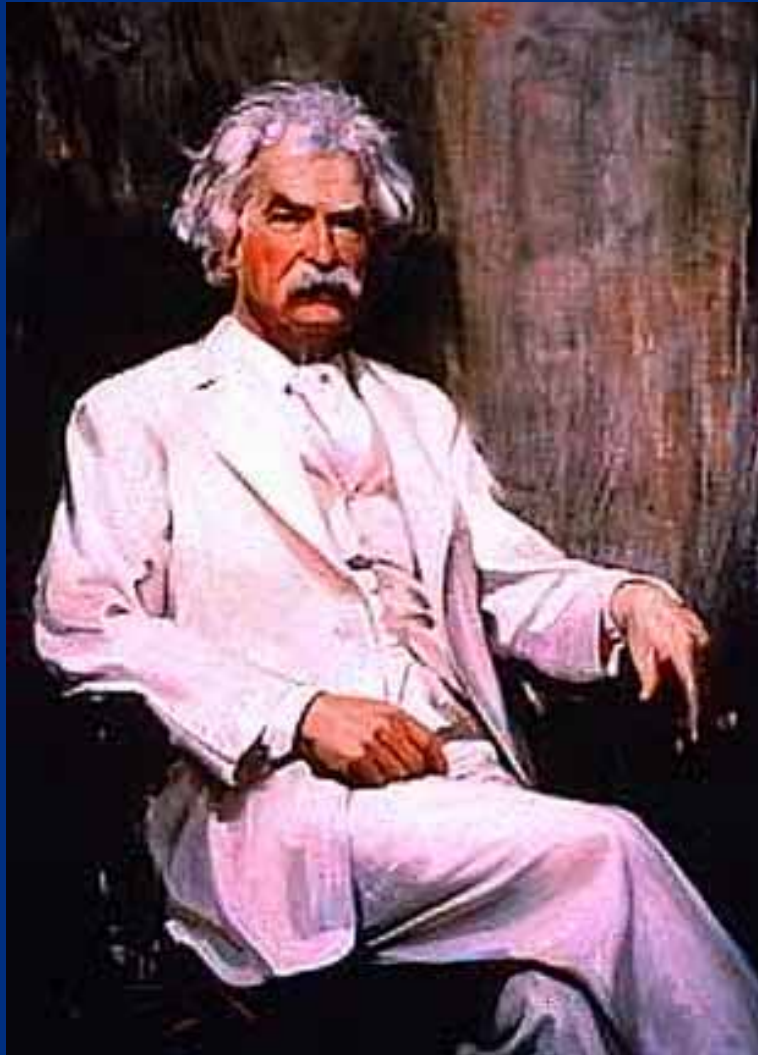
March 9-10, 2011

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“I Never Thought It Could Happen to Me!”



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“It isn’t what we don’t know that kills us, it’s everything we know that ain’t so.”

■ *Mark Twain*

Seven Rules To Remember

- Every building is in a flood zone.
- Don't need be in a high-risk flood zone (Special Flood Hazard Area) to purchase flood insurance.
- Building & contents coverage are purchased separately.
- A federal disaster declaration is not necessary to file a flood insurance claim.
- The SFIP is not a guaranteed replacement cost policy.
- Coverage is limited in basements.
- Time element exposures are excluded.



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Agenda Overview

- What is a flood?
- Who can buy flood insurance?
- Who must buy flood insurance?
- How do property owners obtain flood insurance?
- How much flood insurance is available?
- How are flood insurance premiums developed?



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Agenda Overview

- How can floodplain management affect premiums?
- When do flood insurance policies become effective?
- How do homeowners insurance policies respond to floods?
- What are the flood insurance coverage limitations in basements/enclosures?
- What is Increased Cost of Compliance?
- What is grandfathered rating?



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What is a 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 from the overflow of inland or tidal waters or from the unusual and rapid accumulation or runoff of surface waters from any source.

KEY CRITERIA

- Condition must be general
- Condition must be temporary
- Inundation must be present
- Occurrence must be fortuitous



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Definition of Flood (cont'd)

- Mudflow
 - River of liquid/ flowing mud
 - As when earth is carried by a current of water
- Non-Mudflow
 - Landslide
 - Slope failure
 - Saturated Soil Mass



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Rio Nido, CA, where the steep hillsides have moved an est. 47 feet since the El Nino rains began. Three homes have been destroyed, and these are the last of the 140 homes to be packing up their belongings in the rain. Canyon Three, where the mud is flowing. Photo by DAVE GATLEY 2/12/10

Who can buy flood insurance?

