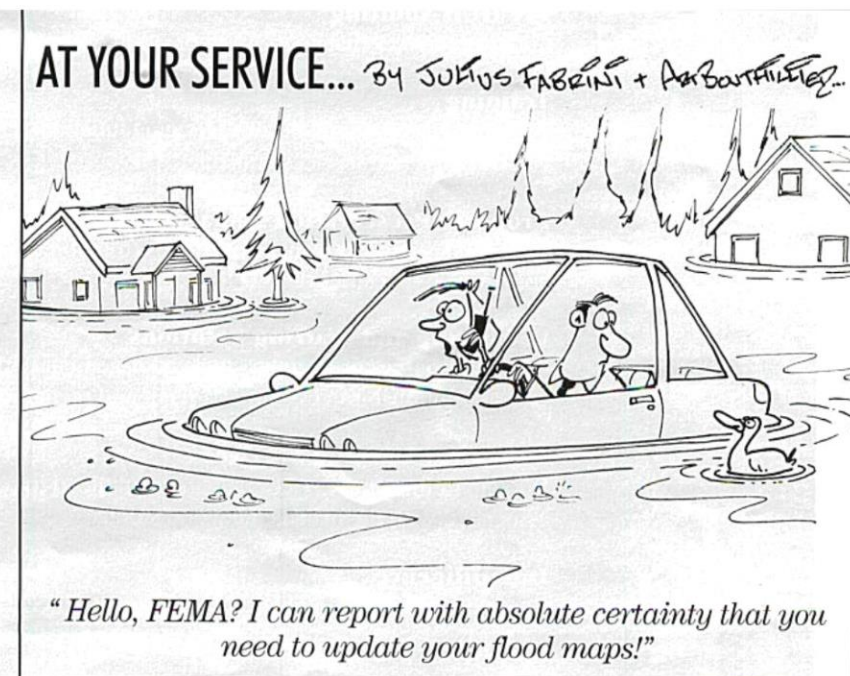


EFFECTS OF MAP CHANGES ON INSURANCE

What to Know - What to Say

2016 IAFSM Annual Conference
March 9, 2016

Bruce A. Bender, CFM
Bender Consulting Services, Inc.



