



Flood damage mitigation and insurance

Federal Advisory Committee on Insurance
Feb. 22, 2018, U.S. Treasury, Wash. D.C.

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NAIC Consumer Representative
FACI Member

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About United Policyholders

- A non-profit consumer organization
- Expertise in insurance (buying, claims, legal)
- Supported by donors, grants and volunteers
- A trusted source for the media
 - <http://uphelp.org/news/up-in-the-news>
- A respected voice and help resource for consumers
- Active at the NAIC, coordinating with state ins. Regulators on a regular basis

WISE UP

The Savvy Consumer's Guide
to Buying Insurance

HOME, RENTAL, AUTO
& UMBRELLA EDITION



United 
Policyholders.

Amy R. Bach and John P. Sullivan

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26 years of experience:

- Guiding consumers on insurance decisions
- Improving disaster recovery for individuals, businesses and communities
- Advocating for coverage in claim scenarios
- Keeping tabs on insurance prices and policies
- Advancing solutions to problems
- Partnering with public officials, professional associations and businesses

Our Three Programs

- Roadmap to Recovery
 - *Helping people and businesses solve insurance problems.*
- Roadmap to Preparedness
 - *Increasing insurance literacy and preparedness by sharing lessons learned by disaster survivors.*
- Advocacy and Action
 - *Standing up for consumers in courts of law, legislative and other public policy forums, and in the media.*

Flood Preparedness Messages:

- Just b/c you're not legally required to buy it doesn't mean you shouldn't. Get a quote
- Keep coverage up to date
- Inventory your assets
- Scan important documents and store offsite
- Invest in improvements that will make it less likely your home will be damaged and qualify you for better insurance coverage and pricing

Imperatives:

- Get more homes insured for flood (aim: all-risk policies)
- Preserve everything about the NFIP that's working, fix what's not
- Maintain and increase affordable flood insurance options for property owners through expanded private options
- Enforce standards, partnerships and build viable mitigation support programs public AND private:
- Increase private insurers role in facilitating and rewarding mitigation

Reality:

- Unless a lender, agent/broker or financial advisor requires or recommends buying flood insurance, most do not buy flood insurance
- That often does not happen:
 - “Bank Hit with 7 Figure Fine for NFIP Violations”
<https://www.insurancebusinessmag.com/us/news/breaking-news/bank-hit-with-seven-figure-fine-for-nfip-violations-69830.aspx>

The NFIP = more than an insurer

- Mission is MITIGATING *and* INSURING flood risk
 - Home and business owners
 - Lenders
 - Communities/Infrastructure
- 40 years on and off the political hot seat

NFIP realities

- Essential. Must be reauthorized, reformed and protected against unfair competition
- Only insuring 5 million of the 117 million households in the U.S
- Strong on mitigation, rate-making very challenging

State of Private Flood Options

- Limited number of hybrid products (e.g., Coastal American) that cover wind and flood are becoming available in Coastal States – limited policy count,
- Flood endorsements sold by some carriers, surplus lines
- Increased interest/engagement by reinsurers
- Multi-state consortium (Alabama, Mississippi) looking at ways to create a multi-state or national “all perils” product
- Continued lender reluctance to accept private flood policies, even if they are equivalent or more favorable than the NFIP (SFIP).
http://uphelp.org/sites/default/files/attachments/fha_private_flood_letter_1_1.pdf

Private flood market imperatives:

- Effective fed/state regulation
- Privates must help fund mapping, insolvency funding
- Privates should share public burden re: income/needs-based mitigation financing support

Consumer challenges related to mitigation:

- Resistance (aesthetics, political views)
 - Flood map appeals
 - “Stop FEMA Now”
- Cost of elevating, retrofitting
- Lack of information/support/financing help
- Staying in harm’s way
 - Political, environmental, developer sector

