



**INSURANCE
INFORMATION**
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The Plain Truth about Flood Insurance and Floodplain Management

March 24, 2016

National Hurricane Conference

Orlando, Florida

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Presentation Outline

- ▲ What is a Flood?
- ▲ Flood Insurance Basics
- ▲ How the NFIP Works?
- ▲ Risk of Flooding
- ▲ I.I.I. Pulse Study Results on Flood insurance
- ▲ NFIP Reforms
- ▲ Questions/Discussion



What is a Flood ?

- *Anywhere it rains, it can flood.*
- *Many conditions can result in a flood – hurricanes, overtopped levees, melted snow and the rapid accumulations of rainfall.*



What Is A Flood?

Anywhere it rains, it can flood. A flood is a general and temporary condition where two or more acres of normally dry land or two or more properties are inundated by water or mudflow. Many conditions can result in a flood: hurricanes, overtopped levees, outdated or clogged drainage systems and rapid accumulation of rainfall.

Just because you haven't experienced a flood in the past, doesn't mean you won't in the future. Flood risk isn't just based on history, it's also based on a number of factors: rainfall, river-flow and tidal-surge data, topography, flood-control measures, and changes due to building and development.

Flood-hazard maps have been created to show different degrees of risk for your community, which help determine the cost of flood insurance. The lower the degree of risk, the lower the flood insurance premium.

Flood Insurance Basics

- ▲ Flood damage is excluded under standard homeowners and renters insurance policies. However, flood coverage is available in the form of a separate policy both from the National Flood Insurance Program (NFIP) and from a few private insurers.
- ▲ Congress created the NFIP in 1968 in response to the rising cost of taxpayer-funded disaster relief for flood victims and the increasing amount of damage caused by floods.
- ▲ The NFIP makes federally backed flood insurance available in communities that agree to adopt and enforce floodplain management ordinances to reduce future flood damage.
- ▲ The NFIP provides coverage for up to \$250,000 for the structure of the home and up to \$100,000 for personal possessions. The NFIP policy provides replacement cost coverage for the structure of the home but only actual cash value for personal possessions.
- ▲ The NFIP does not cover additional living expenses. And, the coverage for basements is limited to the systems in the house (heating, etc.) that make a home habitable.

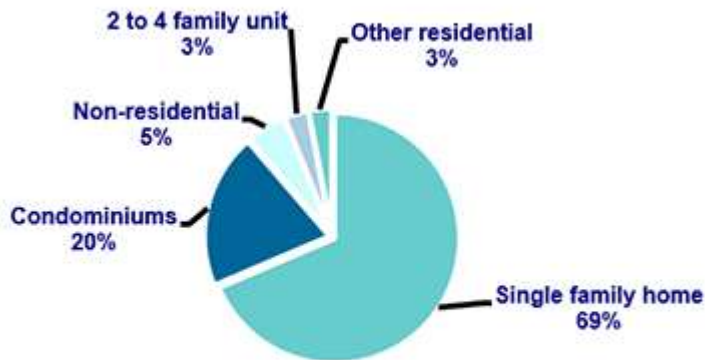


Flood Insurance Basics

- ▲ There is a 30-day waiting period before the coverage takes effect.
- ▲ Excess flood insurance is also available from some private insurers for those who need additional insurance protection over and above the basic policy or whose community does not participate in the NFIP.
- ▲ Excess flood insurance is available in all parts of the country—in high risk flood zones along the coast and close to major rivers as well as in areas of lower risk—wherever the federal program is available. It can be purchased from specialized companies through independent insurance agents, or from regular homeowners insurance companies that have arrangements with a specialized insurer to provide coverage to their policyholders.

69 Percent of NFIP Policies are for Single Family Homes

FLOOD INSURANCE POLICIES IN FORCE BY OCCUPANCY TYPE, 2014 (1)



(1) As of October 2014.

Source: Federal Emergency Management Agency (FEMA).

FloodSmart.gov – Provides Information on the Risk of Flood and Cost of the Policy