SERVICING MANAGEMENT NOVEMBER 2000 ■ 3



Today's Agenda

Effects of Map
Changes on Insurance

A Few Flood Insurance
Basics



Impacts of Map Changes on
Flood Insurance



Resources



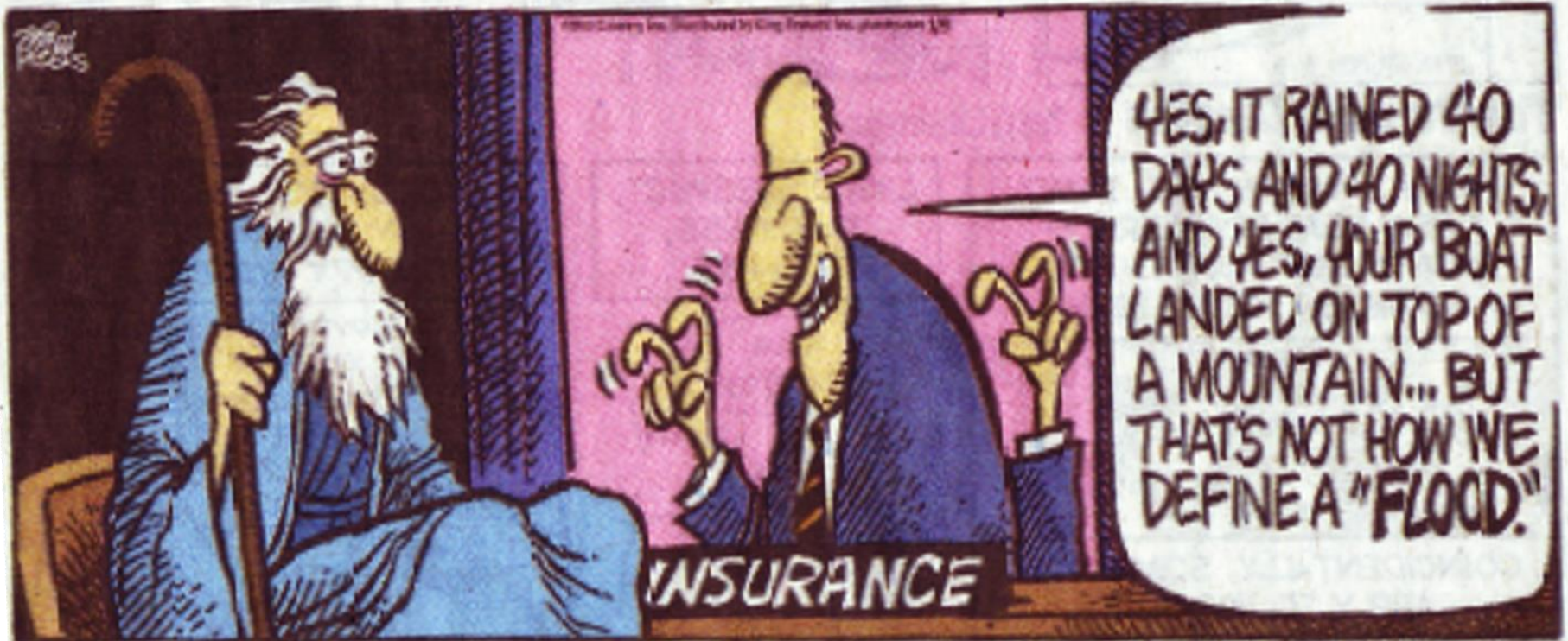
Questions



FIRST, A FEW BASICS...

Effects of Map
Changes on Insurance

Mother Goose & Grimm by Mike Peters



Two Rate Structures:

Effects of Map
Changes on Insurance

Pre-FIRM

“Old Standards”

Built before initial FIRM

“Subsidized” Rates in SFHA

NFP

PANEL 0065 B

FIRM
FLOOD INSURANCE RATE MAP
DADE COUNTY,
MISSOURI
AND INCORPORATED AREAS

PANEL 65 OF 295

(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:

COMMUNITY	NUMBER	PANEL	SUFFIX
DADE COUNTY	290796	0065	B

Notice to User: The Map Number shown below should be used when placing map orders; the Community Number shown above should be used on insurance applications for the subject community.

MAP NUMBER
29057C0065 B

EFFECTIVE DATE
JULY 17, 2002

Federal Emergency Management Agency

NATIONAL FLOOD INSURANCE PROGRAM

Post-FIRM

“New Standards” or “In Compliance”

On or After the initial FIRM

“Full-risk” Rates in SFHA



Effective Dates

Effects of Map
Changes on Insurance

- 30-days
- 1-day
- 0 days



Preferred Risk vs. Standard Rates

Effects of Map
Changes on Insurance

■ Preferred Risk Policy Rates

- Must be in Zone B, C, or X at time of application AND *each subsequent renewal**
- Fixed premiums; fixed limits
- Limited loss history

■ Standard Rates

- Rate Tables provided in Flood Insurance Manual
- Risks not eligible for Preferred Risk Policy
- Flexible limits

NOTE:

*Effective April 1, 2015:
Buildings newly mapped into a high-risk area may be able to be rated using Preferred Risk Policy (PRP) *rates* within the first 12 months after a new flood map becomes effective.

Total *premiums* are slightly higher than a standard PRP due to a higher Federal Policy Fee and Reserve Fund Assessment.



Impacts of Map Changes

Effects of Map
Changes on Insurance



What Can Happen

Effects of Map
Changes on Insurance

1. Properties newly ***identified to be in a high-risk zone*** (A) from a moderate- or low-risk zone (B, C, X)
2. There is a ***change in Base Flood Elevation*** (BFE) or from a high-risk to a higher risk zone (A to V)
3. Properties ***newly identified to be in a moderate- or low-risk zone*** (B, C, X) from a high-risk zone (A or V)
4. There is ***no change***....but are they fully insured?



■ **Newly Mapped Procedure**

- Newly mapped into high-risk area (e.g., Zone X to A or V)
- Based on PRP rates if purchased within first 12 months of new map
- Must qualify for PRP (e.g., minimal claims)

■ **Grandfathering**

- Increase in risk (newly mapped, Zone A to V, increase in BFE)
- Two Types
 - Continuous Coverage – available for pre- and post-FIRM buildings
 - Built in Compliance – available ONLY for post-FIRM buildings

■ **Conversion**

- Newly mapped into moderate- or low-risk area (e.g., Zone A to X)



Newly Mapped into High-Risk

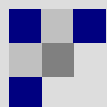
Effects of Map
Changes on Insurance

High-Risk (Zone A, AO, AE, AH, V, VE)



