Flood and Other Coastal Issues 2025

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Flood Materials

Available for download at:

Nowpreneur.com/CICflood

- PDF of this presentation for your reference
- Flood risk studies
- Other helpful links

Any problems with access:

Email Charlotte@Nowpreneur.com

Would You Sell This Coverage?

An estimated 45% of homes in the US are at moderate to high risk of loss **but only about 4%** have purchased coverage

Would You Sell This Coverage?

Often pays the *highest* commission of all property policies in your agency

Would You Sell This Coverage?

While requiring the *least* amount of time to place and service

Would You Sell This Coverage?

And… most of your competition *never* discusses it with their clients or prospects

With Flood Insurance

YOUR CUSTOMER wins — flood losses are paid, helping them return to normal faster

YOU WIN — More income, higher account value, higher retention, higher customer satisfaction

YOUR COMMUNITY wins — more resiliency means higher property values, less economic loss after flooding

Frequency of NC Flooding

Figure 5 Flood Events by North Carolina Region (Storm Events Database)

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Flood Risk

- At least 62 million US homes have a moderate to extreme risk of flooding
- 14 million people were impacted by the “Great Flood of 2019” which also flooded over 1 million acres of farmland
- Every state has a flood risk!

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NCSU Center for Geospatial Analytics Study

Examined US floods from December 2006 – May 2020 and compared to FEMA's 2020 maps

Findings:

- 84.5% of losses were outside of the high-risk flood zones
- 68.3% were in a lower risk zone (X)
- 16.2% were in unmapped areas

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First Street Foundation

- >50% of the US population is likely to experience stormwater failure due to flooding from heavy rainfall events
- NOAA has received appropriations to update rainfall modeling but it won't be complete until 2027
- 51% of the population is 2 times more likely to have a 1-in-100-year flood than current maps indicate
- Floods drive foreclosures
  - 20 of 29 flooding events led to high foreclosure rates
  - $68 million in unanticipated loan write-offs after Sandy

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Recovering from a Flood

According to FEMA, 40% of businesses damaged during a natural disaster never reopen

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You Can't Just Move

99% of the US population lives in a county that has experienced a flood disaster

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Or Ignore It

Flooding is the most common, most costly, and most lethal natural disaster

Cost of flood damage in US $180B+ per year

125+ deaths on average per year (NWS)

90% of natural disasters involve flooding

A home is 27 times more likely to have a loss from flood than fire (FEMA)

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Most people aren't insured…

US Homeowners with NO flood coverage:

96%

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Even here…

In areas with MANDATORY coverage requirements only

25%

have flood insurance

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Hurricane Florence

- 42 deaths in NC
- Over 1100 road closures
- 75,000+ structures flooded
- Had a bigger impact to the state than Hurricane Hazel (1954)
- **$10B-13B uninsured flood losses**
- **85% of flood losses were uninsured**

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Hurricane/Super Storm Sandy

- NFIP losses of $8.75 billion, over 132,000 claims
- **1/3 of homes subject to mandatory flood insurance had NO coverage**
- **80% of other homes with losses – NO coverage**

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Hurricane Harvey

- Category 4 storm with 130 mph winds
- 27 trillion gallons of rain in 6 days
- 60.58” of rain (tropical system record)
- Remained a named storm 117 hours after landfall
- NFIP losses $8.9B
- **85% of flood losses were uninsured**
- 82 deaths

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Hurricane Ian 2022

- Disaster declaration for 9 counties with a population of 2.8 million. **Only 29% had NFIP flood insurance.**
- In Hardee County only **1.25%** of homes had flood insurance
- Flooding from rainfall was a 1-in-1,000 year event *not including the flooding from storm surge*.
- Flooding happened far from the coast

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2023 Flooding

- 28.8% more flooding events (6,509) than 2022
- Hurricane Hilary impacted Burning Man Festival
- Tulare Lake in CA refilled after 40 years of being dry
- California had the highest number of flood events in 2023 with 1,024 events
- Flooding in West Point NY and the Northeast – VT flood events increased 1,460% from the year before
- Flash flooding in Mississippi River valley

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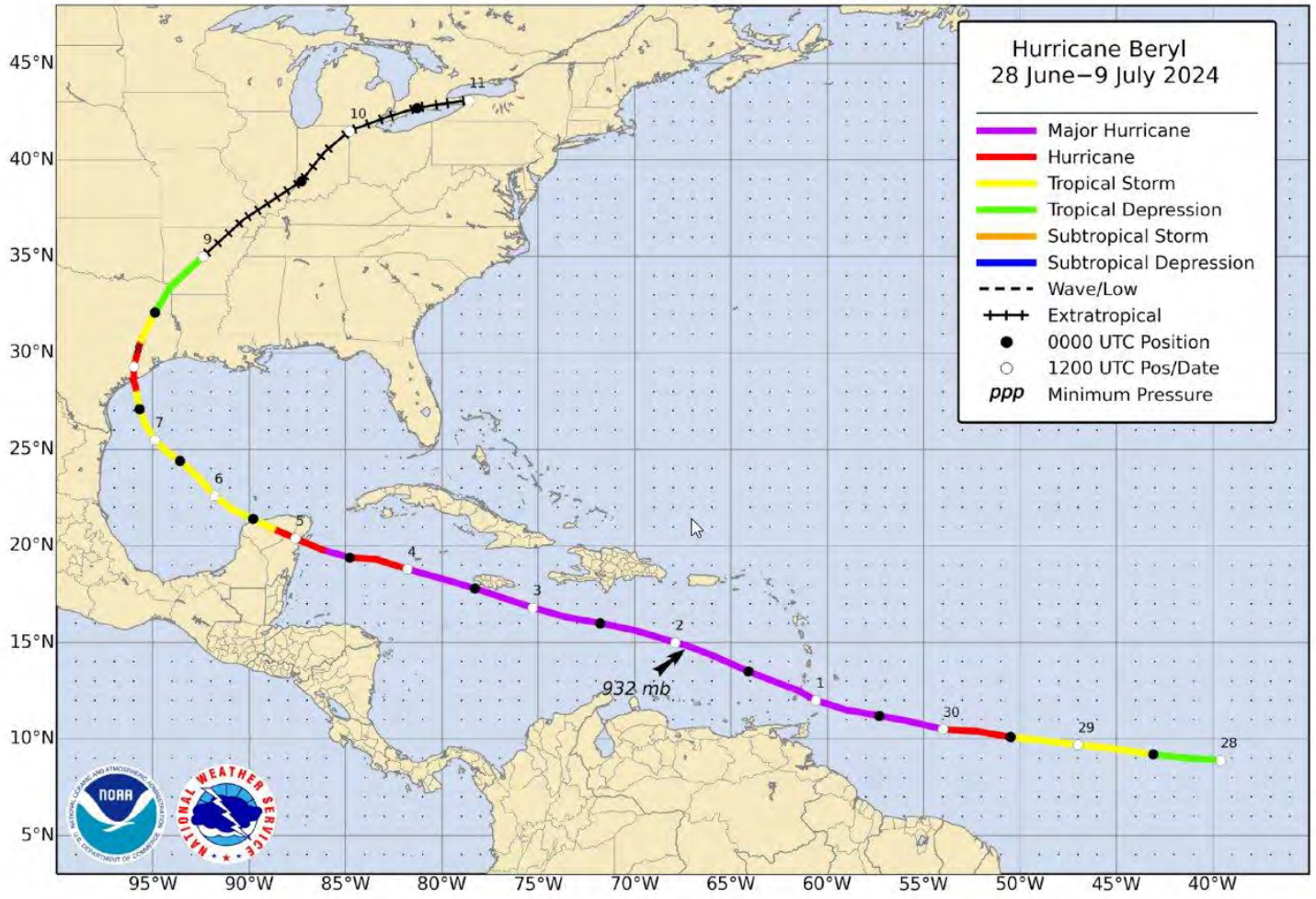
Hurricane Beryl 2024



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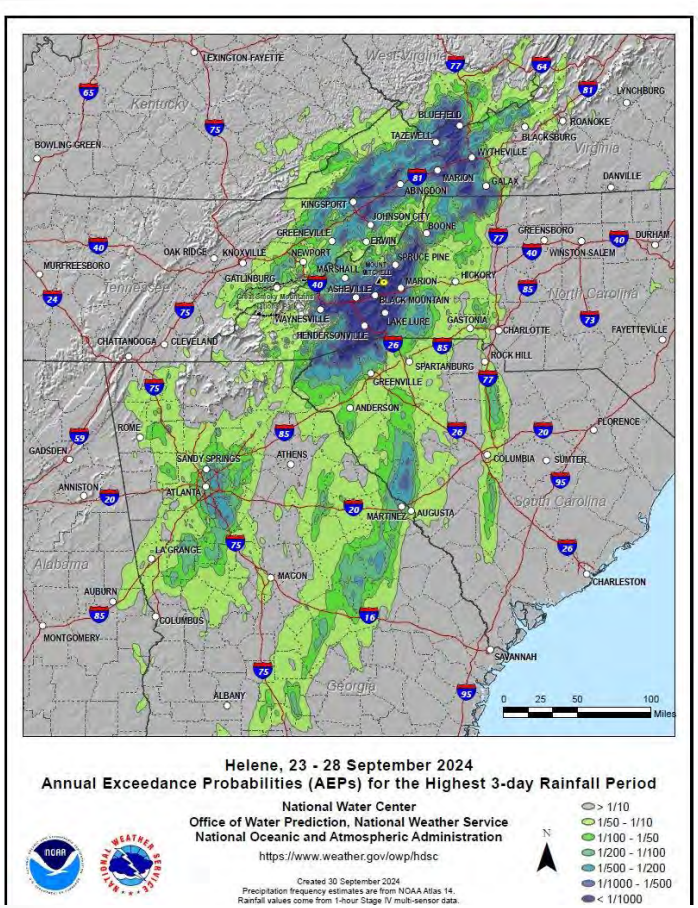
Hurricane Helene



- French Broad River 24.6 feet
- Nolichucky River 22 feet
- Swannanoa River 26.6 feet
- 40 trillion gallons of rain
- Over 1400 landslides

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Hurricane Helene

NFIP Policies:

- Spruce Pine – 1 NFIP policy
- Chimney Rock – 20 NFIP policies
- Burnsville – 9 NFIP policies

Outside of FL only **1%** of flood losses were insured

NFIP estimated losses $6.4B - $7.4B

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Flood risk is just a statistic...

Until it happens to you

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What Qualifies as a 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**."

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What Qualifies as a Flood?

