North Carolina Department Of Insurance

Mike Causey, Insurance Commissioner

Jackie Obusek, Chief Deputy Commissioner

The Flood Conference will begin at 8:30am Eastern
Thank you for attending!

Flood Insurance: Protecting Consumers and Agents 2026

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Questions on CE Credit

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Who Needs Flood Insurance?

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

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

And not always where you expect...

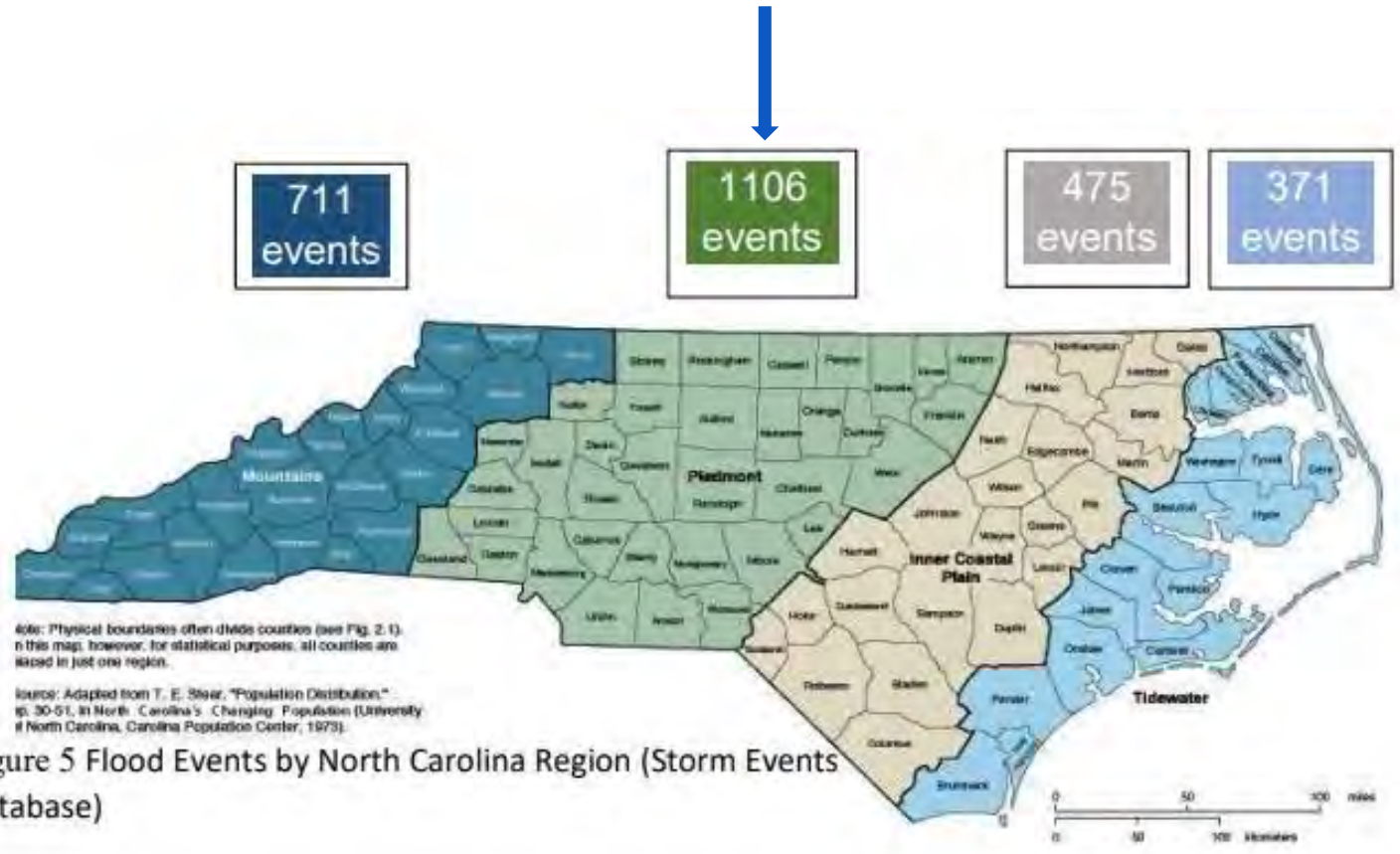


Figure 5 Flood Events by North Carolina Region (Storm Events Database)

Flood Risk

- 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
- NC ranks in the top 10 for flood risk

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

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

Recovering from a Flood

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

You Can't Just Move

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

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)

Most people aren't insured…

US Homeowners with NO flood coverage:

96%

Even here…

In areas with MANDATORY coverage requirements only

25%

have flood insurance

In North Carolina…

NC properties with

NO Flood Insurance

97%

Even with insurance…

Swiss Re estimates there is a worldwide average 75% protection gap between total economic losses and insured losses.