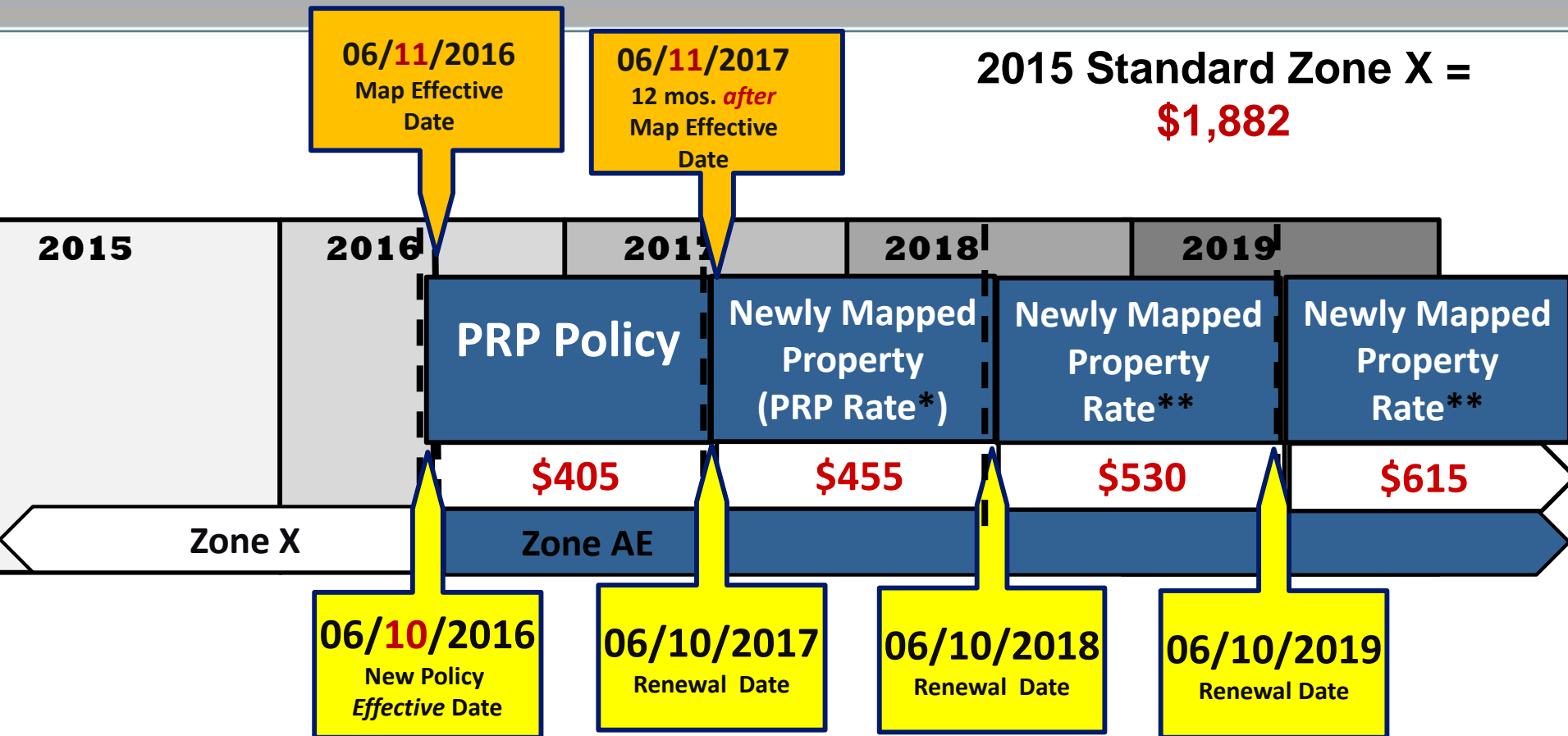
Moderate- or Low-Risk (Zone B, C, X)

- *Federal Mandatory Purchase Requirement*
- Increased Risk = Increased Flood Insurance Costs
- FEMA provides cost-saving option: **Newly Mapped Procedure**
 - Lower-cost preferred risk rates *available for 12 months after effective date.*
- **DON'T WAIT!** Buy PRP now as risk is higher than previously identified



Newly Mapped Procedure

Effects of Map
Changes on Insurance



\$200K/\$80K Building/Contents –April 2015; includes \$25 HFIAA Surcharge

***Current PRP Rates (assumes 3 % increase) plus higher RFA and FPF**

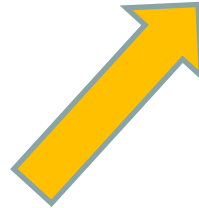
****Guesstimates – 15% increase (actual planned rate increases unknown)**

What You Should Say

- “The area your building is in has been newly identified as a high-risk area for flooding.”
- “Most lenders require flood insurance in these areas.”
- “If you don’t carry a mortgage, you should still protect your investment with flood insurance. National statistics show that you are more likely to experience a flood than a fire.”
- “The NFIP offers options to help you save on flood insurance.”
- “Purchase and have a PRP in effect before the new maps become effective to maximize your savings and reduce your financial risk now.”



