EFFECTS OF MAP CHANGES ON INSURANCE

What to Know - What to Say

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Today’s Agenda

- A Few Flood Insurance Basics
- Impacts of Map Changes on Flood Insurance
- Resources
- Questions
FIRST, A FEW BASICS...

Mother Goose & Grimm by Mike Peters

Yes, it rained 40 days and 40 nights, and yes, your boat landed on top of a mountain... but that’s not how we define a “flood.”

Insurance
Two Rate Structures:

Pre-FIRM
“Old Standards”
Built before initial FIRM
“Subsidized” Rates in SFHA

Post-FIRM
“New Standards” or “In Compliance”
On or After the initial FIRM
“Full-risk” Rates in SFHA
Effective Dates

- 30-days
- 1-day
- 0 days
Preferred Risk vs. Standard Rates

- **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

Why is my flood insurance so expens-

You live in a FLOODPLAIN!!

Holy BFE, Batman. You're right!!
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?
Rating Options

- **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

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

2015 Standard Zone X = $1,882

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

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

*Current PRP Rates (assumes 3% increase) plus higher RFA and FPF
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.”
Increase in Base Flood Elevation

**Effects of Map Changes on Insurance**

- **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
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

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
Conversion

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
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
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!
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

- You don’t live in a flood zone.
- You are mapped out of (or into) a flood zone.
- You don’t need flood insurance.
Effects of Map Changes on Insurance Policies

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How will the New Flood Maps Affect Your Flood Risk?

FloodSmart.gov

Call toll free: 1-888-378-4631 or have us call you

FEMA

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Cost of Flooding Tool

The Cost Of Flooding

6 inch flood

Total Losses

$39,150

2,000 Square Foot Home

Estimates are for illustrative purposes only and should not be used to estimate any actual flood loss. A flood certified insurance adjuster making a room-by-room item-by-item, detailed estimate of covered flood damage is the only estimating method approved by and acceptable to the National Flood Insurance Program. These estimated costs are based on an average U.S. home of 1,000 and 2,000 square feet, built on a slab and with typical household items. Costs vary from State to State and home to home.

Risk MAP Depth Grid

1% Depth (100-Year)

4.7 ft

0.0 ft

0.1 ft
QUESTIONS?

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I know, but calling it “Grandmothering” just doesn’t have the same effect!