"**Collapse or subsidence of land along the shore** of a lake or similar body of water **as a result of erosion or undermining caused by waves or currents of water** exceeding anticipated cyclical levels…"

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Historical Background

- Established in 1968 as part of HUD
- FEMA established in 1979
- Write Your Own program – 1983
- Moved under Homeland Security in 2003
- Purpose is to encourage local regulation of flood plains and flood prone areas.
- NFIP estimates $1 billion in annual losses are prevented by floodplain management
- Initial focus was river flooding (*Think Mississippi River*)

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Flood Insurance Exposure Shift

- NFIP created to address river flooding issues
- Population shift to the coastal areas (>50%)
- 2005 Hurricane Katrina – wake-up call
- We continue to see record flooding triggered by tropical systems

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River Flooding Issues

- Long lead time – weeks to months
- Snow melt is primary cause
- Repetitive losses
- Known problem areas with some predictability
- Homeowners at risk of flooding from rivers/creeks more likely to be underinsured

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Levee System

- Primary control mechanism for flood
- > 23 million people live behind levees
- > $2 trillion in property
- Average levee is over 60 years old

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Mississippi River 2019

- Longest flood in US recorded history
- Over 200 days above flood stage in several locations
- Triggered by record rains on top of snow melt
  - “Bomb cyclone”
  - Hurricane Barry – Arkansas record rainfall from a tropical system

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Coastal Flooding

- Hurricanes less frequent than river flooding
- Much less predictable
- Storm surge vs. rising water
- Erosion during storms (winter and summer)
- Wind versus water/flood problems when settling claims

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Coastal Flooding – most expensive

- Katrina (2005) – $16.3 billion
- Ike (2008) – $2.7 billion
- Sandy (2012) – $8.8 billion
- Irma (2017) – $1.1 billion
- Harvey (2017) – $8.9 billion
- Ian (2022) – $4.5 billion
- Helene (2024) – $6.4B to $7.4B

These are only FEMA paid losses!

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Challenges

- Coastal development – risk more difficult to quantify
- NFIP is not actuarially sound
- Wind/water loss allocation is problematic
- Issues with additional living expenses and loss of use
- Map and modeling accuracy problems
  - Rainfall may not be modeled
  - ~~72%~~ 100% of flood maps are out of date

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True Flood Risk

- If it rains where you live, you may have a flood risk
- Development can cause flooding, even away from a body of water
- Unless you live where there is no chance of rising water, mudflow, or shore erosion, you have a flood risk.

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Current NFIP Exposure (May 2025)

- Total Insured Value = $1.29 trillion
- Policies in Force = 4,675,908 down from 5.7 million in 2009
- 95% of flood policies are residential policies
- Florida, Texas, and Louisiana represent about 60% of the NFIP policies

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Private Flood Coverage

- Private flood market is growing rapidly and now has 11% - 12% of the total flood risk
- Most private flood coverage is commercial
- 1/3 is excess flood coverage
- Florida flood-only companies (non-admitted in some states)
- 250K of NFIP risks are considered uninsurable by the private market

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Reauthorization and Major Changes

- NFIP is not a permanent program – must be reauthorized and funded through the federal budget
- Many short-term extensions causing market disruption
- Biggert-Waters passed in 2012 (BW12), extended the program through September 30, 2017
- Homeowners Flood Insurance Affordability Act (HFIAA) passed in March 2014 fixed problems from BW12

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Frustrations for all…

- Since September 30, 2017 there have been over 30 short-term reauthorizations
- The longest was one year, the shortest was just one week
- ~~Two~~ 3 lapses have occurred since 2017
- One unfunded extension

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What Happens when NFIP Lapses?

- No new flood policies or increases in coverage
- No renewals of flood policies
- NFIP recommends agents/WYO companies NOT accept payments
- Impacts 40,000+ home closings a month
- Existing policies stay in force and claims are paid
- BUT borrowing authority goes from $30B to $1B
- Claims only paid to the extent of cash on hand

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Or an Unfunded Extension?

- Reauthorized BUT…
  - No federal budget or continuing resolution
  - Partial government shutdown
- 12/27 NFIP ruled NFIP can’t be renewed during the shutdown
  - No new policies, no renewals processed
  - No coverage extensions
  - Claims still paid
- 12/28 NFIP reversed decision and resumed business as usual

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Status of NFIP

- Currently authorized until _____
- If the policy renewal date is after the authorization expires, it can't be renewed, *even if paid prior to the authorization expiration*
- Policies may still be assigned if the program lapses!
- Private flood may fill the gap during a lapse

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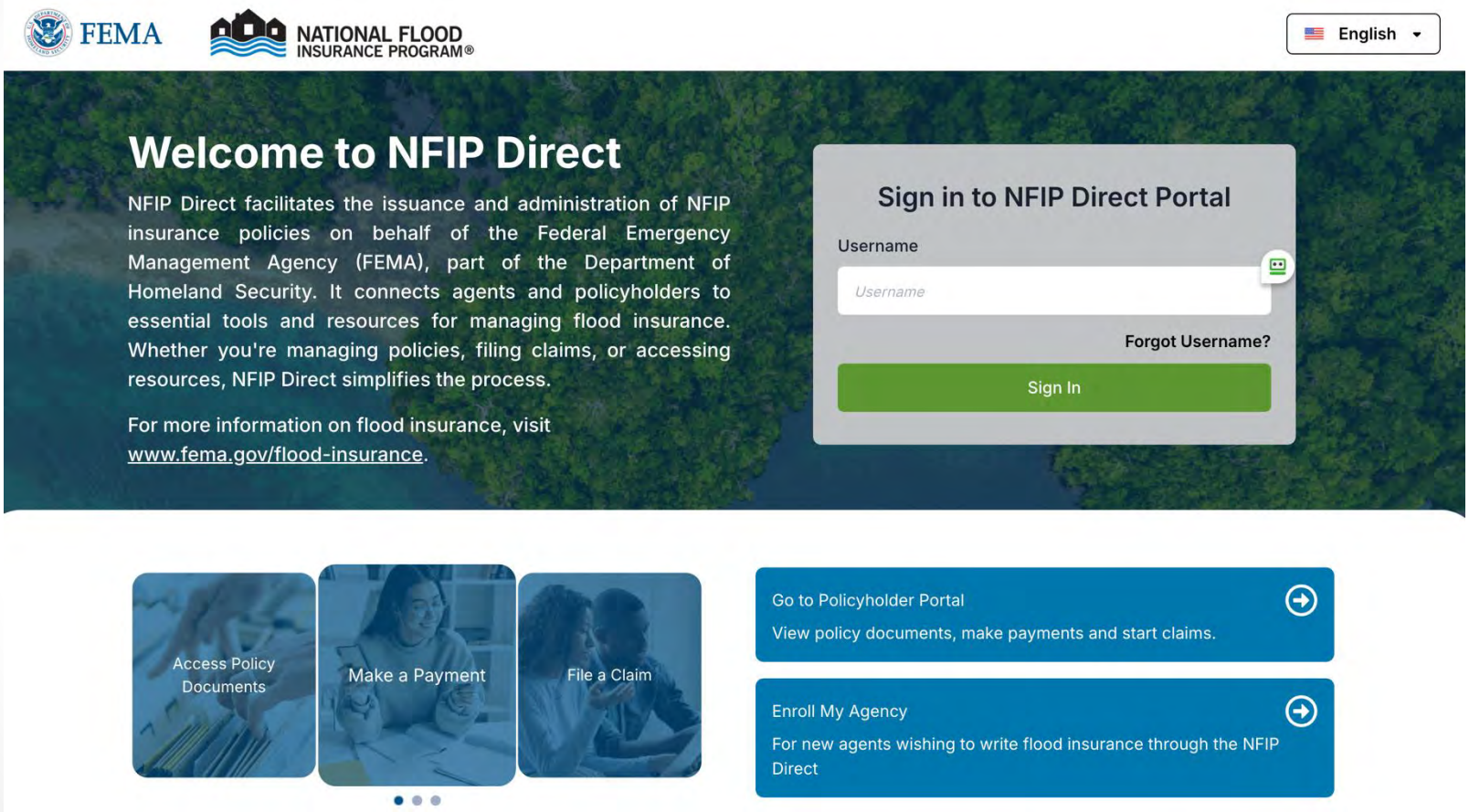
NFIP Direct Portal



NFIPdirect.fema.gov/login

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FLOOD ZONES AND FLOOD MAPS

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Flood Zones under Risk Rating 2.0

- Still triggers the requirement to buy flood insurance
- Will be used by local government for floodplain management
- Are still helpful for assessing risk from flooding
- Are NOT part of policy rating under Risk Rating 2.0

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Flood Zones – High Hazard

- AE and VE zones: 1% annual risk, 26% chance during 30-year mortgage
- VE zones include the ability of building to withstand the impact of waves over 3 feet
- AE and VE Zones represent the Special Flood Hazard Area (SFHA) and are the only areas subject to flood regulations

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Coastal A Zone (CAZ)

The flood maps also show the Coastal A Zone or “CAZ” which have the potential for wave heights over 1.5 feet

- Landward of a V zone or open coast
- Principal source of flooding is tides, storm surge, seiches, or tsunamis

They are delineated by a line which is designated as the Limit of Moderate Wave Action or “LiMWA”

CAZ properties may be required to conform to V zone building codes

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Flood Zones – Lower Risk

- X Zone (was B): .2 % chance of annual flooding
- X Zone (was C): < .2% chance of annual flooding
- D – undetermined risk
- Coastal Barrier Resources System – NO NFIP insurance unless built prior to 1982 & participating community

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Multiple Zones

- Zones on the property that the building doesn't occupy aren't considered and don't trigger mandatory coverage
- Watch additions – may put the structure into the SFHA *even if the addition isn't covered by flood insurance*

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Discrepancy resolution

- Is the property in a SFHA?
- If so, is it in an AE or VE zone?
- NFIP now has online resources for a determination – free for licensed surveyors, engineers, etc.
- Property owners can submit a request by mail (fee applies)

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Who is in a Flood Zone?

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Everyone!

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NFIP Flood Maps

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Flood Maps

- Flood Maps
  - Flood Hazard Boundary Map (FHBM) for initial hazard ID
  - Flood Insurance Rate Map (FIRM) for regular communities
  - Letter of Map Change (LOMC) includes Letter of Map Amendment (LOMA) and Letter of Map Revision (LOMR)

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Flood Maps

FEMA Flood Map Service Center (MSC):

https://msc.fema.gov/portal

Some states have FRIS sites – more user friendly official maps

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Flood Map Limitations

- Flood maps don’t fully model rainfall (if at all)
- Current maps were created with technology that has limitations
- FEMA has limited time and money to create maps
- Maps aren’t updated annually or after flood events
- Wide variance of risk within a flood zone

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Flood Map Limitations

- Higher populated areas get more attention
- NCSU study found that the area with a high probability of flood damage was more than 4 times the SFHA mapped by FEMA
- FEMA warns not to use flood maps as blueprints for risk – they are not “absolute lines” where flooding will happen

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Flood Map Limitations

A recent study by The Nature Conservancy and Arizona State University found that the flooding from Hurricanes Matthew in 2016 and Florence in 2018 impacted a footprint **23% greater** than the 100-year floodplain and well beyond what flood hazard maps had predicted.