Source: Swiss Re Institute

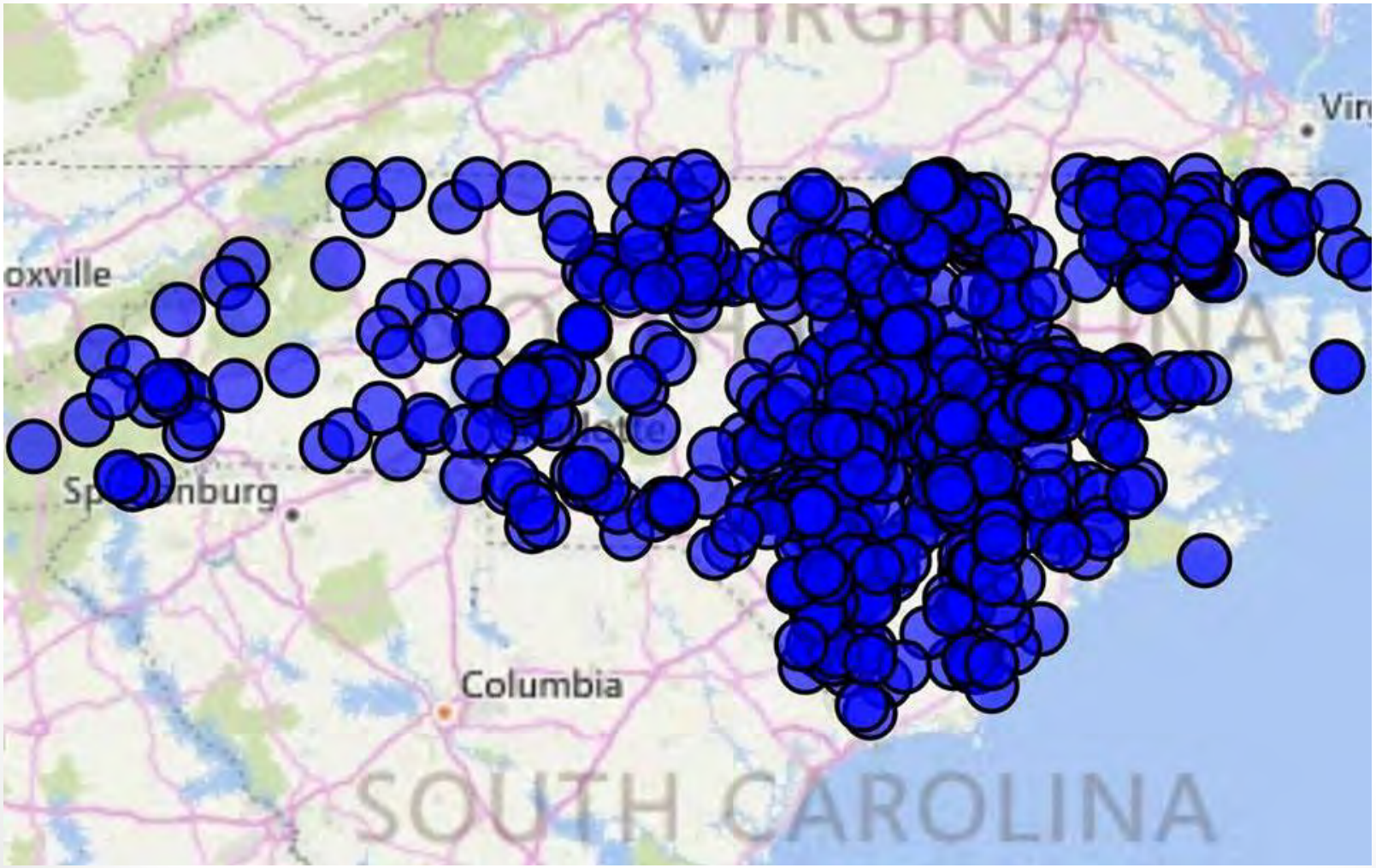
Superstorm Sandy

- 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**

Hurricane Harvey

- 27 trillion gallons of rain in 6 days
- 60.58” of rain (tropical system record)
- $125B estimated total losses
- NFIP losses $8.9 billion
- 82 deaths
- **85% of losses were uninsured**