Higher BFE (Zone AE, VE)



Lower BFE (Zone AE, VE)

- Federal Mandatory Purchase Requirement
- Increased Risk = Increased Flood Insurance Costs
- FEMA provides cost-saving option:
 - Eligible properties can *grandfather the lower BFE* for future rating

High-risk to Higher-Risk (BFE or Zone)

Effects of Map
Changes on Insurance

What You Should Say

- “Your building is now at an even higher risk of flooding.”
- “Rates are higher for higher-risk areas.”
- “Purchasing a policy before the map revision allows you to **lock** in the lower-risk zone or BFE for future rating, and therefore save on insurance.”
- “Renew the policy each year to stay financially protected and save money.”
- “In high-risk areas, there is at least a 1 in 4 chance of flooding over the life of a 30-year loan and a greater chance of a flood than a fire.”



High-Risk to Moderate-Low Risk

Effects of Map
Changes on Insurance

High-Risk (A, AE, AO, AH, V, VE)



Moderate (shaded X)- or Low-Risk (X)

- No longer the Federal Mandatory Purchase Requirement
- Risk is **reduced**, ***NOT REMOVED***
 - ***Nearly 25% of all flood claims occur in mod-low risk areas***
- Convert policy to lower-cost Preferred Risk Policy (PRP)

KEEP YOUR HOME AND CONTENTS PROTECTED

THERE IS STILL A RISK



Procedure:

- Ensure property is eligible for PRP (e.g. losses, zone)
- Chose proper PRP building limit (note: contents are included)
- Rewrite existing SFIP as a PRP, using last renewal date before map change

Results:

- No gaps in coverage (no 30-day wait)
- A refund to the policyholder (“*Stay covered and get money back*”)
- Strengthened customer loyalty for the agent
- Agent keeps commission *on old and new policy*



High-risk to Moderate-Low Risk

What You Should Say

- “Your risk is reduced, *not* removed.”
- “People in moderate- and low-risk areas file more than 20% of all NFIP flood insurance claims and receive one third of flood disaster assistance.”
- “You may be eligible for a lower-cost PRP, which includes contents.”
- “Stay financially protected *and* get money back once the map is effective.”
- “There will be no gaps in coverage and no additional money up front.”



Summary: Change in BFE or Zone

- 1) Zone stays the same, BFE increases – Grandfather**
- 2) Zone stays the same, BFE decreases – Rerate policy**
- 3) Zone changes from X/B/C to A/V – PRP rates 1st year
(Newly Mapped rating option)**
- 4) Zone Changes from V/A to X - Conversion**

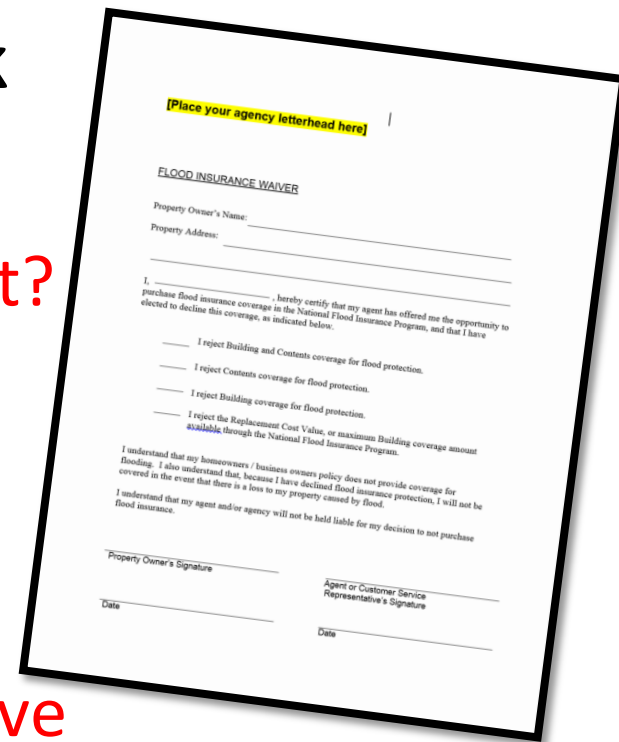


Effects of Map Changes on Insurance: No Change in BFE or Zone

Effects of Map
Changes on Insurance

Still at risk; know the level of risk

- If currently has flood insurance:
 - Is it at current replacement cost?
 - Are the contents fully covered?
- If not currently covered for flood:
 - Do they qualify for a PRP?
 - If they don't want coverage, have them decline in writing to the agent!