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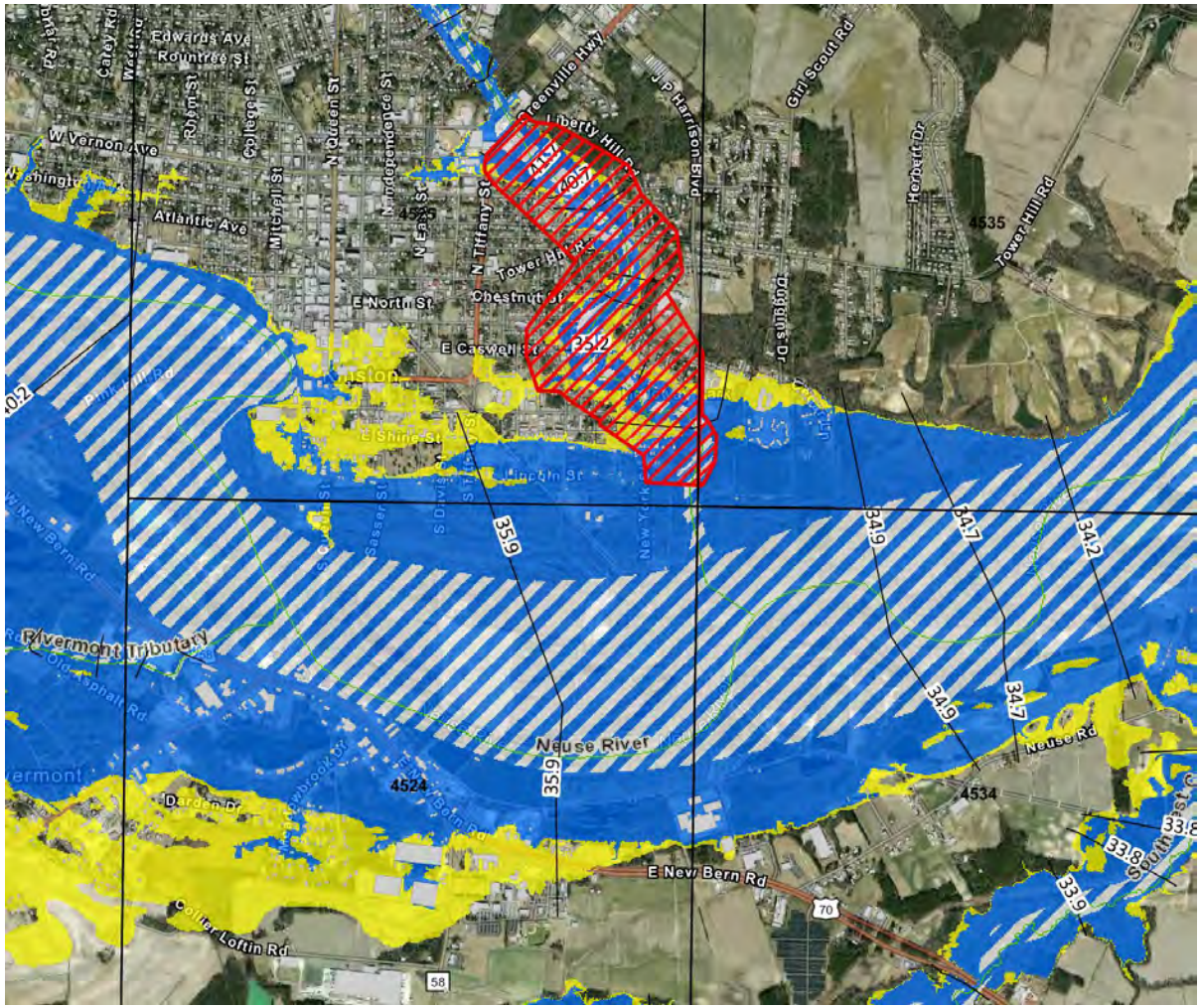
Flood Map - Riverine



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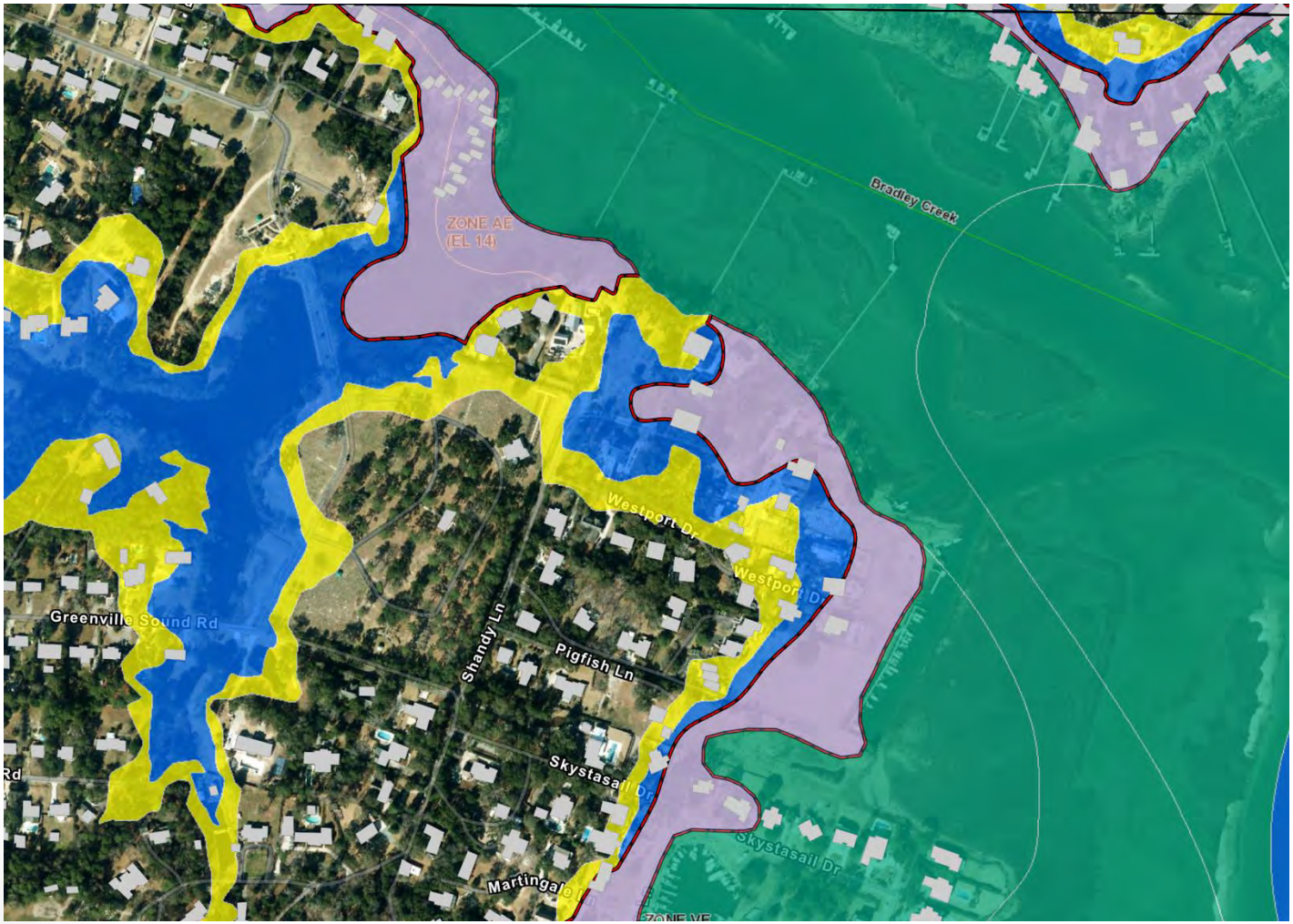
Flood Map – Coastal



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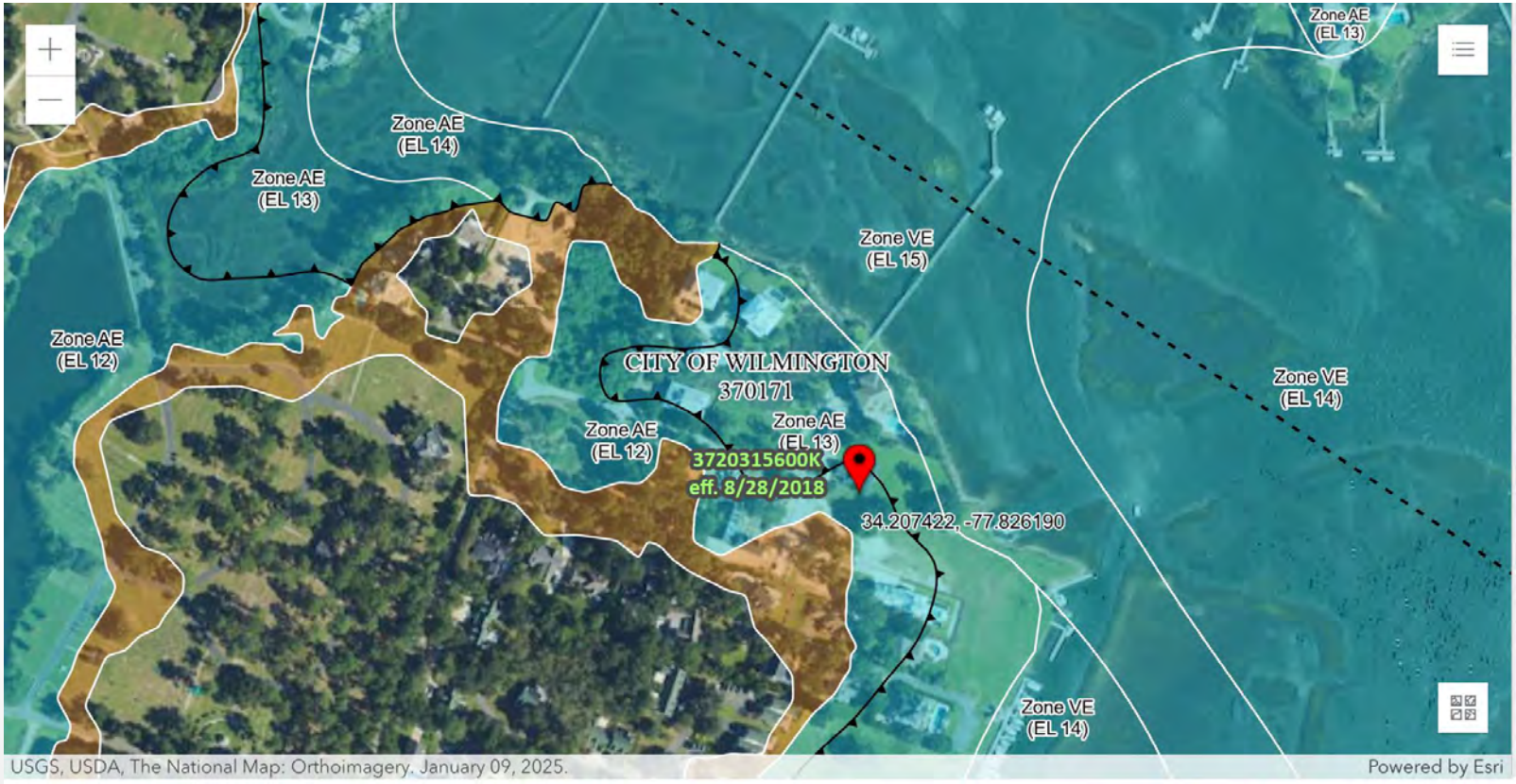
Flood Map – NFIP



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Elevation Certificate

- Must be prepared and certified by a Licensed Land Surveyor, Registered Professional Engineer, or Architect who is authorized by Commonwealth, State, or local law to certify elevation information
- Information on the building, FIRM, and floodproofing/flood vents
- There is a separate certificate for floodproofing

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Elevation Certificate

Foundation Type Diagrams (for use in Section H):

Slab on Grade (Non-Elevated)

Corresponds to EC Diagrams 1A, 1B and 3

Note: If the building has more than one floor, the Machinery and Equipment should be on the second floor or higher.