- Community Participation
- All Zones
- Certain Buildings in CBRA Zones or Otherwise Protected Areas (OPAs)



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Community Participation

- How does a community participate?
 - Application to FEMA
 - Meet minimum floodplain management requirements
- 20,400+ communities participating
- What does non-participation mean?
 - No flood insurance available
 - Very Limited Federal disaster assistance
 - No Federal mortgages in SFHA



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Who must buy flood insurance?

- Buildings/Manufactured Homes in Special Flood Hazard Areas in participating communities
- Used as security for a loan with any type of federal connection



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Eligible Building

- At least two rigid exterior walls and a roof
- Principally above ground
- Manufactured (mobile) home – built on a chassis & affixed to a permanent foundation.
- Travel Trailer – “no wheels” – built on a chassis and affixed to a permanent foundation.
- Buildings in the course of construction.



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Flood Zones

- Special Flood Hazard Areas (SFHAs)
 - A, A1-A30, AE, AO, AH, AR, A99 & V Zones
 - Darkly shaded area on a Flood Insurance Rate Map (FIRM)
 - 1% or greater chance of being flooded in any given year (100-year floodplain)
 - 26% or greater chance of flooding during a 30-year mortgage period.



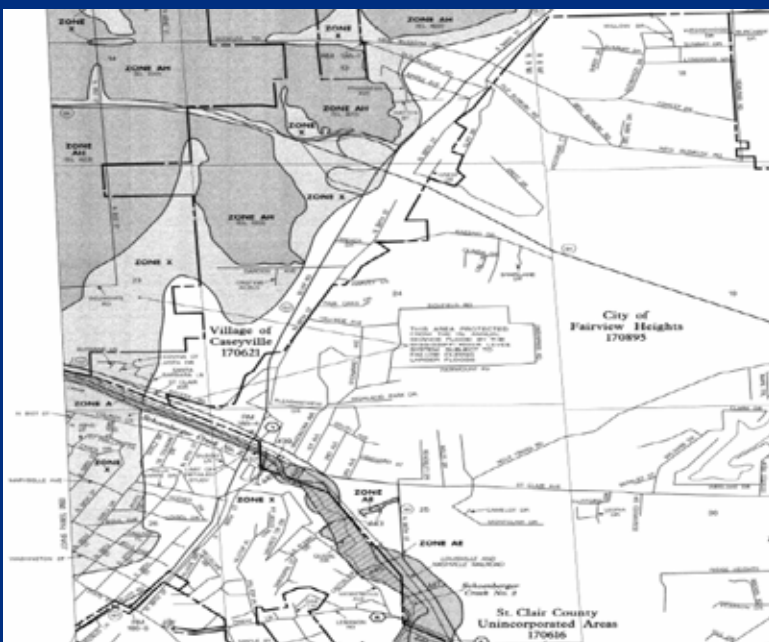
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Flood Insurance Rate Map

www.msc.fema.gov

Legacy DFIRLM

Panel 17163C-0185D (11/05/03)



New GIS Enabled DFIRM

Panel 17163C-0185E, (“preliminary”)



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Flood Zones (cont'd)

- Non-SFHAs
 - B, C, and X
 - Voluntary market
 - 1/5 or more of all claims paid in these zones
 - Represent approx. 20% or more of book



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How the NFIP Works

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Mitigation Division

**❑ Direct-NFIP Servicing Agent Covansys
(Independent Agents)**

**❑ NFIP Bureau and Statistical Agent-iService
Team**

**❑ WYO Companies-Approximately 100 Industry
Carriers**

www.fema.gov/nfip

How much flood insurance is available?