Hurricane Matthew



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**

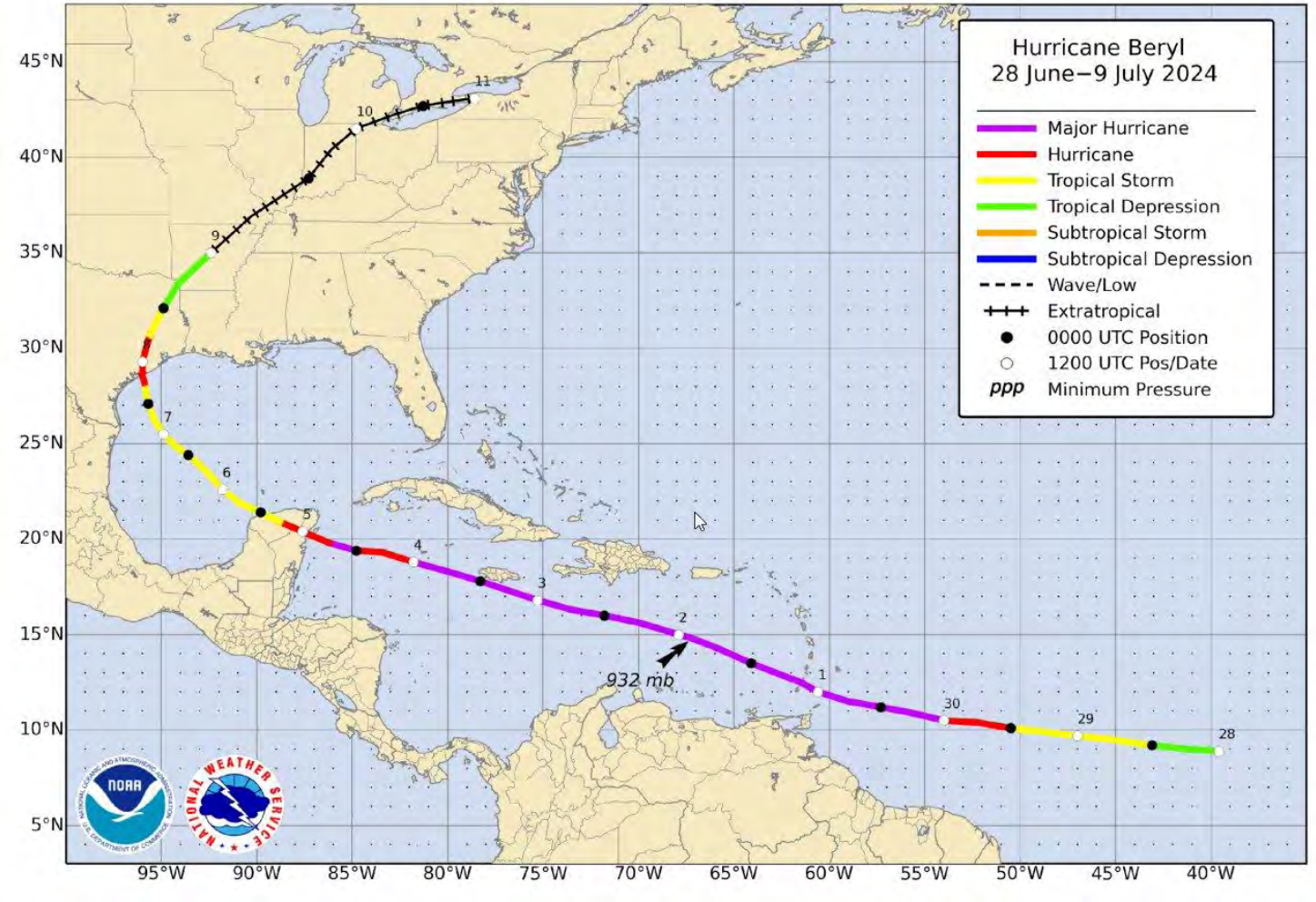
Hurricane Ian 2022

- 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

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

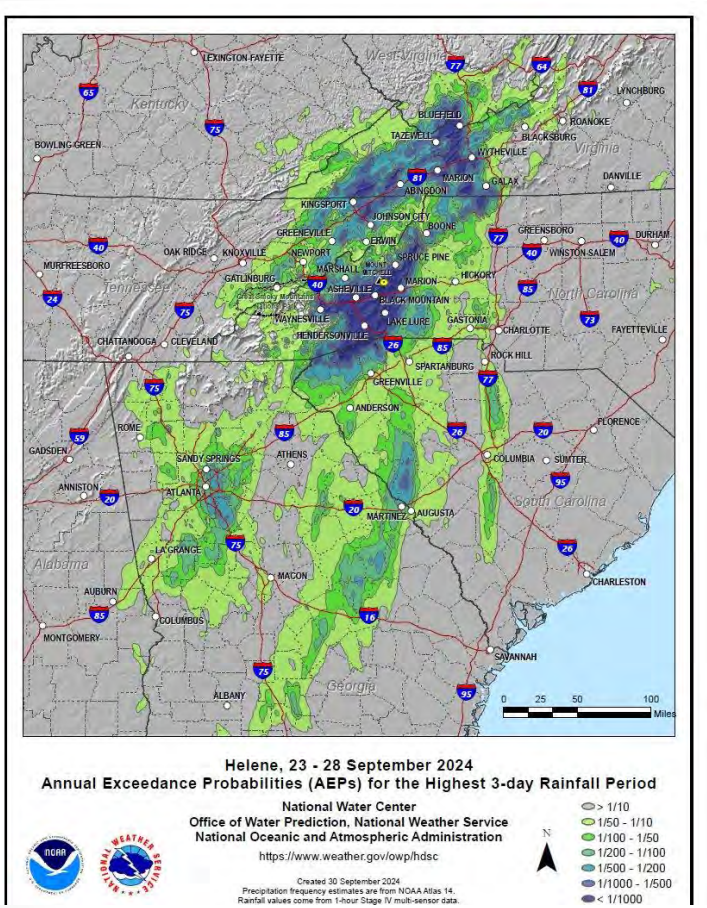
Hurricane Beryl 2024



Hurricane Helene

- Deadliest storm to hit NC
- 100+ deaths
- 126,000 homes destroyed
- 1000+ bridges and culverts destroyed
- City of Asheville without potable water for 53 days
- Costliest storm to hit NC
- Estimated $53 Billion in damages
- Over 400 roads damaged

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

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

Flood risk is just a statistic...