Elevated without Enclosure on Posts, Piles, or Piers

Corresponds to EC Diagram 5

Basement (Non-Elevated)

Corresponds to EC Diagrams 2A, 2B and 4

Elevated with Enclosure on Posts, Piles, or Piers

Corresponds to EC Diagram 6

Crawlspace (Elevated, including Non-Elevated Sub-Grade Crawlspace)

Corresponds to EC Diagrams 8 and 9

Elevated with Enclosure Not on Posts, Piles, or Piers (Solid Foundation Walls)

Corresponds to EC Diagram 7

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Elevation Certificate

- No longer required for policy rating under RR2.0
- Local planning offices will still require them for floodplain management compliance purposes
- BUT… It may be advantageous to have if the information regarding first floor height isn't reliable
- Providing the EC will NOT increase the premium – NFIP will give them the lower premium
- Property owner can complete Section H for any flood zone

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SECTION H – BUILDING'S FIRST FLOOR HEIGHT INFORMATION FOR ALL ZONES (SURVEY NOT REQUIRED) (FOR INSURANCE PURPOSES ONLY)

The property owner, owner's authorized representative, or local floodplain management official may complete Section H for all flood zones to determine the building's first floor height for insurance purposes. Sections A, B, and I must also be completed. Enter heights to the nearest tenth of a foot (nearest tenth of a meter in Puerto Rico). ***Reference the Foundation Type Diagrams (at the end of Section H Instructions) and the appropriate Building Diagrams (at the end of Section I Instructions) to complete this section.***

H1. Provide the height of the top of the floor (as indicated in Foundation Type Diagrams) above the Lowest Adjacent Grade (LAG):

a) **For Building Diagrams 1A, 1B, 3, and 5–9.** Top of bottom floor (include above-grade floors only for buildings with subgrade crawlspaces or enclosure floors) is: ☐ feet ☐ meters ☐ above the LAG

b) **For Building Diagrams 2A, 2B, 4, and 6–9.** Top of next higher floor (i.e., the floor above basement, crawlspace, or enclosure floor) is: ☐ feet ☐ meters ☐ above the LAG

H2. Is **all** Machinery and Equipment servicing the building (as listed in Item H2 instructions) elevated to or above the floor indicated by the H2 arrow (shown in the Foundation Type Diagrams at end of Section H instructions) for the appropriate Building Diagram?

☐ Yes ☐ No

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NFIP Policy Forms and Rules

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3 NFIP Policy Forms

1. Dwelling Form
2. General Property Form
3. Residential Condominium Building Association Policy (RCBAP)

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Dwelling Form

- Almost 95% of NFIP policies
- Single family detached homes – own or rent
- Up to four units if not a condo
- Dwelling unit contents in a condo building
- Townhouse

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General Property Form

- Residential with 5 or more units
  - Extended stay hotels, apartments, co-ops
  - Dorms
  - Assisted Living Facilities
  - Non-residential buildings
- Business unit contents in a non-residential building
- Not for condo associations

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Residential Condominium Building Association Policy (RCBAP)

- Sold to Condo Associations only (not unit owners)
- Building and common contents
- Up to $250,000 per unit
- 75% or more is residential use
- Unit owners can buy coverage for contents on the dwelling form

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Building Eligibility

- Eligibility of buildings is not changing
  - No buildings over water
  - No buildings below grade
  - No buildings without at least 2 walls, fully secured roof
- All eligible buildings will be able to be rated online
  - Concerns about structures that did not get a building permit so local information isn't up to date
- Buildings under construction
  - If no activity for 90 days (not walled or roofed) or lowest floor is below the BFE the building is not eligible

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Participating Community

- Community must participate in order for residents to purchase flood insurance from NFIP
  - Adopt a resolution of intent to participate
  - Adopt and submit a floodplain management ordinance and Flood Insurance Rate Map

- NOTE: Private flood may be available!

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Community Rating System (CRS)

- Class 1 – 9 with 1 being the best (10 is no rating)
- CRS communities qualify for premium discounts
- Each step produces an additional 5% discount
- Highest rated NC Community is Charlotte NC – Class 3

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Participating Community

- Communities identified as flood prone/withdrawn/suspended
  - Residents not able to purchase NFIP flood insurance
  - Existing policies not renewed
  - No federal grants or loans in flood hazard areas
  - No federal disaster assistance for insurable buildings
  - No federal mortgage insurance or loan guarantees in SFHA
- $50 policy surcharge for communities on probation

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Limits

- Dwelling Form: $250,000/$100,000
- General Property Form (Comm): $500,000/$500,000
- General Property Form (Res): $500,000/$100,000
- RCBAP: $250,000 per unit
- Must buy maximum allowable amount before excess

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Dwelling Form Coverage Notes

- $1000 to protect property from flooding
- $1000 to move property for up to 45 days to protect from flood damage
- Debris removal includes non-owned property
- Only DIRECT loss from flooding is covered
- No replacement cost on personal property
- Limited coverage in basements
  - Only unfinished drywall
  - Equipment and appliances that service the home

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Increased Cost of Compliance (ICC)

- Repetitive or Severe Losses (2 claims > 50% of value in total)
- Community MUST require mitigation
- $30,000 limit
- Includes elevating, floodproofing, relocation, or demolition
- Can use in conjunction with FEMA's mitigation program

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NFIP Deductibles

- Several options up to $10,000
- Remember – ALL deductibles apply separately to the building and contents
- This means the total deductible is 2X the one chosen
- You can choose different deductibles for building and contents
- Contents are always paid on an ACV basis

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Waiting periods

- 30 day waiting period is default
- Date of VALID check or credit card payment starts clock if no closing
- Exception: Immediate coverage for new/increased/extended mortgage
- Exception: The initial purchase of flood insurance during the 13-month period after map revision is subject to a 1-day waiting period

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Waiting periods

- **30 day wait if cash purchase!**
  - Option 1: Apply 30 days in advance
  - Option 2: Get a small mortgage
  - Option 3: Private flood policy

- 30 day wait for new coverage if the policy lapses, even if coverage is required for the mortgage

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October 1, 2025 Flood Manual

- Effective for all flood policies issued on or after October 1, 2025 (all other fall under the April 1, 2024 manual)
- Appendix B - Policy forms
- Appendix I - Policyholder communication
- Appendix C – Quick Start Guide
- Appendix K – Documentation Requirements
- Appendix L* – Definitions and Acronyms

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The NFIP's Problem...

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Building Debt Burden

- Pre-Katrina: NFIP was able to pay claims with short-term borrowing
- Hurricane Katrina: Losses of $16.25 billion became debt
- Sandy + Harvey added $17.65 billion to the debt
- $16 billion of debt forgiveness in 2017
- Current debt is $22.5 billion ($7.9B of credit remaining)
- Paid over $5.7B in interest since Katrina

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Four Trends in Flood Insurance

1. Move to actuarial rates
2. Loss financing
3. Mitigation
4. Move to private market

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Shift #1: Actuarial Rates

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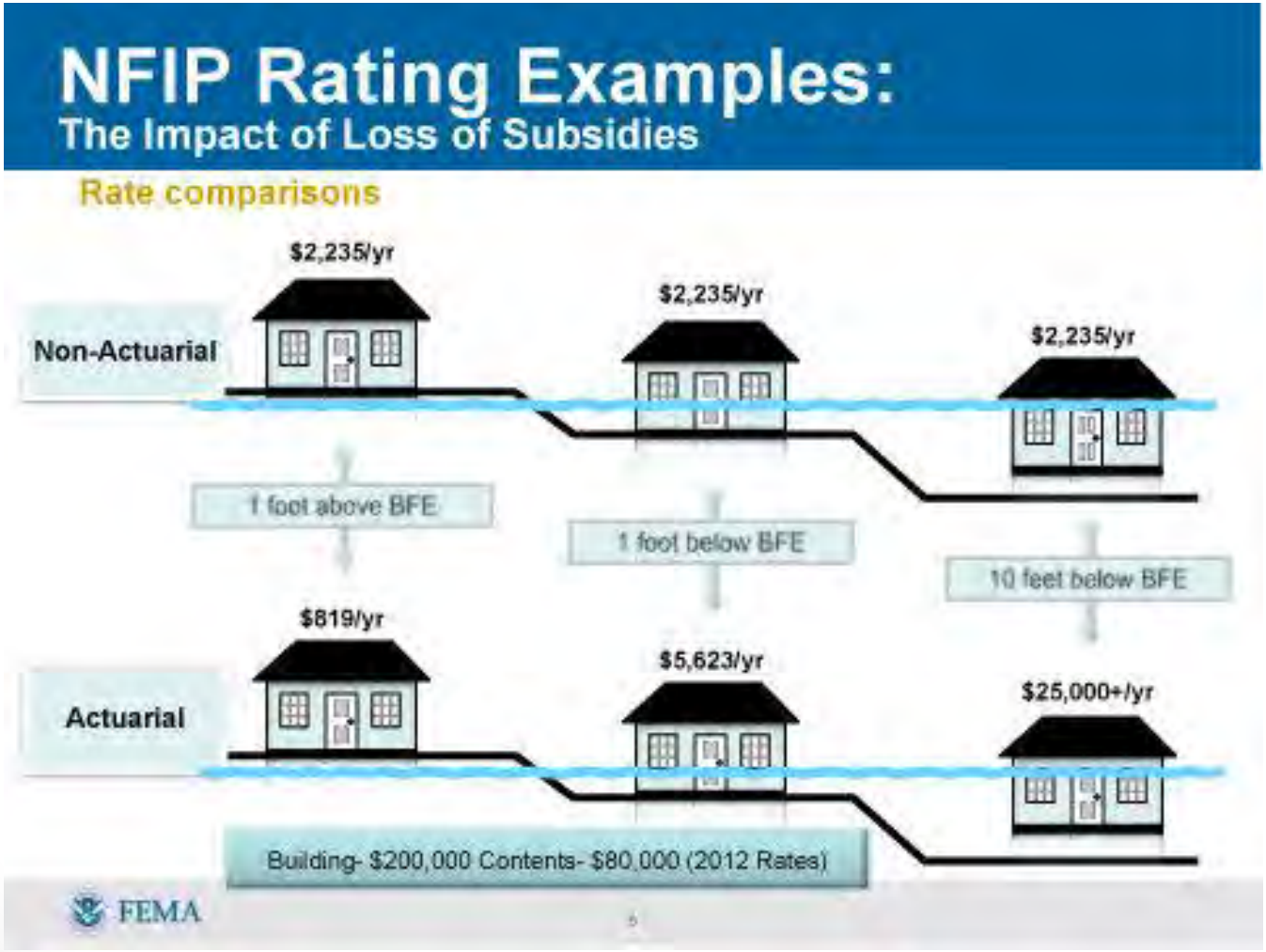
Biggert-Waters 2012



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Biggert-Waters (2012)

- Attempted to phase out all pre-FIRM rates
- Eliminated the assumption of policies (PROBLEM)
- Lapsed policies triggered the full rate (PROBLEM)
- Substantial improvement threshold reduced to 30% (PROBLEM)

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Biggert-Waters (2012)

- Established a 50% occupancy threshold for primary dwellings (impacts rating)
- IF property address and mailing address are the same, it is assumed to be a primary residence
- Deployed members of the military and homeowners who travel for work don't have to meet 50% occupancy as long as they only own one home.