- Residential

- Regular Program

- \$250,000 Bldg.
 - \$100,000 Contents

- Emergency Program

- 1-4 Family
 - \$35,000 Bldg.
 - \$10,000 Contents
 - Other Residential
 - \$100,000 Bldg.
 - \$100,000 Contents

- Non-Residential

- Regular Program

- \$500,000 Bldg.
 - \$500,000 Contents

- Emergency Program

- \$100,000 Bldg.
 - \$100,000 Contents

Policy Types

National Flood Insurance Program

Dwelling Form

Standard Flood Insurance Policy



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1-4 Family Dwellings, Individual Condo Units



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Policy Types

National Flood Insurance Program

General Property Form

Standard Flood Insurance Policy



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Other Residential, Non-residential



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Policy Types

National Flood Insurance Program

Residential Condominium Building Association Policy

Standard Flood Insurance Policy



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Condominium Associations



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Preferred Risk Policy Application (PRP)

- Zones B, C, and X only
- Condo units not eligible unless:
 - Townhouse/Rowhouse
 - Detached, single family dwelling
 - Insured in name of unit owner
- Loss eligibility requirements
- Upfront documentation requirements



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Preferred Risk Policy Application (PRP)

- 1-4 Family Dwellings
 - Building & Contents Combinations
 - Up to \$250,000/\$100,000
- Non-Residential PRP
 - Bldg & Contents Combinations
 - Up to \$500,000/\$500,000
- Residential Contents Only
 - Up to \$100,000 max limit
- Non-Residential Contents Only
 - Up to \$500,000 max limit



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1-4 Family Residential Building and Contents Coverage Combinations

With Basement/Enclosure

Building Contents Premium

\$ 20,000 \$ 8,000 \$154

\$ 30,000 \$ 12,000 \$185

\$ 50,000 \$ 20,000 \$236

\$ 75,000 \$ 30,000 \$277

\$100,000 \$ 40,000 \$304

\$125,000 \$ 50,000 \$324

\$150,000 \$ 60,000 \$343

\$200,000 \$ 80,000 \$378

\$250,000 \$100,000 \$405

Without Basement/Enclosure

Building Contents Premium

\$ 20,000 \$ 8,000 \$129

\$ 30,000 \$ 12,000 \$160

\$ 50,000 \$ 20,000 \$211

\$ 75,000 \$ 30,000 \$247

\$100,000 \$ 40,000 \$274

\$125,000 \$ 50,000 \$294

\$150,000 \$ 60,000 \$313

\$200,000 \$ 80,000 \$343

\$250,000 \$100,000 \$365



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Preferred Risk Policy Application (PRP) *Changes effective 5/1/08*

- Expanded Non-residential coverage options
 - 10 Building Limits - \$50K thru \$500K
 - 10 Contents Limits - \$50K thru \$500K
 - Ability to mix and match
- New Other Residential coverage options
 - 9 Building Limits - \$20K thru \$250,000
 - 9 Contents Limits - \$8K thru \$100K
 - Ability to mix and match
- Individual residential condo units in residential condo buildings now eligible for PRP



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PRP Extension *Effective 1/1/2011*

- Effective January 1, 2011, buildings that are newly designated within a Special Flood Hazard Area due to a map revision are eligible for coverage under PRP for a period of up to 2 years after the effective date of the map.
- For buildings that were newly designated within a SFHA on or after October 1, 2008, they are eligible for coverage under PRP on the first renewal or new policy after January 1, 2011.



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PRP Extension-Other Eligibility Requirements

- Building must meet the PRP Loss History requirements
- Buildings will be eligible that are located in Zones B, C, or X on the Current FIRM(s) (or old FIRMs for maps effective after 10/1/2008) and will be (or have been) moved to A Zones on the new FIRM(s)



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PRP Extension-Whose Not Eligible?

- Properties located in an Emergency Program Community
- If this is the initial community FIRM
- Properties constructed in an SFHA after the effective date of the most recent FIRM
- Repetitive Loss Properties-including those with a disqualifying loss during the eligibility period



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PRP Extension-Whose Not Eligible?

- Properties insured under RCBAP (condominiums)
- Leased Federal Properties
- Non-residential condominium units
- Residential units in a non-residential condominium building



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PRP: What may State and Local Officials be asked to provide?

- **Acceptable Zone Documentation**
 - Requests for copies of LOMAs, LOMRs and LODRs
 - Copies of the flood map with the property clearly marked
 - A community letter, indicating the address and appropriate map information
 - Copies of Elevation Certificates



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A Community Letter Should:

- Be on community or department letterhead
- Include name of owner and property address
- Type of building
- Prior Flood Zone, Prior Map date and Community Number, Map Panel and Suffix
- Name and title of Official, including signature, date signed and contact information.



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How are flood insurance premiums developed?