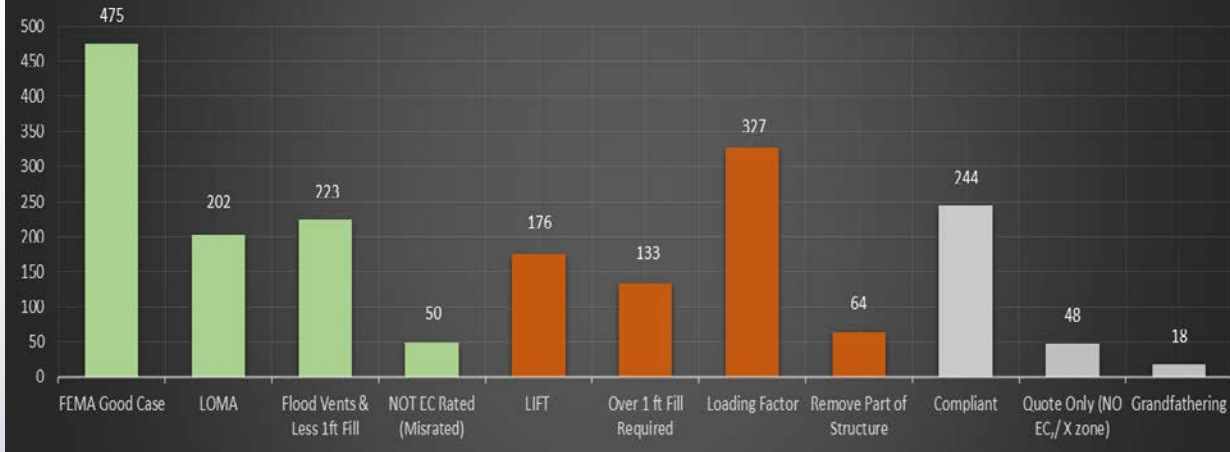
Before and After



Increasing affordability via mitigation

FEMA Good Case	475	32%
LOMA	202	14%
Flood Vents & Less 1ft Fill	223	15%
NOT EC Rated (Misrated)	50	3%
LIFT	176	12%
Over 1 ft Fill Required	133	9%
Loading Factor	327	22%
Remove Part of Structure	64	4%
Compliant	244	16%
Quote Only (NO EC,/ X zone)	48	3%
Grandfathering	18	1%
	1485	<u>100%</u>

F.R.E. Statistics



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1485 Reviews / Total Customer Premium Reductions = \$2,344,252.00

32% of our reviewed cases can pay lower premiums with reasonable mitigation.

The Reasonable Mitigation Cases saved **\$843,503.00** this year.

FEMA Good Case: This is a simple combination of the sections below:

LOMA: Structure is eligible to apply for a LOMA with FEMA and be placed into the X Zone.

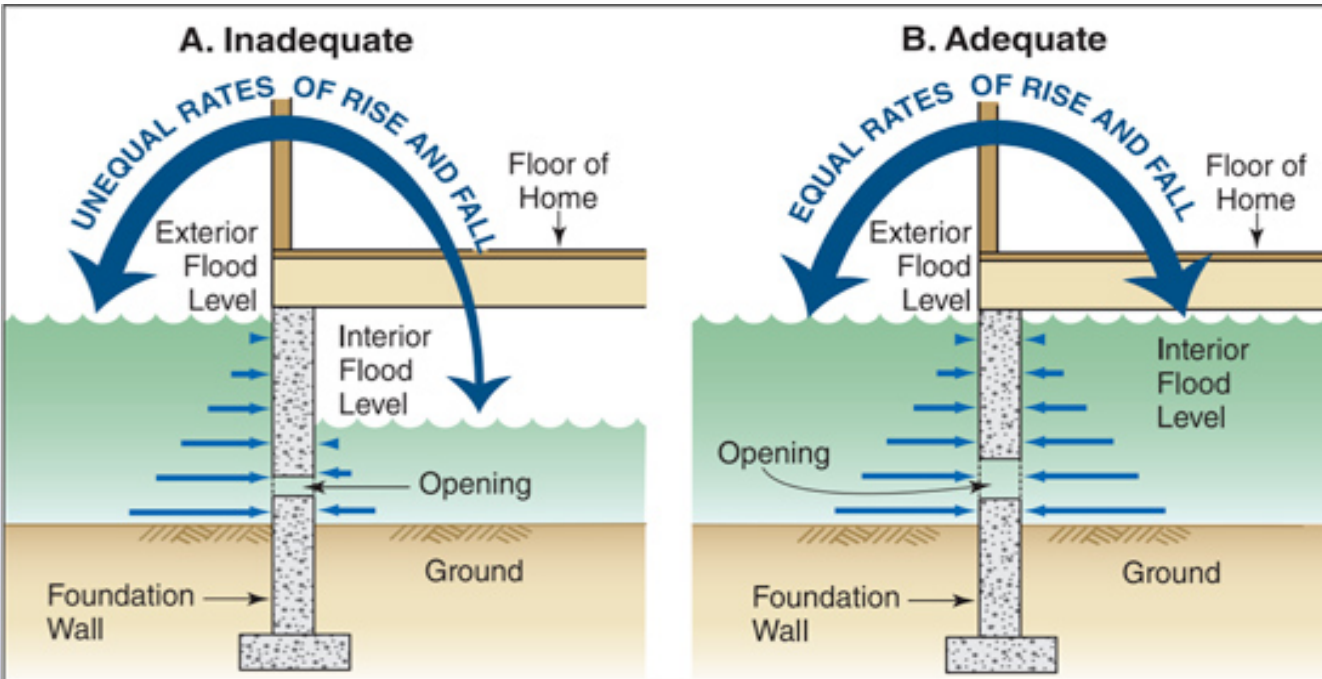
Flood Vents: These are structures where the addition of compliant Flood Vents and less than 1' of fill/LAG change, will lower flood premiums.

Not EC Rated: Policy in force does not use the existing Elevation Certificate for rating, which would reflect a lower premium. As well as other misratings.