A sample Flood Insurance Waiver form. At the top, it says "Place your agency letterhead here". Below that is the title "FLOOD INSURANCE WAIVER". The form includes fields for "Property Owner's Name:" and "Property Address:". It then states: "I, _____, hereby certify that my agent has offered me the opportunity to purchase flood insurance coverage in the National Flood Insurance Program, and that I have elected to decline this coverage, as indicated below." There are four checkboxes with corresponding text: "I reject Building and Contents coverage for flood protection.", "I reject Contents coverage for flood protection.", "I reject Building coverage for flood protection.", and "I reject the Replacement Cost Value, or maximum Building coverage amount available through the National Flood Insurance Program." Below these is a paragraph: "I understand that my homeowners / business owners policy does not provide coverage for flooding. I also understand that, because I have declined flood insurance protection, I will not be covered in the event that there is a loss to my property caused by flood." Another paragraph states: "I understand that my agent and/or agency will not be held liable for my decision to not purchase flood insurance." At the bottom, there are lines for "Property Owner's Signature", "Date", "Agent or Customer Service Representative's Signature", and "Date".



TOP 3 QUESTIONS

Effects of Map
Changes on Insurance

The most often asked questions in an Open House are around flood insurance:

- *How am I affected?*
- *How do I get out of it?*
- *What's the cheapest cost?*

Review the changes in Flood Insurance and options

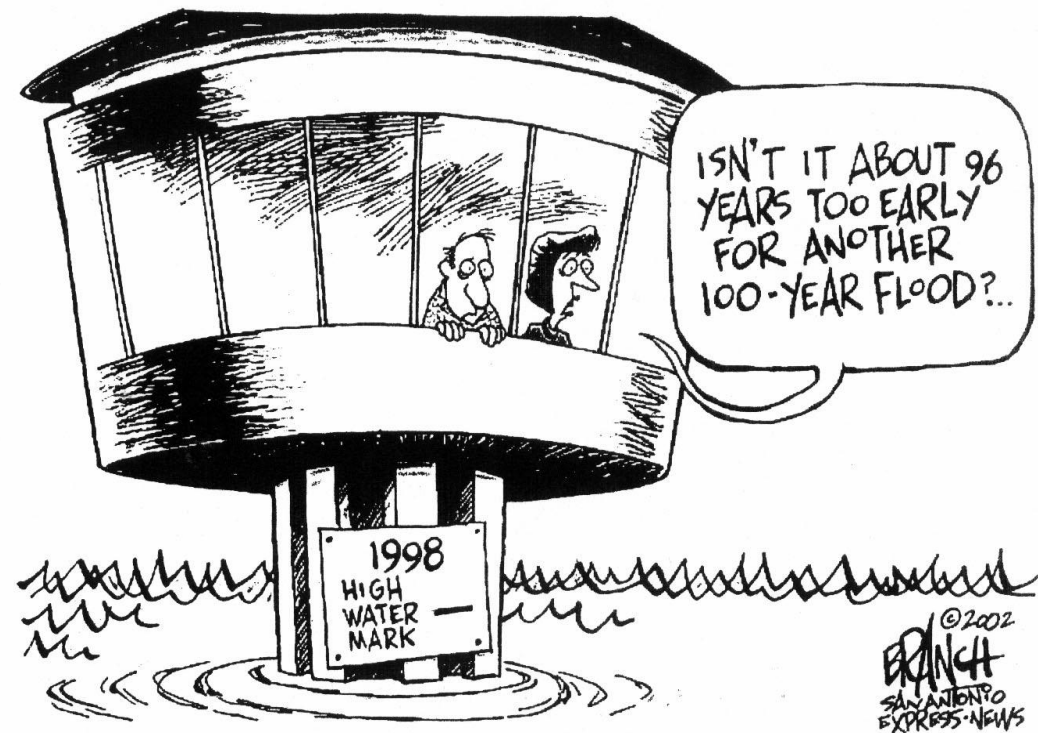
- Be ready to help guide them to find the best and least expensive option.