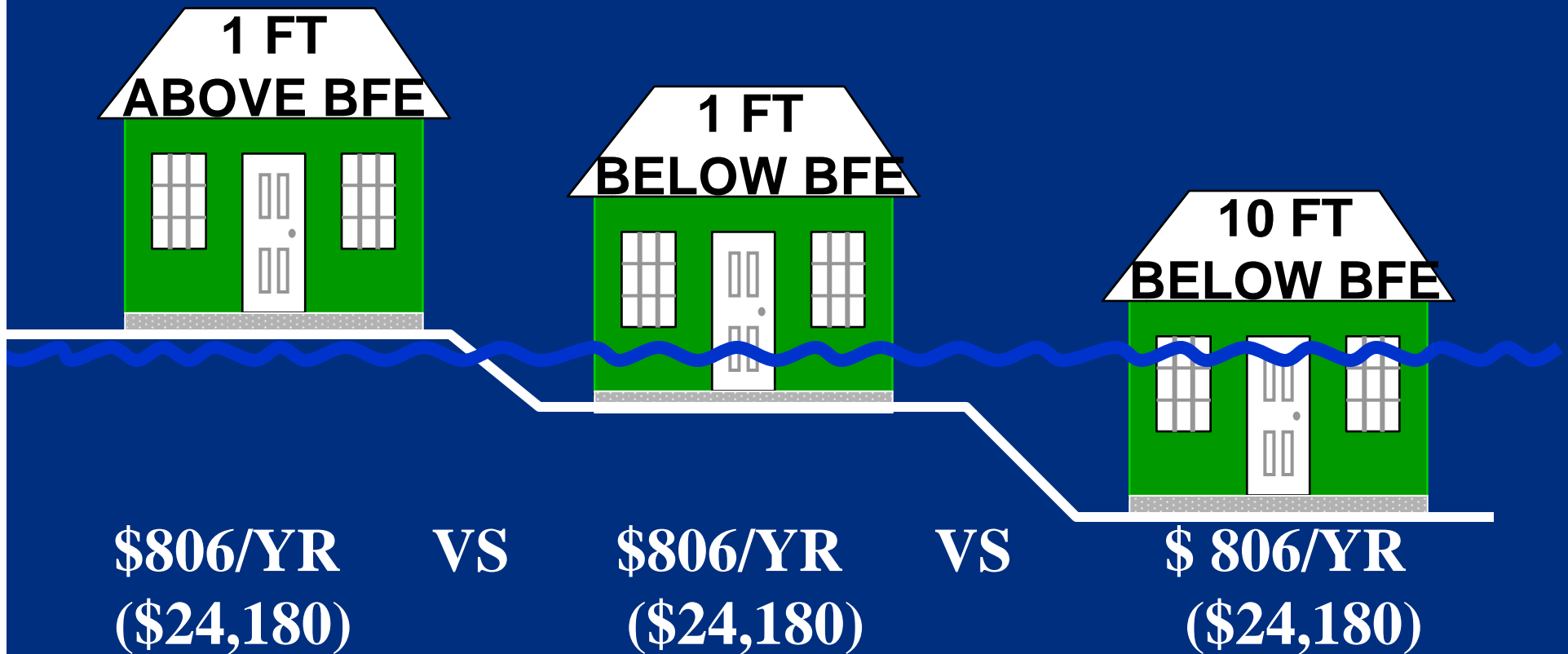
- Community Name
- Emergency vs. Regular Program
- CRS Discount
- Flood Zone
- Date of construction
- Pre-FIRM vs. Post-FIRM
- Occupancy type
- Basement/# Floors
- Gov./Deductible/Fee
- ICC