The screenshot shows the FloodSmart.gov website. At the top left is the logo with the text "FloodSmart.gov The official site of the NFIP". At the top right, it says "Call toll free: 1-888-379-9531 FREE or have us call you" and a search bar with "Search FloodSmart.gov". A left sidebar lists navigation categories: HOME, FLOODING & FLOOD RISKS, ABOUT THE NATIONAL FLOOD INSURANCE PROGRAM, RESIDENTIAL COVERAGE, COMMERCIAL COVERAGE, POLICYHOLDER RESOURCES, PREPARATION & RECOVERY, and RESOURCES (with sub-links like Agent Site, Agent Locator, etc.). The main content area features a large illustration of a flooded house and a boat with people. The headline reads "Protect What Matters" with the subtext "Think about what your home means to you. Have you done everything you can to protect it?" and a "LEARN YOUR RISK" button. Below this is a navigation bar with links: "El Niño", "Winter Rainy Season", "Protect What Matters", "Recent Changes", and "New Flood Maps". The bottom section contains three promotional boxes: "LATEST NEWS" (Learn what you can do to keep your family and property safe before, during, and after a flood), "GET COVERAGE WITH A LOW-COST POLICY" (Find out about our Preferred Risk Policy for homes in moderate-to-low risk areas), and "WHAT COULD FLOODING COST ME?" (This interactive tool shows the cost of a flood to your home, inch-by-inch). On the right, there is a "One-Step Flood Risk Profile" form with the heading "HOW CAN I GET COVERED?" and fields for Address, City, State, Zip code, and Residential? (Yes/No), with a "GO!" button and a "Privacy Policy" link.

NFIP Makes it Easy to Find a Flood Insurance Agent

Agent Locator

Flood insurance protects your home. But, before you protect your home, you'll need to find an agent who lives near it. Use this straightforward tool to enter your zip code and locate an agent near you.

TIME TO GET COVERED

When you're ready to buy flood insurance, talk to your agent. Together, you can discuss how best to meet your insurance needs.

Please enter your address to find local flood insurance agents:

Address	<input type="text"/>
City	<input type="text"/>
State	<input type="text" value="State/Territory"/> ▼
Zip Code*	<input type="text"/>

SEARCH



How the NFIP Works

- ▲ The NFIP is administered by FEMA, part of the Department of Homeland Security. Flood insurance was initially only available through insurance agents who dealt directly with the federal program.
- ▲ The direct policy program has been supplemented since 1983 with a private/public cooperative arrangement, known as "Write Your Own," through which a pool of insurance companies issue policies and adjust flood claims on behalf of the federal government under their own names, charging the same premium as the direct program.
- ▲ Participating insurers receive an expense allowance for policies written and claims processed.
- ▲ The federal government retains responsibility for underwriting losses. Today, most policies are issued through the Write-Your-Own program..



More on the NFIP

- ▲ As of October 2015, 79 insurance companies participated in the Write Your Own program, started in 1983, in which insurers issue policies and adjust flood claims on behalf of the federal government under their own names.
- ▲ As of August 2015, 67 percent of policies covered single family homes, 21 percent covered condominiums, and 6 percent covered businesses and other non-residential properties. Two- to four-family units and other residential policies accounted for the remainder.
- ▲ Superstorm Sandy, which occurred in October 2012, resulted in \$8.0 billion in NFIP payouts as of October 2015, second only to 2005's Hurricane Katrina with \$16.3 billion in payouts.



Risk of Flooding

- ▲ Flooding is the most common and costly natural disaster in the U.S.
- ▲ It causes an average of \$50 billion in economic losses each year.
- ▲ Most U.S. natural disasters declared by the president involve flooding.
- ▲ Ninety percent of all natural disasters in the U.S, involve flooding.
- ▲ Everyone should consider purchasing flood insurance and find out their flood insurance risk.

Nearly 20% of flood insurance claims come from moderate-to-low risk areas.



HURRICANE-RELATED FLOODING

- ▲ A 2013 study of coastal areas by Core Logic found that 4.2 million homes, with \$1.1 trillion in total property exposure, are at risk of damage caused by hurricane storm surge flooding.
- ▲ In the Atlantic Coast region alone, there are approximately 2.4 million homes at risk, valued at more than \$793 billion.
- ▲ Total exposure along the Gulf Coast is \$354 billion, with 1.8 million homes at risk for potential storm-surge damage..



Residential Exposure to Hurricane Storm-Surge Damage

- Residential properties in Florida have the most exposure to hurricane storm surge damage, followed by New York, New Jersey, Virginia and Louisiana, according to Core Logic.
- Among the most densely populated metropolitan areas, the New York City metro area, which includes Long Island and the New Jersey coast, has the highest exposure to potential storm surge damage (\$206 billion).
- The next four areas in terms of exposure were Miami (\$100 billion), Virginia Beach (\$73 billion), Tampa (\$55 billion) and New Orleans (\$43 billion).