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Biggert-Waters (2012)

- Established an 80% occupancy threshold (292 days) for replacement cost (impacts claims)
  - Must be insured or spouse – other family don't count!
  - MUST respond to letter verifying occupancy
  - Response is under penalty of perjury

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HFIAA (2014)

- Restored the ability to assume a flood policy
- Slowed rate increases for primary homes
- Restored 50% substantial improvement threshold
- Increased policy fee (now $47), added new surcharges ($25-$250), and a new Reserve Fund Fee (18%)
- Allows policyholder and spouse to have two primary residences

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Other Changes

- Flood proofing certificate not issued until building is complete
- Additional steps for non-residential floodproofing credit:
  - Must have an emergency plan with an annual drill
  - Inspection and maintenance plan
- In qualified communities, there is a residential basement floodproofing discount

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Other Changes

- Can now get surcharge pro-rata refunds if:
  - Sold house/contents
  - Cancel and rewrite for common expiration date
  - Duplicate policies
  - Nullify if property didn't close
  - Mapped out of SFHA, converted to RCBAP, or no longer required
- **Lenders are required to escrow ALL flood policies**

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Risk Rating 2.0

- All NFIP policies are now rated under the Risk Rating 2.0 method
- Also known as “Equity in Action” because it is designed to provide fairer rates to lower-value homes
- Being contested by 10 states who have filed suit against FEMA (Louisiana v Mayorkas)

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Risk Rating 2.0 — Equity in Action

- Risk Rating 2.0 is a shift to more accurate and more equitable rating
- Initially created a reduction in total premium
- Will take 10+ years to address premium shortages (some estimate much longer)

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Risk Rating 2.0

- Increases in premium are limited to 18% per year (primary homes) and 25% (all other properties)
- Fees and Surcharges will remain
  - Reserve Fund Assessment
  - HFIAA Surcharge
  - Federal Policy Fee
  - Probation Surcharge (if applicable)
  - Repetitive Loss Surcharge (if applicable)

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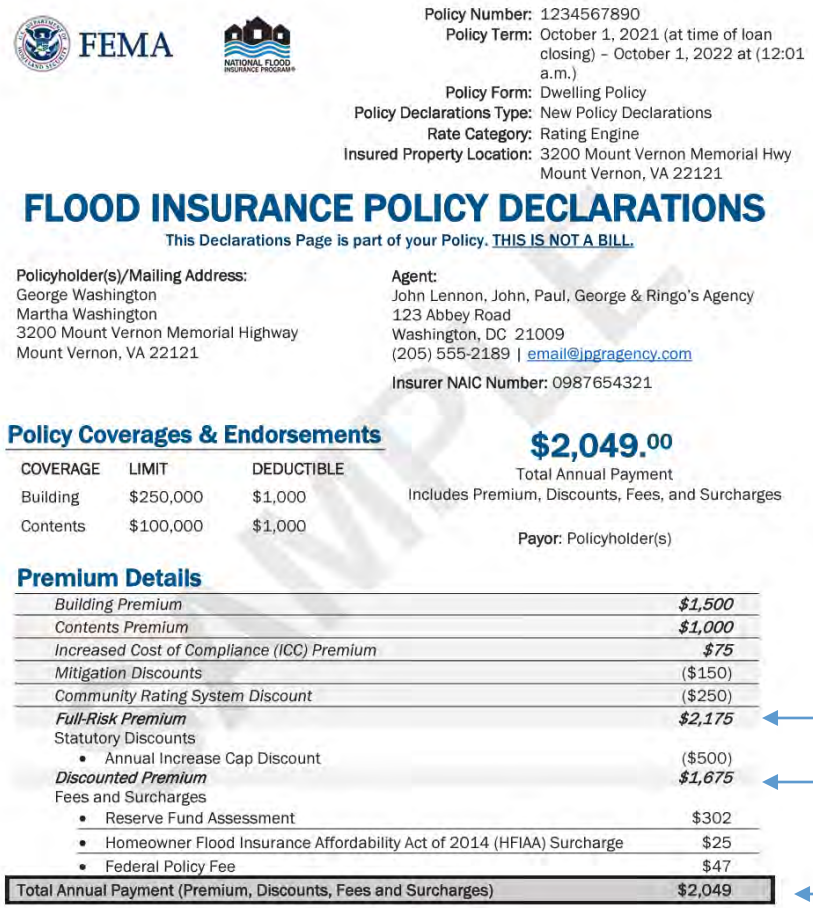
Dwelling Form



FEMA

NATIONAL FLOOD INSURANCE PROGRAM

Policy Number: 1234567890
Policy Term: October 1, 2021 (at time of loan closing) – October 1, 2022 at (12:01 a.m.)
Policy Form: Dwelling Policy
Policy Declarations Type: New Policy Declarations
Rate Category: Rating Engine
Insured Property Location: 3200 Mount Vernon Memorial Hwy Mount Vernon, VA 22121

FLOOD INSURANCE POLICY DECLARATIONS

This Declarations Page is part of your Policy. THIS IS NOT A BILL.

Policyholder(s)/Mailing Address:
George Washington
Martha Washington
3200 Mount Vernon Memorial Highway
Mount Vernon, VA 22121

Agent:
John Lennon, John, Paul, George & Ringo's Agency
123 Abbey Road
Washington, DC 21009
(205) 555-2189 | email@jpgragency.com

Insurer NAIC Number: 0987654321

Policy Coverages & Endorsements

COVERAGE	LIMIT	DEDUCTIBLE
Building	$250,000	$1,000
Contents	$100,000	$1,000

$2,049.00
Total Annual Payment
Includes Premium, Discounts, Fees, and Surcharges

Payor: Policyholder(s)

Premium Details

Building Premium	***$1,500***
Contents Premium	***$1,000***
Increased Cost of Compliance (ICC) Premium	***$75***
Mitigation Discounts	($150)
Community Rating System Discount	($250)
Full-Risk Premium	***$2,175***
Statutory Discounts	
• Annual Increase Cap Discount	($500)
Discounted Premium	***$1,675***
Fees and Surcharges	
• Reserve Fund Assessment	$302
• Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) Surcharge	$25
• Federal Policy Fee	$47
Total Annual Payment (Premium, Discounts, Fees and Surcharges)	$2,049

Maximum Premium

Current Premium

Premium with fees

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Risk Rating 2.0

- Payments now have a 30-day grace period (no more one-time 90-day grace period!)
- If the policy lapses, a new policy must be written at the FULL Risk Rating 2.0 rate.
- A 30-day wait will apply for a new policy after a lapse.
- Problems if lender fails to pay the premium!

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Risk Rating 2.0

- Considers:
  - Type of flood – Inland, storm surge, tsunami, coastal erosion and Great Lakes risks
  - Distance from potential flooding source
  - Cost to rebuild and building occupancy
    - Should provide fairer rates for lower-value homes
  - Foundation Type (one of the 6 types)

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Rating Criteria

- First Floor Height (top of bottom floor vs lowest adjacent grade)
- Construction Type (Single Family Homes only!)
  - Frame
  - Masonry
  - Other
- Building Replacement Cost
  - Only considers what is covered by NFIP insurance
- Prior Claims

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Rating Criteria

- SQFT
  - Finished living area only for Dwelling Form properties
  - Includes elevator shafts/stairwells for all others
- Number of Floors
  - Excludes basement/enclosure/crawl space
  - Excludes attic if only for storage
- New: For a condo unit, the floor is the actual floor. You will also need to know the total # of units in the building

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Prior Claims Impact

- Prior claims will NOT be included when the switch to the new pricing methodology is done
- Only losses occurring after APRIL 1, 2023 will be included in the calculation.
- The lookback period is a rolling 10-year period
- The claim that triggers the lookback isn't included in the calculation, only the losses in the previous 10 years.
- Therefore, the first claim after 4/1/23 will NOT trigger a premium calculation change

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Prior Claims

- Excluded Claims:
  - ICC payments
  - Claims closed without payment
  - Loss Avoidance Claims
- For Severe Repetitive Loss properties, the SRL surcharge will remain on the policy until pricing including prior claims is greater.
- Check prior claims and verify they are accurate!

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Prior Claims

- If the building is brought into compliance with NFIP minimum floodplain management standards, claims prior to mitigation will be excluded from consideration.
- If a SRL property, the surcharge will also be dropped at the next renewal
- If prior claims are included and the total number of prior claims in the lookback period drops to 1, the prior claims calculation is dropped.

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Prior Claims

Table 21. Policy with Prior NFIP Claims Example

	Policy Effective Date	9/1/ 2023	9/1/ 2024	9/1/ 2025	9/1/ 2026	9/1/ 2027	9/1/ 2028	9/1/ 2029	9/1/ 2030	9/1/ 2031	9/1/ 2032	9/1/ 2033	9/1/ 2034	9/1/ 2035	9/1/ 2036	9/1/ 2037
Claims Date of Loss	4/1/2023															
	1/1/2025															
	6/1/2026															
	1/1/2034															
Total Number of Prior NFIP Claims		1	1	2	3	3	3	3	3	3	3	2	3	2	1	1
Does It Impact the Premium?		No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No

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Prior Claims – Loss Runs

Can I get loss runs?

Loss information is only released to the current policyholder/property owner

Call 877-336-2627 to request loss records

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Simplified Structure Types

Under Risk Rating 2.0 there are only SIX structure types:

- Non-elevated:
  - Slab on grade (Elevation Cert 1A/1B/3)
  - Basement (Elevation Cert 2A/2B/4)
  - Crawlspace of 5’ or less (Elevation Cert 8/9)
- Elevated
  - No enclosure (EC 5)
  - Elevated with enclosure on post, pile, pier (EC 6)
  - Elevated with enclosure, not post, pile, or pier (EC7)

- First floor height is system-generated and is the difference between grade and first floor level

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Mitigation Credits

- Flood vents/Floodproofing
- Machinery and Equipment elevated above the first floor
  - Agents will certify qualified location on the application
  - List of eligible machinery and equipment will be listed in the updated Flood Insurance Manual
- CRS discount will now apply to ALL policies, regardless of flood zone (must be paying full rate to get the discount)
- Elevated structures will continue to get favorable rates

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Machinery & Equipment

- For Building Only coverage ALL of the following must be elevated above the building's first floor:
  - HVAC/Furnace/Heat pump (*including* exterior compressor)
  - Hot water heater
  - Elevator machinery
  - *Effective 10/1/25 – Certain solar batteries*

- For Contents Only coverage ALL of the following must be elevated above the building's first floor:
  - Clothes washer and dryer
  - Food freezers

- If Building & Contents coverage, both lists apply

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What's the first floor?