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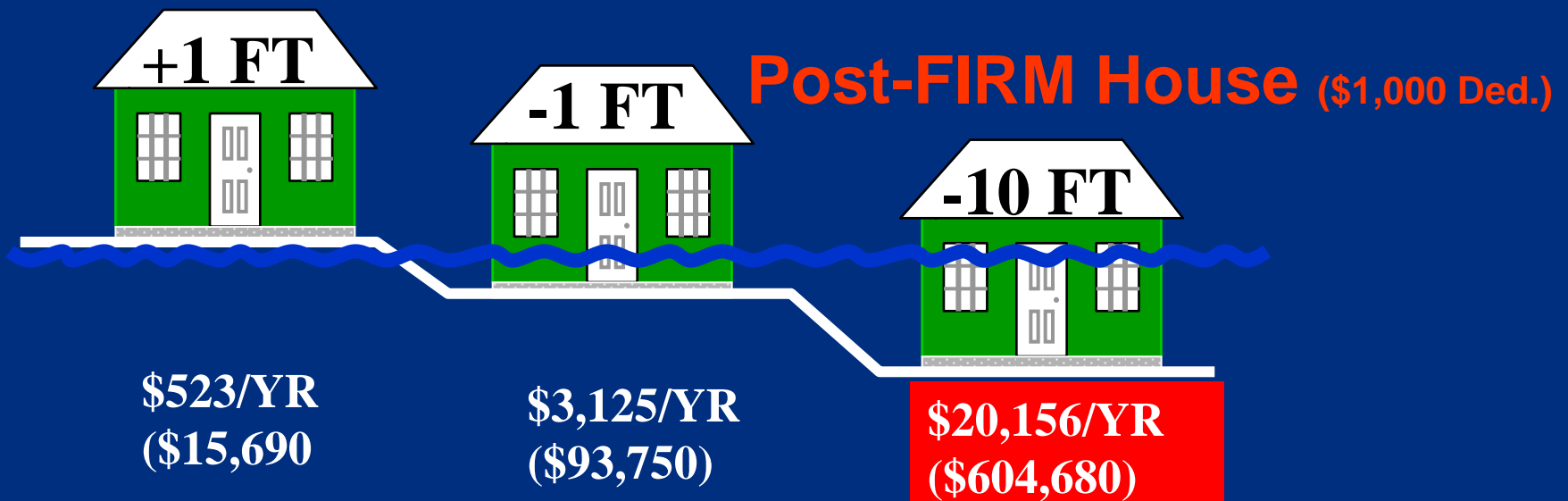
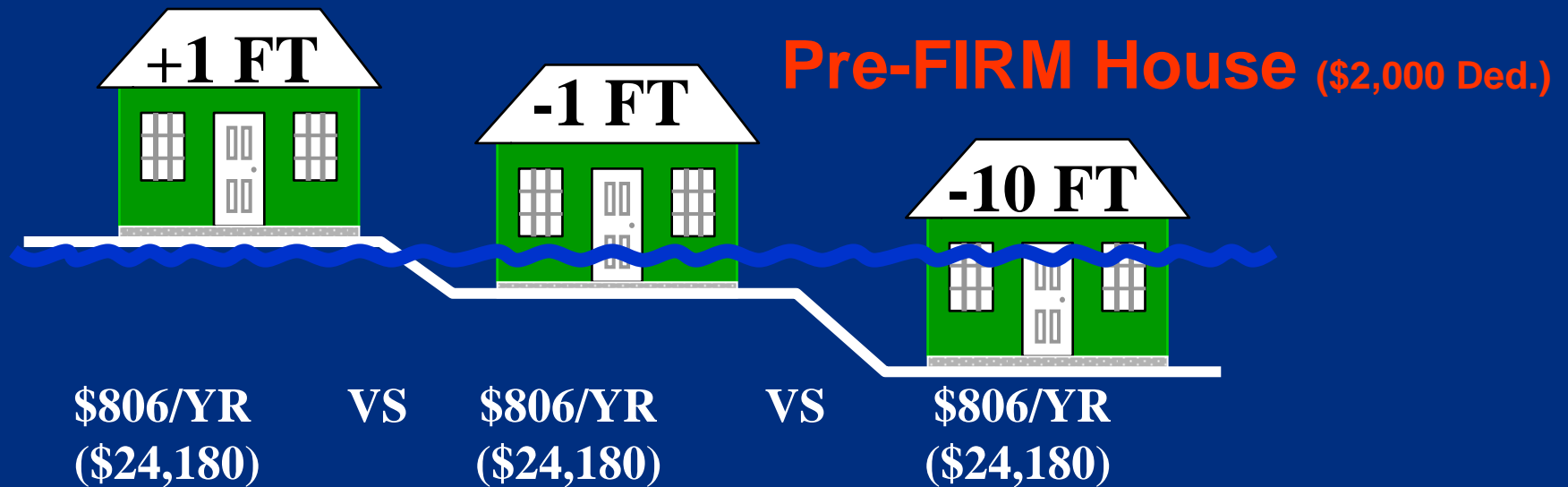
Comparison of Flood Insurance

Existing Pre-FIRM House



Based on \$100,000 Building Coverage, \$2,000 Deductible
Single Family, one floor, slab-on-grade, Zone AE, No Basement/Enclosure

Flood Insurance Costs for 30-Year Loan



When do flood insurance policies become effective?