TOTAL POTENTIAL RESIDENTIAL EXPOSURE TO HURRICANE STORM-SURGE DAMAGE IN COASTAL STATES, 2013 (1)

Rank (2)	State	Total exposure to damage (\$ billions)	Number of homes
1	Florida	\$386.5	1,478,858
2	New York	135.0	270,458
3	New Jersey	118.8	350,577
4	Virginia	78.0	329,234
5	Louisiana	72.0	411,052
6	South Carolina	65.6	196,784
7	North Carolina	65.2	232,212
8	Texas	50.9	369,071
9	Massachusetts	50.3	107,657
10	Connecticut	35.0	53,614
11	Maryland	22.4	75,262
12	Georgia	20.5	118,004
13	Delaware	15.9	42,178
14	Mississippi	10.3	78,992
15	Rhode Island	7.2	16,722
16	Alabama	4.7	34,854
17	Maine	3.1	10,535
18	New Hampshire	2.7	5,854
19	Pennsylvania	2.6	20,198
20	D.C.	0.1	247
	United States	\$1,146.9	4,202,363

(1) Exposure to potential hurricane-driven storm-surge damage to single family homes in states along the Atlantic and Gulf coasts. Based on estimated property values as of April 2013, as calculated by CoreLogic. Results are not comparable to previous years, as CoreLogic's methodology has changed.

(2) Ranked on dollar value of exposure to damage.

Source: CoreLogic (www.corelogic.com).

[View Archived Tables](#)



TOP 10 MOST SIGNIFICANT FLOOD EVENTS BY NATIONAL FLOOD INSURANCE PROGRAM PAYOUTS (1)

Rank	Date	Event	Location	Number of paid losses	Amount paid (\$ millions)	Average paid loss
1	Aug. 2005	Hurricane Katrina	AL, FL, GA, LA, MS, TN	167,970	\$16,317	\$97,140
2	Oct. 2012	Superstorm Sandy	CT, DC, DE, MA, MD, ME, NC, NH, NJ, NY, OH, PA, RI, VA, VT, WV	129,360	7,996	61,809
3	Sep. 2008	Hurricane Ike	AR, IL, IN, KY, LA, MO, OH, PA, TX	46,593	2,690	57,730
4	Sep. 2004	Hurricane Ivan	AL, DE, FL, GA, LA, MD, MS, NJ, NY, NC, OH, PA, TN, VA, WV	28,294	1,612	56,977
5	Aug. 2011	Hurricane Irene	CT, DC, DE, MA, MD, ME, NC, NH, NJ, NY, PA, RI, VA, VT	44,244	1,338	30,242
6	Jun. 2001	Tropical Storm Allison	FL, LA, MS, NJ, PA, TX	30,786	1,107	35,958
7	May 1995	Louisiana Flood	LA	31,343	585	18,667
8	Aug. 2012	Tropical Storm Isaac	AL, FL, LA, MS	11,995	549	45,780
9	Sep. 2003	Hurricane Isabel	DE, MD, NJ, NY, NC, PA, VA, WV	19,938	500	25,091
10	Sep. 2005	Hurricane Rita	AL, AR, FL, LA, MS, TN, TX	9,528	475	49,820

(1) Includes events from 1978 to August 31, 2015, as of October 15, 2015. Defined by the National Flood Insurance Program as an event that produces at least 1,500 paid losses. Stated in dollars when occurred.

Source: U.S. Department of Homeland Security, Federal Emergency Management Agency; U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Hurricane Center.

I.I.I. Pulse Study Results on Flood Insurance



- ▶ Despite the fact that flooding is the most common and costly natural disaster in the U.S., the majority said they did not have a flood insurance policy.
- ▶ Only 14 percent said they had a policy – a statistic that has remained fairly consistent in recent years.

Public Understanding of Flood Insurance

Nearly One Quarter of Homeowners incorrectly thought their homeowners insurance policy would cover flood damage

Hurricane-caused flood damage

Fig. 4.1

Believe homeowners insurance covers flood damage, 2010–2015*

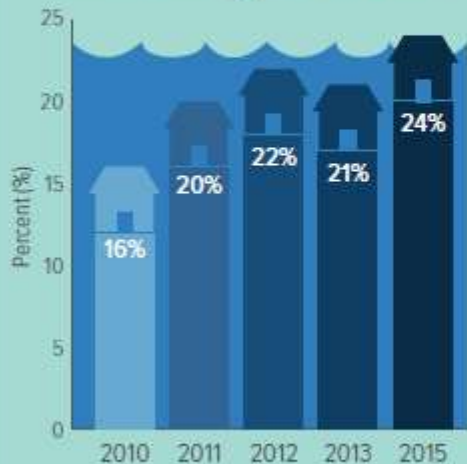
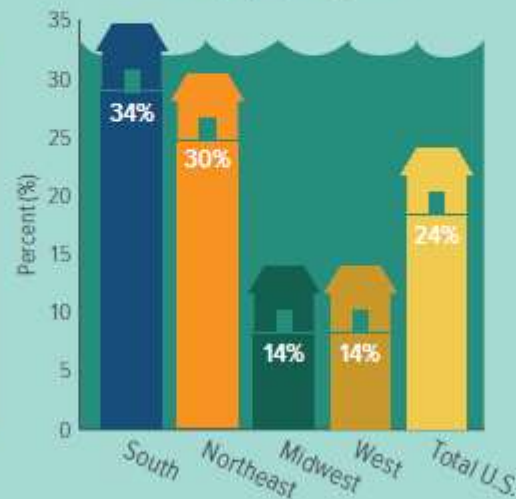


Fig. 4.2

Believe homeowners insurance covers flood damage, by region



Coverage for flood: Standard homeowners policies do not cover flood damage. For the most part, consumers must get flood insurance from the National Flood Insurance Program.