Table 17. M&E Location for Discount Eligibility

Diagram Showing Location	Guidance on Location
	Slab on Grade (Non-Elevated) • **One floor:** Elevated at least to the height of the attic • **More than one floor:** Elevated to the height of the second floor or higher
	Basement (Non-Elevated) • Elevated to the height of the floor above the basement or higher

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What's the first floor?

Diagram Showing Location	Guidance on Location
	Elevated Without Enclosure on Posts, Piles or Piers • Elevated to the height of the lowest elevated floor or higher
	Elevated With Enclosure on Posts, Piles or Piers • Elevated to the height of the lowest elevated floor or higher

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What's the first floor?

Elevated With Enclosure Not Posts, Piles or Piers

- Elevated to the height of the lowest elevated floor or higher

Crawlspace (Elevated or Non-Elevated Subgrade Crawlspace)

- Elevated to the height of the floor above the crawlspace or higher

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Changes to Maximum Cost (Dwelling)

- Legacy rating maximum rate is $45,925
- RR 2.0 maximum rate is $12,125

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What Didn't Change…

- Mandatory purchase requirement in SFHA for properties with a federally insured mortgage
- Floodplain management and building codes
- Flood polices may still be assigned to new owners
- Maximum coverage, deductibles, ICC coverage
- Maximum annual rate increases
- Eligibility for flood coverage
- Surcharges
- Policy forms

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Which Option is Best?

1. NFIP Policy
   - Will see disclosure of full premium on policy
2. Private Flood
   - Pricing and coverage varies
3. NFIP + Private Excess

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Shift #2: Loss Financing

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NFIP Debt – Financing Losses

- Current debt is $22.5 billion ($7.9B of credit remaining)
- Losses have exceeded premiums by $36B since 2005
- There is no chance of this being paid off with premiums in the foreseeable future.
- Always the risk of another large flood event adding to the debt.

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Reinsurance

- September 2016 – First placement (3 months)
- January 2017 – $1.042 billion of coverage purchased at a cost of $150 million
- August 25, 2017 – Hurricane Harvey
- NFIP collected all $1.042 Billion of reinsurance

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2025 Reinsurance Program – Traditional Reinsurance

- $757.835 million of reinsurance
- 27 reinsurance companies participating
- Premium is $139.9 million
- Covers a percentage of the loss between $7 billion and $11 billion in two tranches
- ONE event cover

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NFIP Reinsurance Program – Capital Markets

- $575 million Cat Bond effective March 2024 – March 2027
- $275 million Cat Bond effective March 2023 - 2026
- $20 million of 2020 Cat Bond notes were extended until Feb 2027 for Ian flooding development
- ~~$450 million Cat Bond effective February 2022 – February 2025~~ *Expired*

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Mitigation

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Repetitive Loss Properties

- 2 or more claims of $1,000 or more within 10 years (since 1978)
- Over 252,000 repetitive loss properties
- 25% NOT in the SFHA

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Severe Repetitive Losses (SRL)

- About 1% of covered properties, >30% of claims
- 4 or more losses over $5,000
- 2 or more claims where total > market value of property
- SRL property owners pay an additional premium surcharge of 15%
- SRL Properties are insured through the Special Direct Facility of the NFIP
- Louisiana has the most repetitive loss properties

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FEMA Grant Programs

- Highest priority are severe repetitive loss properties
- Hazard Mitigation Grant Program (up to 75%)
- Pre-Disaster Mitigation and Flood Mitigation Assistance Grants
- FEMA grant is up to 75% for severe repetitive loss properties and 67.5% for repetitive loss properties
- Coordinated with state and local grants and ICC coverage

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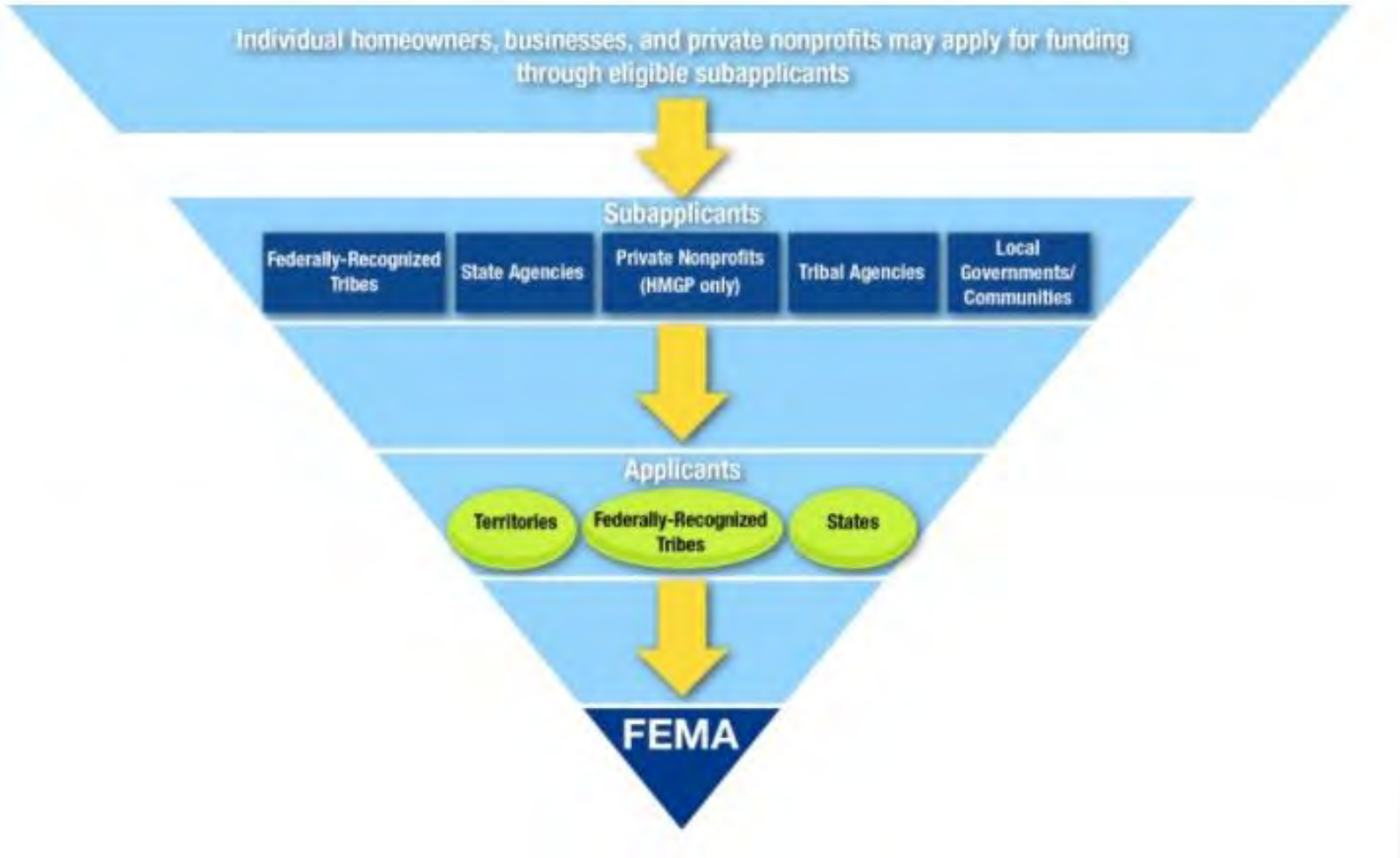
NFIP Mitigation Grants



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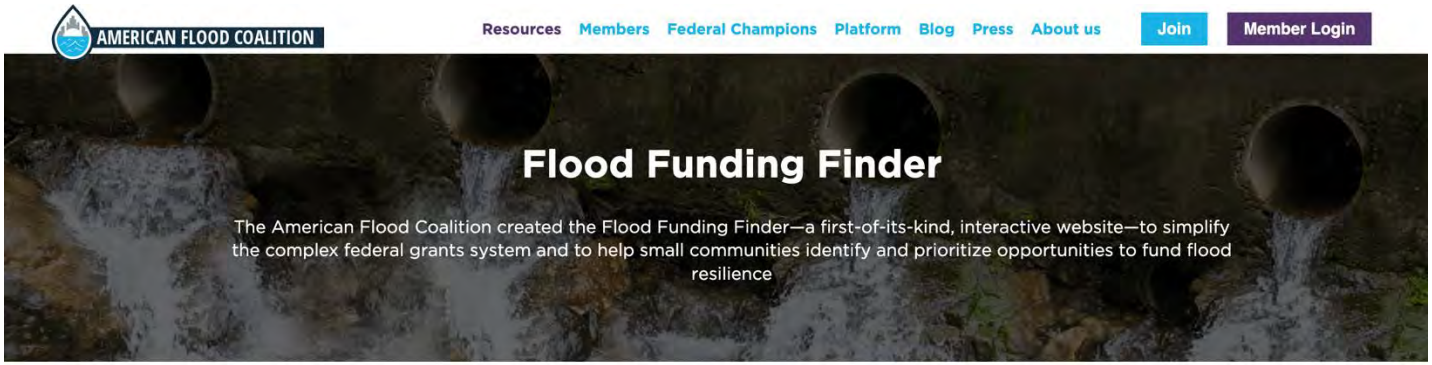
Additional Grant Information



Helping small communities fund resilience

Across the country, small communities are on the front lines of protecting residents from flooding and sea level rise. The challenges of flooding can be especially daunting for smaller and rural communities, but these are the very places that are critical to the country's overall resilience to flooding. From assessing risk to implementing projects, small communities can face enormous costs that they often cannot cover alone. Several federal agencies have programs that fund flood mitigation, flood risk reduction, and disaster recovery, but navigating these funding opportunities can be time-consuming and difficult.

The American Flood Coalition's Flood Funding Finder is the first tool of its kind that uses a robust filtering system to prioritize the needs of small communities and help them identify the right federal funding programs to fund flood resilience. While the Flood Funding Finder makes it easier to access federal funding, funding for resilience remains insufficient and does not work for many communities across the country. The American Flood Coalition exists to push for more accessible and robust funding that meets the reality of higher seas, stronger storms, and more frequent flooding.

Launch the Flood Funding Finder tool ▸

https://floodcoalition.org/resources/floodfundingfinder/

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Why Mitigation?