- Effective Dates of Policies
 - Waiting period before new and modified flood insurance policies go into effect will be 30 days.
 - 30 -day waiting period exceptions:
 - Loan-related mandates/*closing*
 - Response to map changes w/in 1 yr./*Day after application date*
 - Renewal increases/*Date of renewal*



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How do Homeowners insurance policies respond to floods?

They Don't



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Floodsmart.gov: Your premier resource for flood insurance information - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites RSS Mail Print View Source Go Links

Address <http://www.floodsmart.gov/floodsmart/> Go Links

Google Go Bookmarks 144 blocked Check Look for Map AutoFill Send to Settings

**FLOODSMART.GOV**
The official site of the National Flood Insurance Program

HOME
ABOUT THE NATIONAL FLOOD INSURANCE PROGRAM
YOUR FLOOD RISK
FLOOD INSURANCE POLICIES
PREPARATION & RECOVERY

ONE-STEP FLOOD RISK PROFILE
How can I get covered?


- Rate your risk
- Estimate your premiums
- Find an agent

Address:

City:

State: Zip code:

Residential: ☐ Yes ☐ No

**Real Flood Stories:**
HEAVY RAIN AND SNOWMELT
ALMOST DROWNED THEIR DREAM
The river helped make Chris and Ellen Bollenbacher's restaurant a special destination...until it flooded. Without flood insurance they would've lost their business.
[See Their Story](#) [Transcript](#)

Homeowners insurance typically does not cover flood damage.

SECURE SITE FOR AGENTS
Convenient resources, tools, and services for [flood insurance agents](#).
Returning agents [Log In >>](#)
New agents [Register Today >>](#)

WHAT WOULD FLOODING COST ME?
Two inches of water can cost you \$7,800. This [interactive tool](#) shows the real cost of a flood to your home, inch by inch.
Choose the height of your flood in inches >>>

HOW DOES FLOOD INSURANCE PROTECT MY HOME?
[Learn the many ways](#) flood insurance covers your biggest investment – affordably and flexibly.

Done Internet

Start 2007 Presentations Illinois_3hr_sem agtsem2008newec Floodsmart.gov: Your... 11:27 AM

Basement Coverage Issues

- Definition of “Basement”:
 - Any area of a building, including any sunken room or sunken portion of a room, having its floor below ground level (subgrade) on all sides.



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Scope of Basement Coverage

Coverage A - Building Property

- Central Air Conditioners
- Cisterns and the water in them
- Unfinished drywall for walls and ceilings
- Electrical junction and circuit breaker boxes
- Electrical outlets and switches
- Elevators and related equipment
- Fuel tanks and fuel in them
- Furnaces and water heaters
- Heat pumps
- Non-flammable insulation
- Pumps and tanks used in solar energy storage
- Sump pumps
- Stairways and staircases attached to the building
- Water softeners and the chemicals in them
- Water filters and faucets, installed as an integral part of the plumbing system
- Well water tanks and pumps
- Required utility connections for any item in this list
- Footings, foundations, posts, pilings, piers, or other foundation walls and anchorage systems required to support the building
- Clean-up



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Scope of Basement Coverage, Coverage B - Personal Property

- Air conditioning units:
(portable or window type)
- Clothes washers and dryers
- Food freezers, other than walk-in, and food in any freezer

*Note: Must be installed in functioning location
and connected to a power source*



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Why not just rely on federal disaster assistance?

- Most forms of Federal disaster require a presidential declaration of disaster.
- The most typical form of Federal disaster assistance is a loan that must be paid back with interest.
- To qualify for Home Repair Assistance, your home must have relatively minor damage that can be repaired quickly.
- You cannot qualify for Rental Assistance unless your home has been destroyed or significantly damaged.