Top Errors on Policies (Misratings) :

- Residency status incorrect (Primary/Non-Primary)
- Pre-FIRM structures not rated off EC, when it would be more beneficial to the owner.
- Floor Elevation difference is misrated (compared to BFE)
- Some cases are eligible for LOMA's and still have high policies. Agents don't catch this info.





Reduce Your Risk, Reduce Your Premium

A primary way to reduce or avoid future flood losses is to raise your building above the Base Flood Elevation (BFE). As the graphic below shows, you could reduce your flood insurance premium by 85 percent or more — and save thousands of dollars over the life of your home or business. It is important to understand the long-term costs and benefits when considering your options for repairing, rebuilding, or relocating.

Insurance Considerations:

- How elevating your home or business can help reduce your rates
- Future premium increases for all homes and businesses
- Options for insuring your building and its contents
- Changes in rates for secondary homes
- Other circumstances that could increase your rates

If you rebuild to pre-flood conditions, your flood insurance premium could increase dramatically in the future.

Building Considerations:

- Meeting building code requirements and current best practices
- Revised Flood Insurance Rate Maps and advisory flood risk products
- Hazard mitigation grant programs
- Other grant programs and loans to help rebuild or acquire your home or business

Under the Flood Insurance Reform Act of 2012, You Could Save More than \$90,000 over 10 Years if You Build 3 Feet above Base Flood Elevation*

PREMIUM AT 4 FEET BELOW
BASE FLOOD ELEVATION

\$9,500/year
\$95,000/10 years



PREMIUM AT
BASE FLOOD ELEVATION

\$1,410/year
\$14,100/10 years



PREMIUM AT 3 FEET ABOVE
BASE FLOOD ELEVATION

\$427/year
\$4,270/10 years



*\$250,000 building coverage only (does not include contents), AE (high to moderate risk) zone, single-family, one-story structure without a basement at: 4 feet below Base Flood Elevation (BFE); at BFE; and at 3 feet above BFE. (Rating per FEMA flood insurance manual, October 1, 2012). The illustration above is based on a standard National Flood Insurance Program (NFIP) deductible.

Mitigation/ICC/State Programs

- New Jersey's RREM program gave \$150,000 grants for home-raising for properties damaged by Superstorm Sandy (if you took the money, it's raise it or lose it – your house, that is)
 - The program was not available for second homes or properties that were “substantially damaged” (i.e., cost of repairs exceeds 50% of the the pre-flood market value, regardless of cause!)
- Increased Cost of Compliance (“ICC”)
 - \$30,000 may be applied to mitigation measures that will reduce flood risk to “substantially damaged” or repetitive loss properties (ICC could be a duplication of benefits if you participated in the RREM program)
- What type of mitigation results in premium discounts?
 - Proper venting below Base Flood Elevation (“BFE”) (e.g. SmartVent – ICC/FEMA approved), filing in crawl spaces, raising basement machinery can all reduce an NFIP flood insurance premium (see next slide)

Onward:

“[F]looding . . . has affected more people than any other natural hazard. Modernizing our flood maps is one massive but essential undertaking currently under way; an exposure analysis of all buildings, critical infrastructure and other assets in flood-prone areas is also key.... new remote-sensing techniques, such as laser and radar-based measurements collected by aircraft, drones or satellites, makes it feasible. And as this technology continues to develop, it will become cheaper.” *Erwann Michel-Kerjan, Exec. Dir. of the Ctr. for Risk Management & Decision Processes, Wharton Sch. of U. of Penn.,*

- Better understanding of flood risk = more people will buy it
- More options will create a bigger pool of insureds, spread risk and help with affordability

<https://www.uphelp.org/guide/fixing-flood-insurance>

- Buying tips
- NFIP reform
- Reports and links

The screenshot shows the United Policyholders website homepage. At the top, there are social media icons for Twitter, Facebook, and YouTube, followed by the organization's logo and tagline "Empowering the Insured". Navigation links include Home, About Us, Programs, News, Resources, Find Help, Support Us, and Donate. A search bar is also present. Below the navigation is a large banner image of a woman and a man at a community event, with a menu overlay listing "Non-profit", "Claim and buying tips", "Professional and legal help resources", and "Disaster preparedness and recovery". The main content area is divided into sections: "Welcome to insurance help" with a brief mission statement and a "Learn More" button; "Services" with links for "Ask an Expert", "Find Help Directory", "Claim Help", "Home Inventory App", and "Tip of the Month"; "Disaster Recovery Help" with four featured articles: "Round Fire Claim Help", "Boles Fire - Weed, CA", "Napa Earthquake", and "Hawaii Storm Damage"; and "Latest News" with three recent articles from February 2014, including "FEMA Sued Over Records Related To Superstorm Sandy Victims And Other Flood Insurance Claims", "TOTALy worth the effort", and "Nonprofit sues FEMA for records on disputed Sandy settlements".