- FM Global found for every dollar spent on mitigation, $105 of losses are avoided
- More resilient structures reduce stress on financing mechanisms
- Mitigation is the only effective and practical solution

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Mitigation Challenges

- Bulkheads that block saltwater intrusion also block rainwater drainage – terraced living shorelines better
- Flood barriers (like Venice) limit water exchange
- Elevating homes make them more exposed to wind risk

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Helene Mitigation Issues

- Helene caused widespread damage very different than coastal or typical river flooding
- Huge changes to the river and stream beds
- Outdated elevation information
- Mitigation requirements holding up reconstruction
- Hasty permits may endanger community status
- Substantial improvement issues

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Helene Mitigation Issues

- Property owners don’t want a buyout
- Difficulty rebuilding after an uninsured loss
- Limits on temporary housing
- Severity of living conditions after the storm
- Overwhelmed system due to scale of catastrophe
- Mitigation doesn’t scale well

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Mitigation Challenges

- Elevating structures makes them inaccessible to the handicapped/elderly/injured
- Public bathrooms – ground level or elevated
  - 20’ elevation means a 300’ ramp
  - Elevators in a high-corrosive environment also problematic
- Elevating may increase wind risk

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Institute for Home and Building Safety

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Download the FEMA app

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Private Flood Insurance

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Private Flood Options

- BW12 – lenders must accept private flood insurance if at least as broad as NFIP policy
  - Who determines “at least as broad”?
  - NOT you
  - Lenders have attorneys, let them decide

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The "FEMA 6"

1. Must be licensed/admitted to do business in jurisdiction or an approved surplus lines company
2. Include information that flood coverage is available through the NFIP
3. 45-day cancellation/non-renewal notice
4. Coverage must be at least as broad as NFIP
5. Mortgage Interest Clause similar to NFIP policy
6. 1 year limit to file suit

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Private Flood - Cautions

- Lender must accept (FHA finally does!)
- Potential loss of NFIP glidepath rate
- Stability of private market (reinsurance impact is significant)
- Future rate increases in the private market unknown

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Private Flood - Cautions

- Review the policy CAREFULLY
- There may be unusual policy provisions, especially if a surplus lines policy
- Example: Policy limits and deductibles change if the flood zone changes during the policy period

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Private Flood Options

- Admitted/Surplus Lines carriers
  - May get loss of use coverage
  - May endorse homeowners policy (low risk areas)
- Commercial DIC policies
- Growing interest at the right premium – RR2.0 has helped bring in more private options
- Can self-insure if no lender

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Excess Flood Programs

- Excess Coverage
  - Sits above NFIP policy
  - If value > NFIP limit – OFFER EXCESS
  - Must buy full NFIP limit before excess policy

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NFIP vs Private Flood

- **Definition of Flood –** May not have to flood two properties or two acres
- **Waiting period** - Subject to individual company moratoriums vs arbitrary 30-day wait
- **ONE deductible** – Some allow a percentage deductible

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NFIP vs Private Flood

- **Additional Living Expense & Loss of Use**
- **Higher Limits** – No need for excess flood policy
- **Replacement Cost** on building AND **Personal Property**
- **Ordinance or Law Coverage** (usually by endorsement)

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NFIP vs Private Flood

- **Higher limits available for ICC**
- **Loss Assessment** – no exclusion for personal property and higher limits available
- **Other Structures** – more coverage and options
- **Trees, shrubs, plants coverage**

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Private Flood Policy Claims

- Under the jurisdiction of your state's Insurance Commissioner (limited if surplus lines)
- Can appeal to your regulator
- Litigation will be in STATE court
- Better coordination with homeowners/wind & hail (especially if written with admitted company)

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Avoiding E&O Risk with Private Flood policies

- DO NOT sign the form asking you to attest to coverage at least as broad as NFIP
- Warn the client of any potential implications of leaving NFIP
- Identify additional coverage available with the private insurer
- If non-participating community, offer private flood if available and inform the client if it's not

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NFIP Flood Claims

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NFIP Claims Handling

- Adjusters are independent
- Advanced payments $5K - $20K
- MUST file proof of loss form!
- It generally takes longer to receive claim payment (60 days)
- Recoverable depreciation is payable once repairs are complete
- Dispute resolution
  - Appeal to FEMA
  - Federal courts have jurisdiction

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Flood Insurance vs. FEMA Emergency Payments

The average FEMA grant in 2017 was $4,300.

The average flood insurance claim was $115,000.

Dave Maurstad,

FEMA Deputy Associate Administrator

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FEMA Emergency Relief

- Take photos of everything
- May need to file a claim with insurance carrier to get denial first
- May involve loans vs direct payments
- Must be current with IRS

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Coastal Risk: Wind

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Insuring Wind on the Coast

- Joint Underwriting Association
  - Functions like an insurance company
  - Market of last resort
  - Member companies are all admitted carriers who write property insurance in the state
  - AL, CT, DE, GA, MA, MD, MS, NC, NJ, PA, RI, SC, TX, VA

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Insuring Wind on the Coast

- FL, LA – State-run Citizens Insurance
  - Government entity, market of last resort
  - Funded through premiums and assessments
- HI – Separate hurricane coverage provided by private insurers
- DC, ME – Wind/Hail deductibles only

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NC Insurance Underwriting Association

- Joint Underwriting Association
  - Member companies are all admitted carriers who write property insurance in the state
  - No surplus is distributed to members, all is retained for future losses – unique to NCIUA

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NCIUA

- North Carolina Insurance Underwriting Association formed in 1969 for barrier islands only
- Added wind & hail coverage for 18 coastal counties in 1998
- Homeowners added in July 2003 (18 coastal counties)
- TIV is now $185B and increasing
- Total market share is starting to increase again (64% Beach/48% Coastal in 2023)

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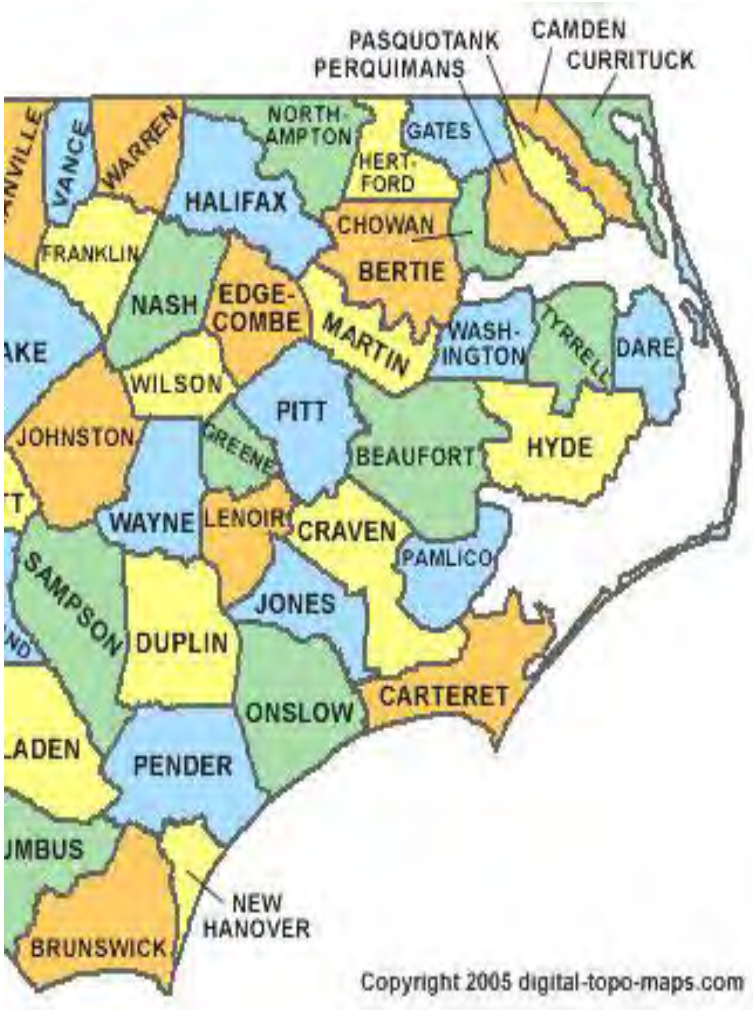
NCIUA Counties



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NCIUA Coverage

- Residential – full homeowners
- Commercial
- Wind and Hail only
- Majority of residential risk is coastal (not beach), and is wind only
- 4% of policies are commercial, 85% is wind only

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Coverage and Limits

- Maximum limits
  - Residential $1,000,000 (Coverage A)
  - Contents 40%
  - Commercial $4 million/$10 million aggregate
- Deductibles
  - Many options including percentage deductibles for NWS named storms
- Excess Value Issues
  - Must insure to 100% of value with excess coverage

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Four Issues in Wind and Hail Insurance

1. Rates
2. Loss financing
3. Mitigation
4. Move to private market

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NCIUA – Rates

- NC Rate Bureau sets the manual rate
- Legislature sets the surcharges
- NCDOI approves the plan of operation and forms
  - Forms may lag the private market
  - Many private market endorsements not available

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Rates – Other States

- Develop rates which are then approved by the state regulator
- Governing Board may set rates
- Some states also include surcharges
- May limit maximum rate increase (glidepath)

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Loss Financing NCIUA

- House Bill 1305 – retained surplus and ended distributions to member companies
- Allowed NCIUA to pursue reinsurance
- Deficit financing options
  - Surplus
  - Reinsurance
  - Capital Markets
  - Catastrophe Recovery Surcharge

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NCIUA

- Reinsurance
  - Aggregate
  - Traditional market vs. capital markets
  - Member companies provide $1 billion in free reinsurance
  - Market availability varies
- Take-out program has been implemented

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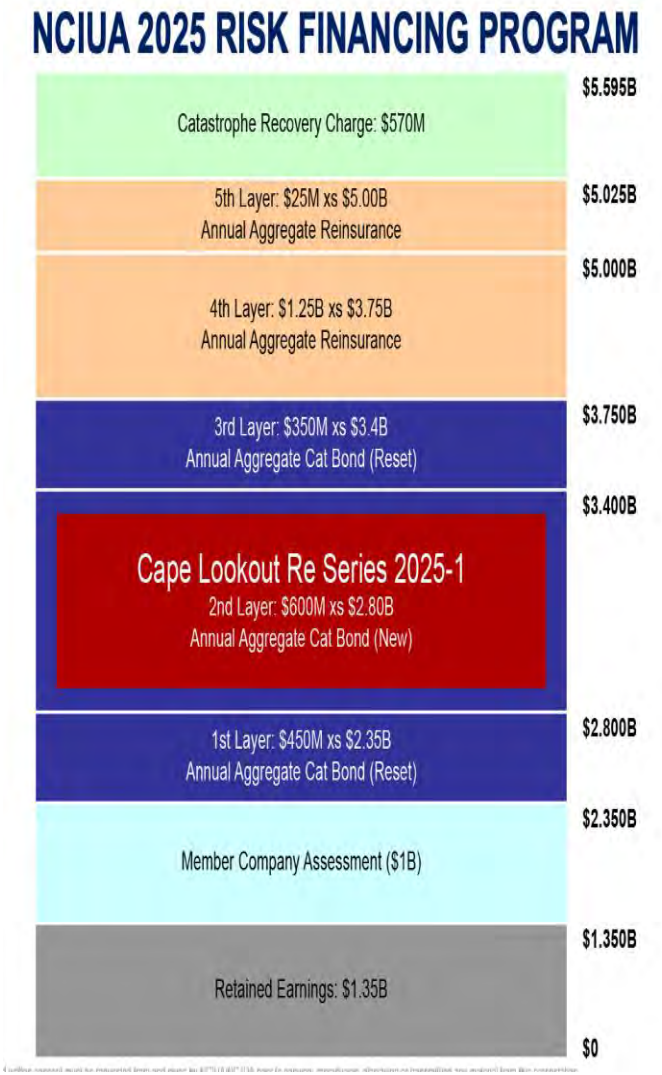
NCIUA Reinsurance - 2025



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Cape Lookout Re

- Resilience interest spread of .35% paid annually
- If aggregate losses are below 60% of the attachment point, the resilience trigger is activated
- The accumulated resilience spread and any interest on it will be returned to the issuer (NCIUA)
- Can be used to fund Fortified Roof® grants or upgrades to roofs after a claim.