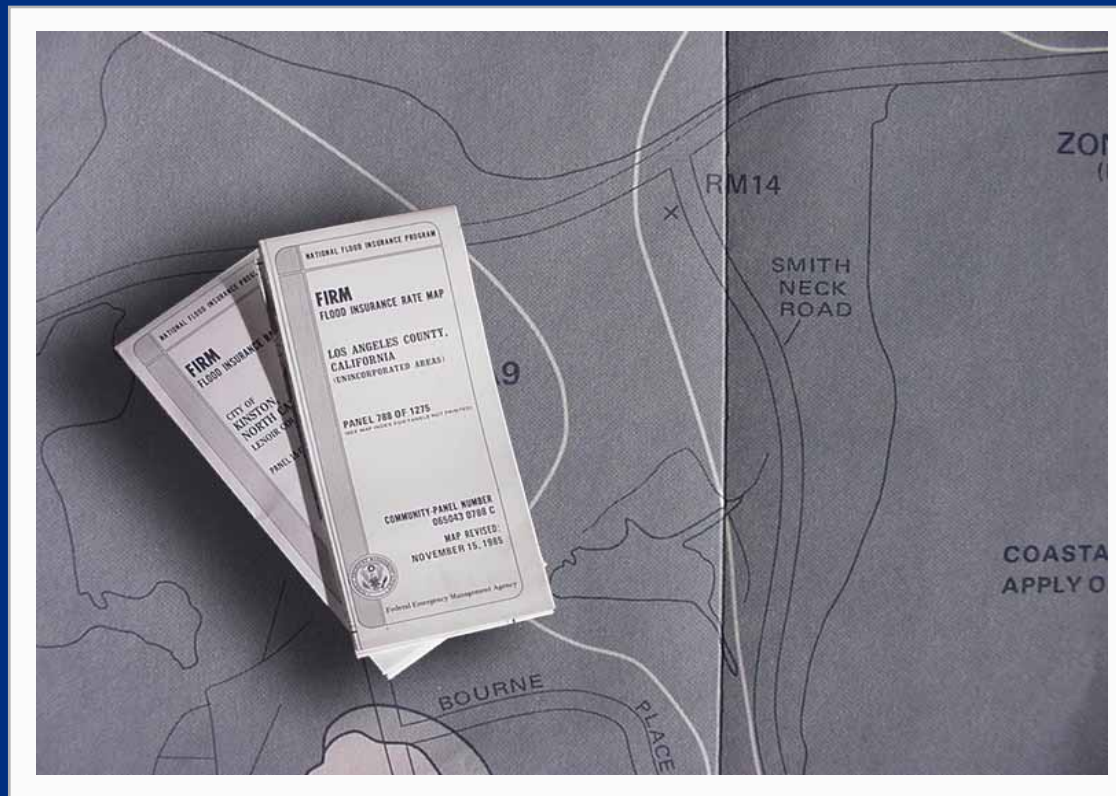


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Increased Cost of Compliance

- Covers cost to rebuild flood-damaged structures to conform with minimum NFIP floodplain management ordinance.
- Eligible activities: Elevation, Floodproofing, Demolition & Relocation
- Loss Categories:
 - Substantially damaged structures
 - 50% of market value
 - Repetitive loss structures
 - 2 or more losses in 10 years – on average 25% of market value
- Coverage Amount - \$30,000
- No separate deductible
- Premium Range - \$6 - \$75

Map “Grandfather Rating” Rules



- For Rating Purposes Only



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Map “Grandfather” Rules

Pre-FIRM/Post-FIRM

- Existing Business (Customer Loyalty)
 - If a policy was obtained prior to map change effective date...
 - Can maintain prior zone and BFE
 - Coverage must be continuous
 - Policy can be assigned to new owner.



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Map “Grandfather Rating” Rules

Post-FIRM

- New Business (Built-in-Compliance Rule)
 - If building was constructed in compliance with a specific FIRM...
 - Can obtain policy with zone and BFE from that map.
 - Proof must be submitted to company.
 - Continuous coverage not required.



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Map “Grandfather Rating” Rules

Pre-FIRM

- New Business
 - If policy not obtained prior to map change effective date...
 - Can receive Pre-FIRM subsidized rates.
 - No actuarial (elevation based) rates.
 - No grandfather to prior zone/BFE.
 - Continuous coverage not required.



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Map “Grandfather Rating” Rules

Preferred Risk Policy

- Map “Grandfather Rating” rules do not apply to PRP.
 - Building on PRP must be located in zones B, C or X on FIRM in effect at date of application and each subsequent renewal.
 - A building which loses PRP eligibility due to map change to SFHA...
 - Can be converted to a standard rated policy, using zones B, C or X.



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For Additional Information
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