What **NOT** to Say

Effects of Map
Changes on Insurance

- You don't live in a flood zone.
- You are mapped out of (or into) a flood zone.
- You don't need flood insurance.







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How will the New Flood Maps Affect Your Flood Risk?

Flood risk changes from year-to-year. Enter your zip code to see if there have been any recent map changes in your area.

SEARCH YOUR AREA

LATEST NEWS

Home and business owners recovering from Sandy, [click here](#) for important information on rebuilding and insuring your home or business.

Find out more about the Preferred Risk Policy for homes in moderate-to-low risk areas. [Learn More](#)

There is a 30-day waiting period on new flood insurance policies.



GET COVERAGE FOR AS LOW AS \$129 PER YEAR

Find out about our Preferred Risk Policy for homes in moderate-to-low risk areas.

LEARN MORE



WHAT COULD FLOODING COST ME?

This interactive tool shows the cost of a flood to your home, inch-by-inch.

LEARN MORE

MAP CHANGES AND FLOOD INSURANCE: WHAT PROPERTY OWNERS NEED TO KNOW

WHAT IS A FLOOD MAP?

The maps that show the flood risks for U.S. communities are officially called Flood Insurance Rate Maps—or FIRMs. Created by the Federal Emergency Management Agency (FEMA) for floodplain management and insurance rating purposes, FIRMs generally show a community's flood zones, Base Flood Elevations (BFEs), and floodplain boundaries, all of which provide an indication of the risk of flooding. FIRMs designate high-risk areas—those with a 1 percent or higher annual risk of experiencing a flood—and moderate to low-risk areas—where the risk of flooding is less than 1 percent per year. Remember, there is no such thing as a no-risk flood zone. No matter where you live or work, there is always some risk of flooding. Flood insurance premiums are based on the degree of flood risk.

WHY DO FIRMS CHANGE?

Flood risks change over time. Water flow and because of natural forces such as erosion, subsidence, or sea-level rise. Likewise, the ability of levees and other flood control structures to alter dramatically because of land use and community development patterns, surface erosion, subsidence, wildfires, or sea-level rise. Likewise, the flood risk can change as infrastructure ages, thus increasing the risk. To reflect the changing and mapping technology to update and issue new FIRMs nationwide.

POLICIES FOR BUILDINGS NEWLY MAPPED INTO A HIGH-RISK AREA RATING OPTION INFORMATION FOR INSURANCE AGENTS TO EASE THE TRANSITION

New Flood Insurance Rate Maps (FIRMs) can show that the risk of flooding has changed. And for some property owners, a change in risk means new flood insurance requirements. In recent years, the Federal Emergency Management Agency (FEMA) has sought to ease the financial impact of a map change by extending eligibility for a lower-cost Preferred Risk Policy (PRP) if a building outside of the high-risk area called a Special Flood Hazard Area (SFHA) is newly mapped into the SFHA.

Until now, the PRP Eligibility Extension has applied to any building newly mapped into an SFHA since October 1, 2008, although as of October 1, 2013, PRP Eligibility Extension premiums began increasing at a higher rate on renewal. But beginning April 1, 2015, FEMA is implementing a new procedure to meet requirements of the Homeowner Flood Insurance Affordability Act of 2014 (HFAA).

Following a map revision, the owner of a building newly mapped into an SFHA will be rated according to a new procedure for newly mapped properties. This rate will be equal to the PRP rate, but with a higher Reserve Fund Assessment and Federal Policy Fee, for the first 12 months following the map revision. After the introductory year, the rate will begin its transition to a full-risk rate with annual rate increases of no more than 10 percent each year. Here's how it will work:

NEWLY MAPPED INTO AN SFHA

Scenario
Property newly mapped into an SFHA on or after April 1, 2015

Property newly mapped into an SFHA on or after April 1, 2015, but not covered within 12 months of the map revision date

Property newly mapped into an SFHA between October 1, 2008, and March 31, 2015, but not currently covered

Property with policy issued under the PRP Eligibility Extension prior to April 1, 2015

Property Owner Eligibility
Eligible for the Newly Mapped procedure if the policy becomes effective within 12 months of the map revision date

Property no longer eligible for Newly Mapped procedure. Post-FIRM buildings are eligible for grandfathered rates. Property no longer eligible for Newly Mapped procedure must be rated using the new maps, and may be eligible for pre-FIRM subsidized rates.