*Question not asked in 2014.

Flood Insurance Take-up Rates

The percentage of homeowners purchasing Flood insurance has remained consistent

The South had the Highest Proportion of Homeowners with a flood insurance policy

Flood insurance take-up

Fig. 5.1

Homeowners who have flood insurance, 2011–2015

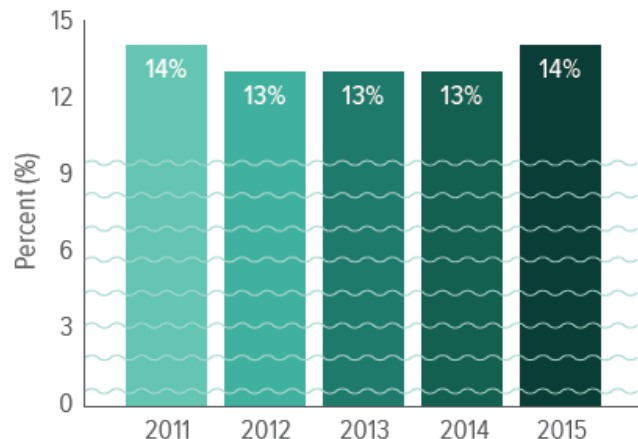
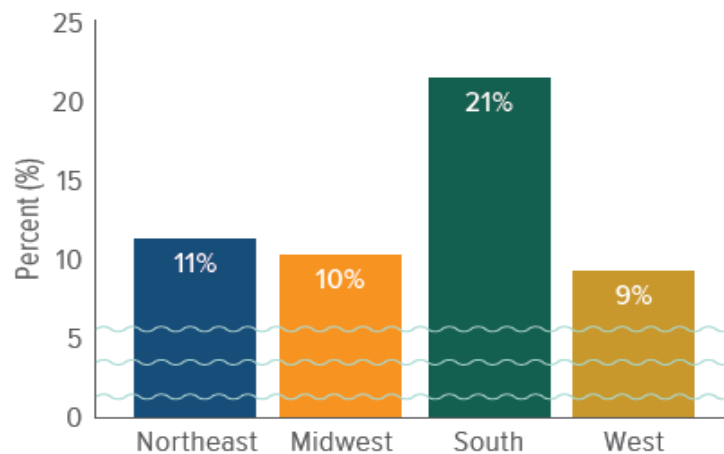


Fig. 5.2

Homeowners by region who have flood insurance



National Flood Insurance Reforms

- ▲ In March 2014 Congress rescinded many of the rate increases called for by The Biggert-Waters Flood Insurance Reform Act, passed two years earlier.
- ▲ The original act sought to make the federal flood insurance program more financially self-sufficient by eliminating rate subsidies that many property owners in high-risk areas receive.
- ▲ The new law reduces some rate increases already implemented, prevents some future increases and puts a surcharge on all policyholders.

National Flood Insurance Reforms

- ▲ It also ends a provision in Biggert-Waters that removed a subsidy once a home was sold. People who purchased homes after Biggert-Waters became law will receive a refund. Many lawmakers in coastal states were concerned that the higher cost of flood insurance would have a negative impact on the real estate industry.
- ▲ The subsidy will now be covered by a \$25 surcharge on homeowners flood policies and a \$250 surcharge on insurance for nonresidential properties and secondary (vacation) homes.
- ▲ According to data from FEMA, most current flood insurance policyholders (81 percent, or 4.5 million) pay rates based on the true risk of flood damage and so were not affected by Biggert-Waters or the subsequent rollback.



National Flood Insurance Reforms

- ▲ The 2014 law prevents any policyholder from seeing an annual rate increase exceeding 18 percent. This will result in refunds in some cases. Refunds began in October 2014. FEMA has a fact sheet on who is eligible for refunds.
- ▲ The law also reinstates a practice known as grandfathering, meaning that properties re-categorized as being at a higher risk of flooding under FEMA's revised maps would not be subject to large increases.
- ▲ Properties most affected by the rate hikes were in high-risk flood zones;
 - ◆ Were built before communities adopted their first Flood Insurance Rate Map; were second homes;
 - ◆ Or are second homes that have not been elevated.
 - ◆ Others affected include businesses and those who live in homes that have been repeatedly flooded.





Questions/Discussion



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Thank you!

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