Until it happens to you

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**."

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…"

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*)

Flood Insurance Exposure Shift

- NFIP created to address river flooding issues
- Population shift to the coastal areas (>50%)
- 2005 Hurricane Katrina – created awareness of the severity of the problem
- We continue to have severe flooding triggered by hurricanes and tropical storms

River Flooding Issues

- Long lead time – weeks to months
- Snow melt is primary cause
- Repetitive losses
- Known problem areas with some predictability
- Highest frequency of flooding along riverine risk areas
- River flooding is the most frequent!

Levee System

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

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

Coastal Flooding

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

Coastal Flooding – most expensive

• Katrina (2005)	$16.3 billion
• Ike (2008)	$2.7 billion
• Sandy (2012)	$8.8 billion
• Harvey (2017)	$8.9 billion
• Ian (2022)	$4.5 billion
• Helene (2024)	$7 billion estimated
• Milton (2024)	$1.2B - $2.9B (Est)

(FEMA paid losses only!)

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

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.

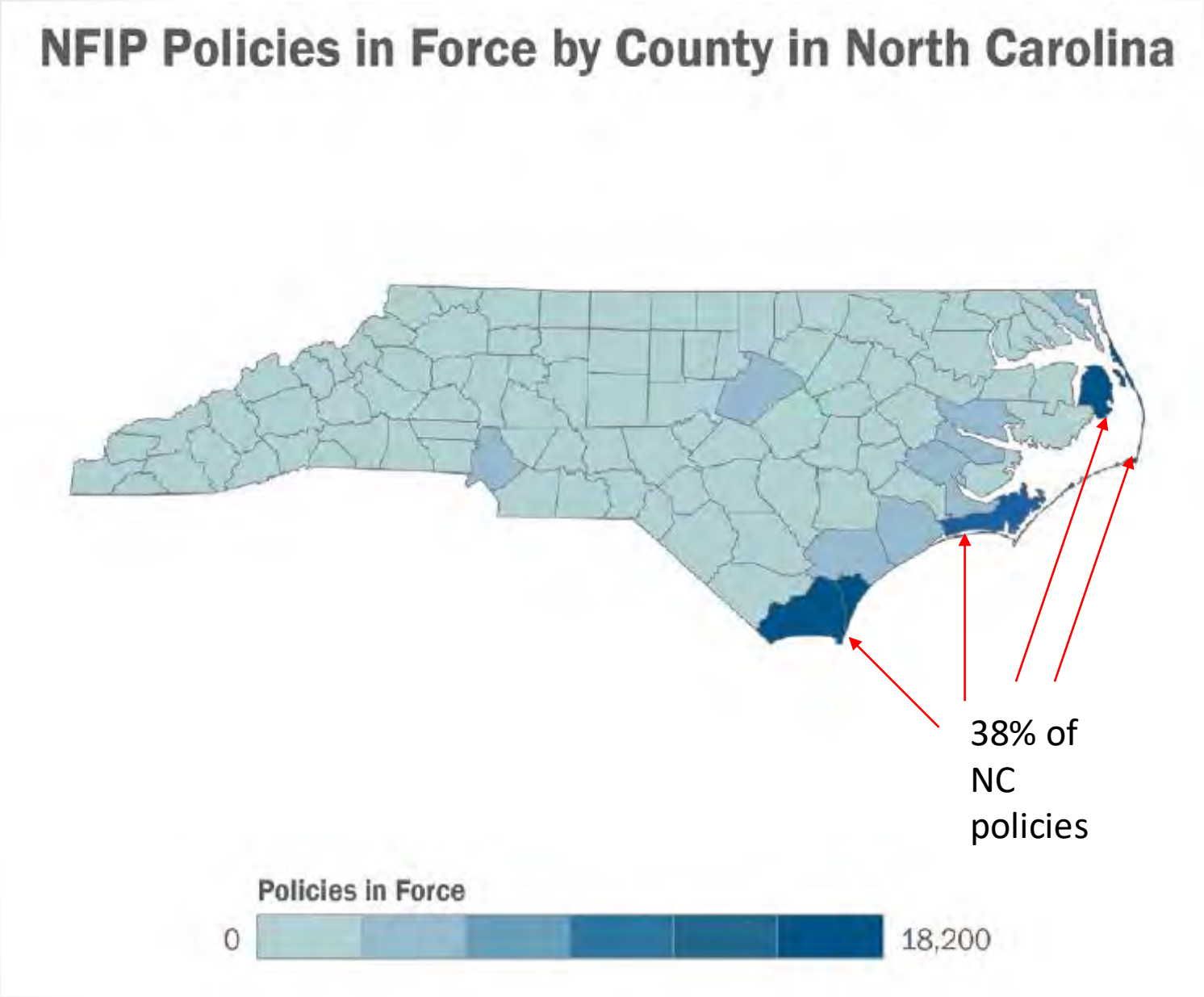
Current NFIP Exposure

- Total Insured Value = $1.26 trillion
- Policies in Force 8/25 = 4,460,103 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