Eligible for the Newly Mapped procedure if covered before April 1, 2015

Eligible for the Newly Mapped procedure on the first effective date on or after April 1, 2015, policies for these buildings will receive the same premium as those newly issued using the Newly Mapped procedure

Renewed using the Newly Mapped procedure on the first effective date on or after April 1, 2015, policies for these buildings will receive the same premium as those newly issued using the Newly Mapped procedure

Property owners who do not have flood insurance and find that their buildings are being newly mapped into an SFHA should be encouraged to purchase a PRP before the new FIRMs become effective. Not only is their risk higher than they thought (and any potential flooding will not wait until the new maps become effective), but they also will be able to renew their policies at lower-cost PRP rates during the first 12 months after the new map becomes effective. In other words, they will gain almost an extra year at PRP rates.

Note that the same eligibility requirements that apply for PRPs also apply for the Newly Mapped procedure. A property that falls outside this category might be eligible for the Standard X Zone rating.

Additional Information

- For more details on the new Newly Mapped procedure, read WFO Bulletin W-14053 and W-14055, which can be found at [NFIPService.com](#).
- For information about grandfathering and other rating options, refer to the latest Flood Insurance Manual found at [fema.gov/Flood-Insurance-Manual](#).
- To monitor flood map updates in your area and download related marketing material to better communicate the impact of these changes on your clients, visit [Agents.FloodSmart.gov](#) and select Map Updates listed under Managing Policies.
- To stay up-to-date on the implementation of other sections of the reform legislation, visit [fema.gov/Flood-Insurance-Reform](#).



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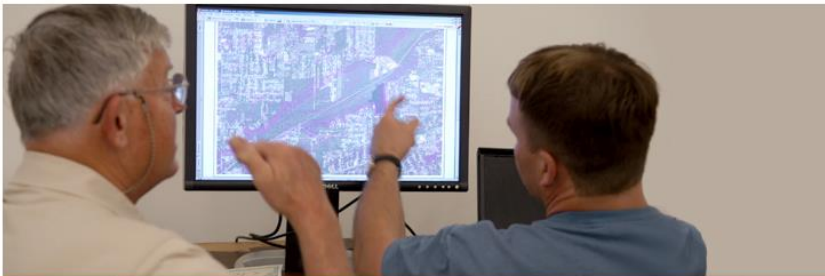
LATEST NEWS

When does your state focus on flood safety? Find out [here](#).

Find out more about the Preferred Risk Policy Eligibility Extension. [Learn More](#)

Typically, there's a 30-day waiting period from date of purchase before your policy goes into effect.

Community Resources



GET STARTED

FLOODING & YOUR COMMUNITY

TOOLS & RESOURCES

SPREAD THE WORD

WEBINARS

TOOLS & RESOURCES

FloodSmart offers a range of resources, including interactive tools, widgets, toolkits, and materials, you can use to educate Americans about the impact of flooding and what they can do to protect themselves. Help connect individuals to the information they need to make informed decisions by sharing these resources via your website, blog, social networks, and other communication channels.

View All

Interactive Tools & Banners

Materials

Infographics

Toolkits

Videos

Widgets

Cost of Flooding



Include this tool on your website to educate individuals about the high cost of a flood to a home.

LAUNCH TOOL

SHARE THIS TOOL



HOW ARE YOU MAKING YOUR COMMUNITY FLOODSMART?

We are always looking to hear from individuals, communities, and organizations. Tell us what you are doing to prepare your community for flooding so that we can share your story with others.

EMAIL US

BACKGROUND

Answers to Tough Questions

Working with media, local and state officials and property owners, you need to be armed with answers to a variety of questions before and after the flood. The following frequently asked questions address the tough issues that are often asked with preprogrammed responses to assist your outreach efforts.

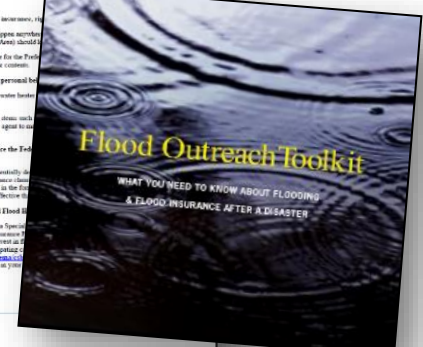
BEFORE A FLOOD

Since I don't live in a flood zone, I don't need flood insurance, right? Wrong. Even if you are not in a flood zone, you may be in a Special Flood Hazard Area (SFHA). If you live outside of the high risk area and are eligible for the Preferred Risk Policy, you may be able to get coverage for as little as \$125 a year, including coverage for your contents.