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NCIUA - Mitigation

- Mitigation Credits Available
  - Hip Roof
  - Opening protection
  - IBHS Gold/Silver/Bronze
- Training for IBHS Fortified Roof evaluators and contractors
- IBHS info: https://disastersafety.org/fortified/fortified-home/

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NCIUA - Mitigation

- The NCIUA (Coastal Property Insurance Pool) is the only residual market with a wind mitigation program
- Four programs:
  - Roof replacement with an IBHS Bronze roof (active claim)
  - Grants for cost of IBHS evaluator
  - Grants for installation of IBHS roof in Beach territory
  - Grants for installation of IBHS roof in Coastal territory (matching funds from NC General Assembly)

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MITIGATION:
CREATING MORE RESILIENT COMMUNITIES

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NCIUA - Mitigation

- IBHS Fortified Home:
  - Straps for continuous load path
  - Ring-shank nails to attached roof and wall sheathing
  - Sealed roof deck (4-inch ice/water adhesive strips)
  - High wind rated shingles
  - High wind rated siding
  - Change entry doors from inward swing to outward swing

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Mitigation Program Results

- Over 17,500 roofs completed/in progress
- 34.5% decrease in claims reported for 4 hurricanes
- 22.7% decrease in loss per building
- 62.8% reduction in claims in non-named storms
- Reinsurance savings + reduced losses justify the grant expenditures

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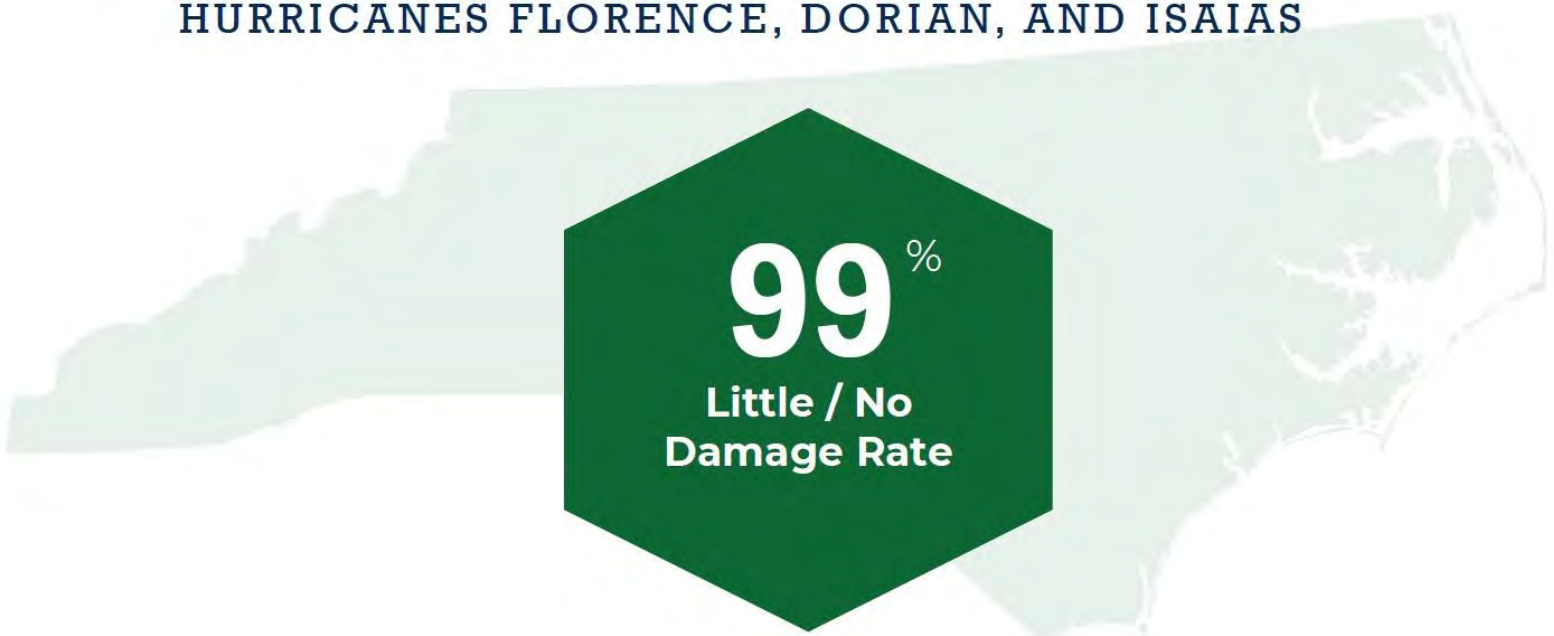
FORTIFIED WORKS IN NORTH CAROLINA:

HURRICANES FLORENCE, DORIAN, AND ISAIAS



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Mitigation Challenge

- How much incentive does it take to spur action?
- How to communicate the advantages of mitigation?
- Mitigation is key to addressing affordability and availability of insurance in areas subject to natural disasters
- Mitigation reduces
  - Damages and out of pocket expenses for homeowners
  - Claims costs
  - Reinsurance premium

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Shift to the Private Market

- Multiple residual markets have implemented take-out programs to reduce policy count
- Market conditions fluctuate which impacts the take-out programs
- Mitigation should improve private market tolerance for coastal exposures

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Was it Wind or Water?

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Claims Handling – Wind and Flood

- Flood v Wind losses
  - Policy language – concurrent causation
  - Some states have held anti-concurrent causation (ACC) clauses to be enforceable
  - Most likely – determination of proportionate damage by wind and water

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NCIUA Claims Handling

- NC allows 3 years to file a claim
- In a catastrophe, the member insurer is responsible for adjusting if they have underlying policy with a NCIUA wind policy

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NCIUA Dispute Resolution

- Appeal to NCIUA
- Appeal to NC Department of Insurance
- Appeal to NC courts

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Claims Handling

- Best scenario – eyewitness accounts of timeline of damage and cause
- Reality – rely on expert opinions
- Reality – courts play a significant role in final determination
- Reality – Every case is unique, no rule of thumb

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Selling Flood Insurance

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Blue Ocean Opportunity

- ✓ The protection gap is HUGE – millions of new opportunities just in NC
- ✓ Plus, opportunities for those who dropped NFIP policies due to pricing
- ✓ Plus, new business in flood-prone areas
- ✓ And, not all agents are not up to speed on Risk Rating 2.0 so your knowledge is a competitive advantage

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Explaining the Risk (Good)

- 85% of Hurricane Florence flood losses were uninsured
- 85% of Hurricane Harvey flood losses were uninsured
- 50% of the homes flooded in Sandy were outside of the SFHA and 80% were uninsured
- 40% of businesses damaged in a natural disaster never reopen
- In Harvey, the average flood claim was more than 26 times larger than the average FEMA emergency grant

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Explaining the Risk (Better)

- Use flood maps to more clearly identify risk
- Use FIMAN site (in NC) to show modeled scenarios and how the flood water will rise
- Use local information about past flooding events

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Explaining the Risk (Best)

Tell the story…

Statistic on business loss or a story of a 3rd generation business that was lost in Matthew

Statistics on flooding in an X zone or the story of a family frantically trying to escape floodwaters

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Where to Find Stories…

- Talk to your customers who have had losses
- Search for stories in your local news
- Search for stories in other media
- Search for stories on social media
- Ask your flood carrier for claims examples

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Consumers need you to give them a visual, emotional picture of what a flood loss looks like and how their life will be different if they have coverage for their loss.

They also need the statistics in order to justify the purchase.

Give them BOTH. Lead with emotion.

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Common Objections

“I don’t live in a flood zone”

“I can see why you’d think that since flood insurance is only required in the highest hazard zone but in reality, everyone is in a flood zone. In fact, most uninsured flood losses happen outside of what most people call the “flood zone”.

One example is… [tell a story]

Let’s look at the map and see what your risk of flooding might be.

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Common Objections

“My house hasn’t ever flooded before”

“That’s great! And hopefully it never will. But it seems like every time you turn around, we’re hearing about a new weather record.

With new development and changing weather patterns, we really can’t be sure where the next first-time flood will happen. There was even a neighborhood that flooded recently because the storm sewer was clogged with garbage.

If that happened to you, what would it cost you to replace your floors, kitchen cabinets, and drywall?

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When the Flood Zone Changes…

- Look at all the available options – the private market may have a better premium
- Remind them the increase is capped and it will be a gradual increase over time
- Now's a good time to review how expensive a flood loss is and why it's important to keep the coverage (assuming they have the option to drop it)

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Lead with Flood!

- Many agencies drop the ball here...
- Flood can be your “in” for all other lines of business
- They may not even know their current agent sells flood!
- Always, always, always offer flood with every property policy
  - Protects your account
  - Protects you from E&O exposure

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Educating the Public and Avoiding E&O Claims

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Educating Consumers – Insuring Property

- Educate your prospects and customers on their flood risk
- Offer flood insurance with every property policy
- Document rejection of coverage and offer again at every renewal
- Advise your customer to read their policy, especially if from the NFIP

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Avoiding E&O Risk

- **Don’t** tell someone they “aren’t in a flood zone”
- **Don’t** promise the property will never flood
- **DO** provide information and discuss their need for flood insurance and get a signed declination if they choose not to buy

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Fair Bluff NC – 20 Years

1999: Hurricane Floyd

- “100 year flood event”
- $6 Billion in damage
- 10” of rainfall
- River crest 13.6’

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Fair Bluff NC – 20 Years

2016: Hurricane Matthew

- “500 year flood event”
- $4.8 Billion in damage
- 14” of rainfall
- River crest 16.65’

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Fair Bluff NC – 20 Years

2018: Hurricane Florence

- “1000 year flood event”
- $17 Billion in damage
- 17” of rainfall
- River crest 17.03’

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The risk of flood this year is not impacted by what happened
last year.

You are not safe from flood this year because your property never flooded before, or because there was a record flood in the past

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Stoney Creek Neighborhood

Barbara Murdock – was flooded in Floyd in New Jersey, moved to NC and asked the question, “Do you have flood insurance?”

> *Her agent told her, “You don’t need that, it’s not in a flood zone.” (Zone X)*

Another resident was told: “You don’t need it, why are you going to pay extra for that when you don’t need it?”

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DON'T BE THIS AGENT!

Offer flood insurance with

every property policy

every time

EVERYONE is in a FLOOD ZONE

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Flood Materials

Available for download at:

Nowpreneur.com/CICflood

Any problems with access:

Email Charlotte@Nowpreneur.com

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