NC Flood Policies

- North Carolina has 128,151 NFIP policies (as of 8/31/26)
- NC has over 5 million housing units (and growing)
- Harsh reality: Many NC residents aren't protected from the risk of flood losses

NFIP Policies in Force by County in North Carolina



(Image credit: FEMA)

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
- Private insurers write 643,467 polices as of May 2026 (FEMA Review Council report)
- 250K NFIP risks are considered uninsurable by the private market

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

NFIP Lapses

- In 2025 we had the longest lapse in history – 43 days
- No new flood policies or increases in coverage
- If the policy renewal date is after the authorization expires, it can't be renewed, *even if paid prior to the authorization expiration*
- Agents: DO NOT accept flood policy payments during a lapse!
- Existing policies stay in force and claims are paid but only to the extent of cash on hand

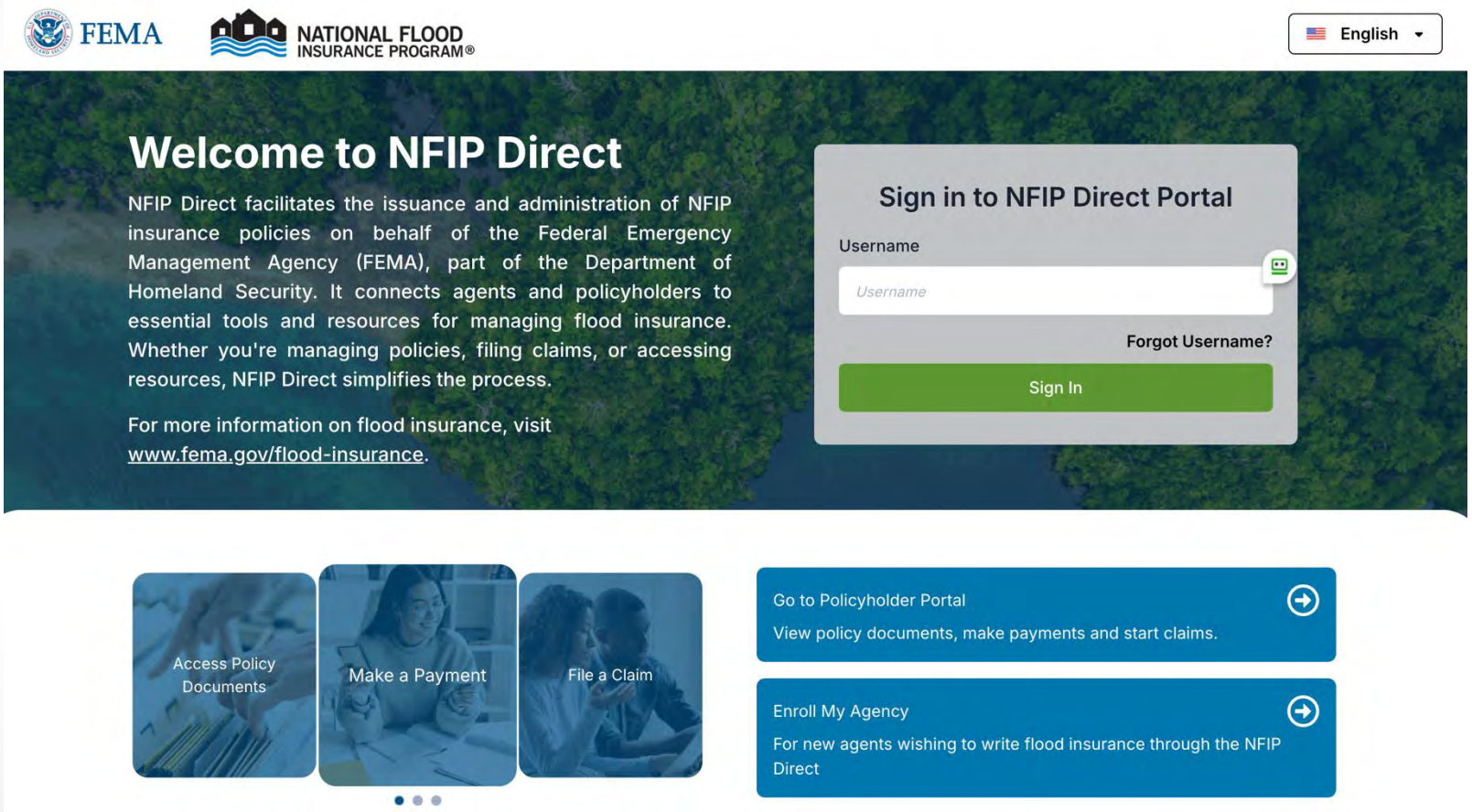
An Unfunded Extension

- 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

Status of NFIP

- Currently authorized until December 11, 2026
- Policies may still be assigned if the program lapses!
- Private flood may fill the gap during a lapse