I have flood insurance, but after a recent flood, my personal belongings were not covered. A standard flood policy will cover structural damage, water heater, and other damage such as to septic and tile. However, unless you also purchase contents coverage, items such as your car, boat, and other personal property will not be covered. You should talk to your insurance agent to learn more about the coverage available for your home.

Why should I purchase a flood insurance policy since the Federal Emergency Management Agency (FEMA) only provides a 30-day waiting period to purchase a policy after a disaster?

Flood insurance is available through the National Flood Insurance Program (NFIP) participating community. Visit www.floodsmart.gov to find out if your community is participating in the NFIP. If not, you may be able to purchase a private flood insurance policy.



FAST FACTS

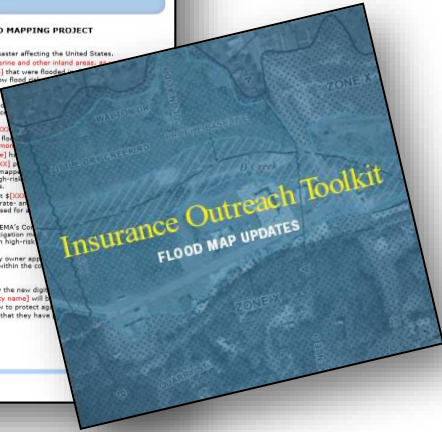
- Flooding is the most costly and repetitive natural disaster affecting the United States.
- Flooding occurs not only along the coast, but in rivers and other inland areas.
- More than 50% of properties in (Community name) that were flooded were in areas designated as having a moderate or high risk of flooding.
- Most homeowners' insurance policies do not provide coverage for flood damage. There is typically a 30-day waiting period for a flood.
- Flood insurance is available through the National Flood Insurance Program provided by about 90 insurance companies.
- (Community name) joined the NFIP in (XXXX) for (XXXX) properties, providing coverage of \$1.1 million, as of (Year).
- There are just over (XXXX) properties in (Community name) with flood insurance. More than \$10 million in losses in (Community name) have been paid out by the NFIP since (Year).
- When map changes take effect, approximately (XXXX) properties will be mapped as being in a high risk area. Approximately (XXXX) properties will remain in high risk areas.
- The average premium in (Community name) is about \$100 a year. The average premium for properties in moderate risk areas is about \$100 a year. The average premium for properties in high risk areas is about \$100 a year.
- (Community name) is a Class (X) community with FEMA's Community Rating System (CRS). Residents and business owners in high-risk areas can receive a discount on their flood insurance policy each year.
- The Class (X) CRS rating saves the average property owner approximately 5% off their flood insurance premium each year.

FOR MORE INFORMATION visit [FloodSmart.gov](#) to view the new map that is changing flood zones and learn how (Community name) will be able to protect its residents and business owners from the effects of flooding.

Based on January 2011 rates.

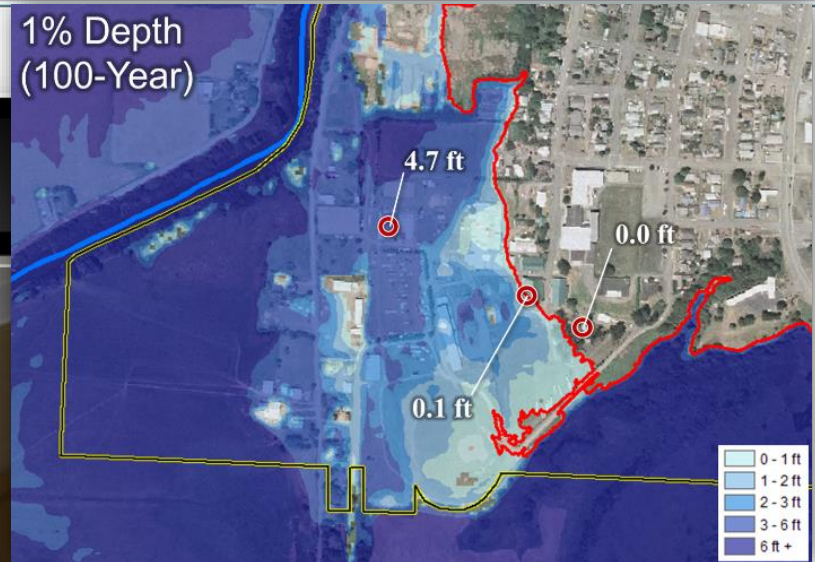
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MAPPING THE RISK



Cost of Flooding Tool

Effects of Map
Changes on Insurance



Risk MAP Depth Grid



QUESTIONS?

Effects of Map
Changes on Insurance



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