NFIP Direct Portal



NFIPdirect.fema.gov/login

FLOOD ZONES AND FLOOD MAPS

Flood Zones under Risk Rating 2.0

- Still trigger 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

Flood Zones

- High Hazard (15% of losses)
  - Special Flood Hazard Area
  - Regulated Flood Plain
  - Have a 1% or higher annual risk
- Lower Hazard (68% of losses)
  - Zones B/C/X
- Zone D/Unmapped (16% of losses)

Flood Zones – High Hazard

- Zone V
  - Anticipates the impact of waves exceeding 3 feet
  - Elevated structures on posts or pilings
  - May have breakaway walls

Flood Zones – High Hazard

- Zone A
  - Same probability as Zone V
  - Elevated Buildings
  - May be enclosed with flood vents
- Coastal A Zone
  - Anticipates wave action of 1.5 feet or greater
  - Buildings must conform to V zone codes

Flood Zones – Lower Risk

- X zone (B/shaded): .2 % chance of annual flooding
- X zone (C/unshaded): < .2% chance of annual flooding
- D – undetermined risk

Coastal Barrier Resources System

- No NFIP insurance unless
  - Built prior to 1982 and
  - A participating community
- BEACH Act in 2024 updated the CBRS area
  - 955 structures removed from the CBRS area
  - Added other areas to the CBRS zone
- Appendix E in the Flood Manual

Multiple Zones

- The relevant zone is the highest zone the structure occupies
- This includes decks, walkways, and other parts of the structure not covered by flood insurance!

Discrepancy resolution

- NFIP professional online resources for instant determination
- If errors, providing the latitude and longitude may give a more accurate result
- Local floodplain manager

Who is in a Flood Zone?

Everyone!

NFIP Flood Maps

Flood Maps

- FHBM – Flood Hazard Boundary Map
  - Initial community map
- FIRM – Flood Insurance Rate Map
  - “Permanent” map
- Map Changes (LOMC):
  - LOMA – removes a structure from the SFHA
  - LOMR – update when the floodplain has been altered

Flood Maps Available Online

FEMA Flood Map Service Center (MSC):

https://msc.fema.gov/portal

NC Flood Website: https://flood.nc.gov/

NC Flood Risk Information: https://fris.nc.gov/fris/

Real-time Flooding Information: https://fiman.nc.gov/

Flood Map Limitations

- Flood maps don't fully model rainfall, especially intense bursts of rain that cause flash flooding
- Current maps created with technology that has limitations
- FEMA has limited time and money to create maps
- Maps aren't updated annually or immediately after a major event
- Wide variance of risk within zones

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
- Cotality: Boundaries are “the limit of data and budget”

Flood Map Limitations

A 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.

For Engineers/Architects

- Data is also available in Geographic Information System format through the National Flood Hazard Layer (NFHL)
- LOMCs may have been processed in your project area after the effective date of the flood map. Recent Letters of Map Revision (LOMRs) will be included in the NFHL
- Order engineering back up information used to develop the flood hazard information shown on flood maps and LOMCs through the FEMA Engineering Library

For Engineers/Architects

Cooperating Technical Partners Program:

- Mission is to improve mapping, tools, planning, and outreach
- Application process
- Training
- Work in cooperation with FEMA to improve engineering information as it relates to flood risk

For Engineers/Architects

To ensure more successful projects:

- Use the latest tools available from FEMA including Online LOMC or eLOMA processing and free specialized software for projects to update flood hazards, FIRMs and FIS reports
- FEMA provides guidance and standards for Risk MAP deliverables. Make sure your deliverables meet the necessary standards
- Be sure to correctly complete Elevation Certificate forms, which are required for certain LOMC requests and are used to verify compliance with building requirements

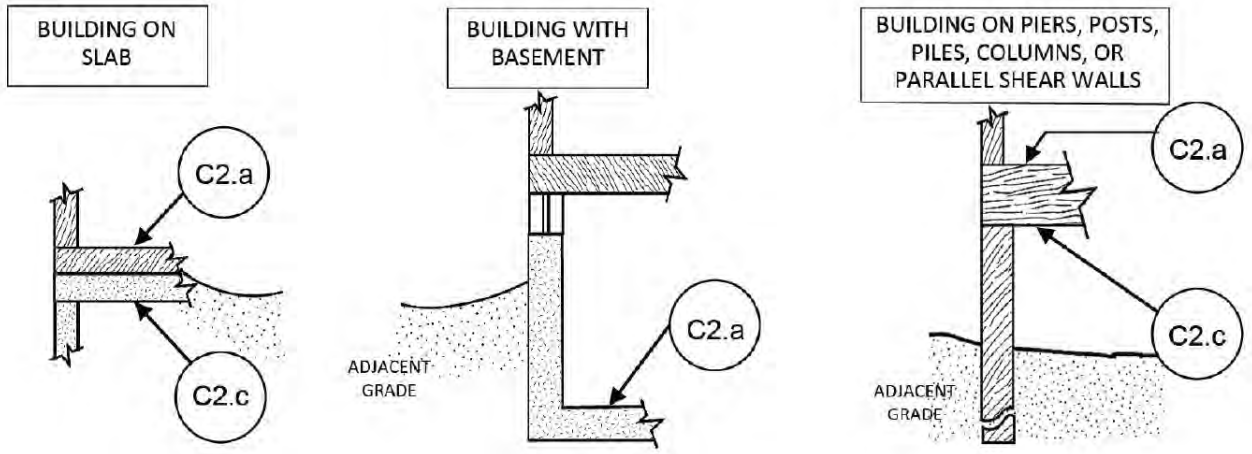
For Engineers/Architects

- Understand the NFIP regulations applicable to your project, read Technical Bulletins which provide guidance on NFIP building standards and adhere to NFIP and accepted industry building codes (zip file) for flood-resistant design for construction projects
- Be informed of property protection measures that can be used to reduce flood risk
- Learn how to properly request a change or amendment to the FIRM
- https://www.fema.gov/emergency-managers/risk-management/building-science

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

Elevation Certificate



Figures for use in determining Item C2.c

Elevation Certificate

Foundation Type Diagrams (for use in Section H):

Slab on Grade (Non-Elevated)

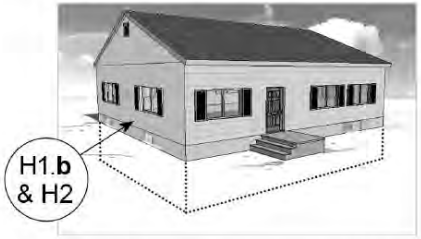
Corresponds to EC Diagrams 1A, 1B and 3

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

Elevation Certificate

DIAGRAM 7:

All buildings elevated on full-story foundation walls with a partially or fully enclosed area below the elevated floor. This includes walkout levels, where at least one side is at or above grade. The principal use of this building is located in the elevated floors of the building.

Distinguishing Feature – For all zones, the area below the elevated floor is enclosed, either partially or fully. In A Zones, the partially or fully enclosed area below the elevated floor is with or without openings** present in the walls of the enclosure. Indicate information about enclosure size and openings in Section A - Property Information.

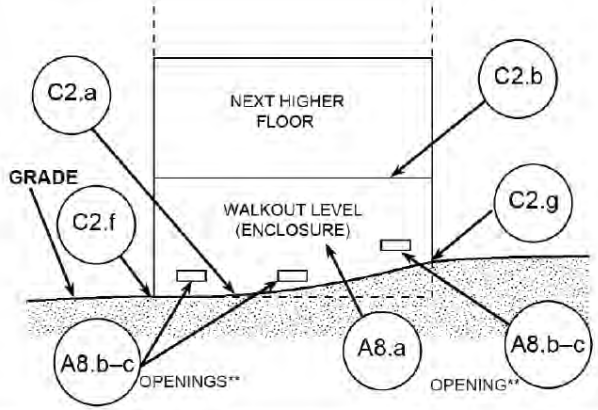
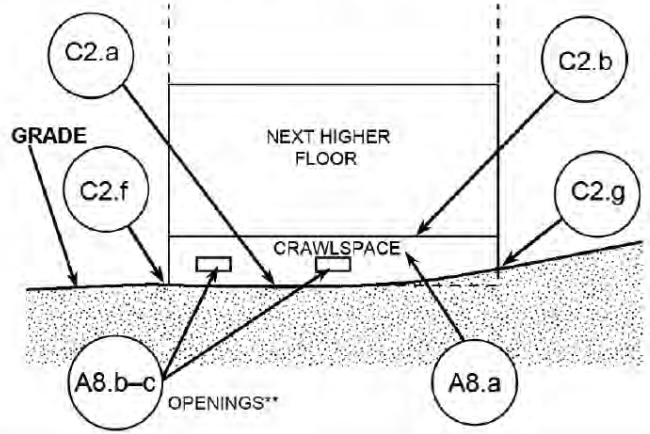


DIAGRAM 8:

All buildings elevated on a crawlspace with the floor of the crawlspace at or above grade on at least one side, with or without an attached garage.

Distinguishing Feature – For all zones, the area below the first floor is enclosed by solid or partial perimeter walls. In all A zones, the crawlspace is with or without openings** present in the walls of the crawlspace. Indicate information about crawlspace size and openings in Section A - Property Information. (If the distance from the crawlspace floor to the top of the next higher floor is more than 5 feet, use Diagram 7.)



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

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

NFIP Policy Forms and Rules

3 NFIP Policy Forms

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

Dwelling Form

- 85%+ 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

General Property Form

- Residential with 5+ units
- Non-residential (commercial) buildings
- Business unit contents in a non-residential building
- NOT for condo associations

Residential Condominium Building Association Policy (RCBAP)

- Sold to Condo Associations only (not unit owners)
- Covers the building and common contents
- 75% or more is residential use

Building Eligibility

- All eligible buildings can be rated online
- Eligibility has not changed:
  - No buildings completely over water
  - No building below grade
  - Must have 2 walls, a fully secured roof and be resistant to flotation, collapse, and lateral movement
  - Affixed to a permanent site

Buildings Under Construction

- Not eligible if:
  - No activity for 90 days when not walled and roofed
  - The lowest floor is below the base flood elevation
- Deductible is doubled unless 2 rigid exterior walls and a fully secured roof are in place

Limits

- Dwelling Form: $250,000/$100,000
- Gen Prop Form: $500,000 building
  - Residential $100,000 contents
  - Commercial $500,000 contents
- RCBAP: $250,000 X # of units
- Must buy max allowable before excess!

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

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

NFIP Deductibles

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

Waiting periods

- 30-day waiting period is the default
- 3 Exceptions:
  - Immediate coverage for new, increased, or extended mortgage
  - Initial purchase of flood insurance within 13 months of a map revision (1-day wait)
  - 1-day waiting period for certain properties impacted by wildfire

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

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!

Community Rating System (CRS)

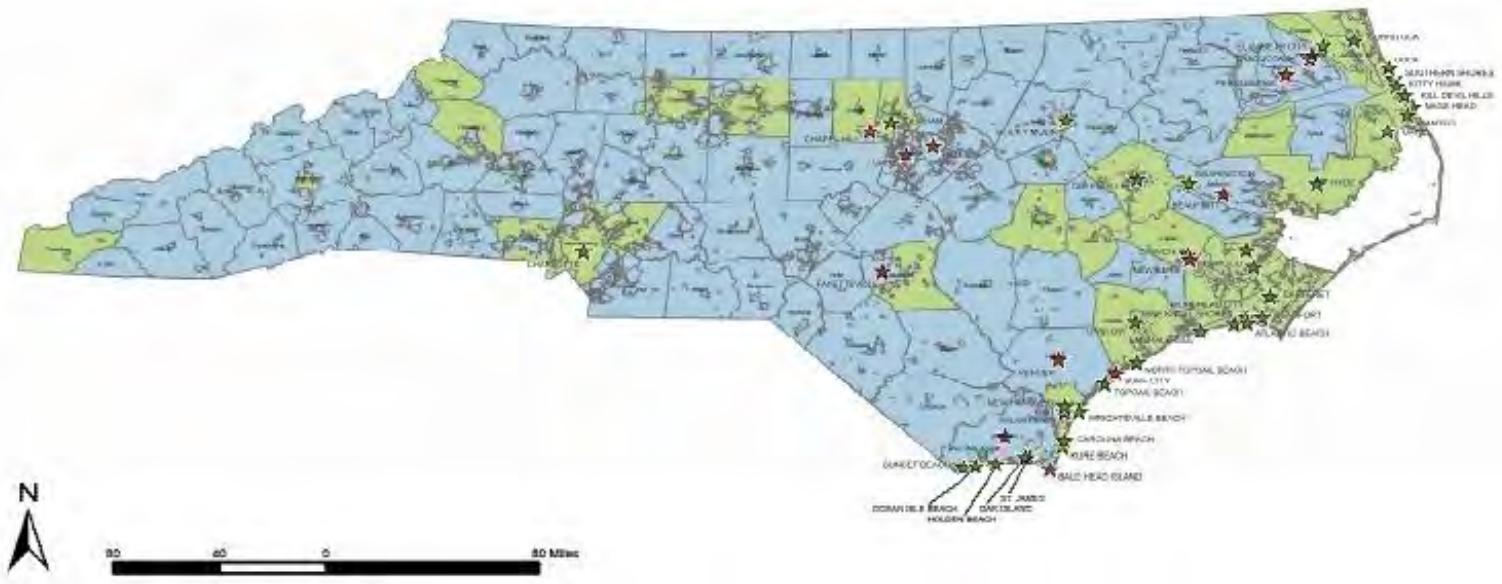
- Class 1 – 9 with 1 being the best (10 is no rating)
- CRS communities qualify for premium discounts
- Each step produces an additional 5% discount
- Highest rated NC community is Charlotte NC – Class 2

Suspension/Probation

- 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

NC CRS Participating Communities

Participating Communities: 595
CRS Communities: 104 (17%)



NFIP Flood Manual

- NFIP has published the October 1, 2025 manual
  - Applies to all policies placed in force on or after October 1, 2025
- The previous manual was April 1, 2024
  - Applies to all policies with an effective date prior to October 1, 2025
- Appendix A – Appendix L have very helpful information!

October 1 2025 Changes

- Clarifies that manufactured/mobile homes are not modular homes
- Stem-wall foundations are considered slab on grade
- Buildings with concrete slabs below buildings for parking are considered elevated

October 1 2025 Changes

- Documentation now needed:
  - Slab on grade/basement home where EC shows FFH more than 12’ above grade
  - Elevated homes where EC shows FFH more than 20’ above grade
  - Homes over 15,000 SQFT
  - 1-4 family building over 5 floors
  - Other residential/RCBAP over 100 floors

October 1 2025 Changes

- For General Property and RCBAP policies the replacement cost must be updated at least every 3 years
- Notices on policies to notify the agent if any information isn’t current
- Notice on RCBAP about coinsurance

FEMA Review Council

- FEMA should refocus to core mission to reduce the loss of life and property – equip states to lead disaster response
- Reserve federal assistance for events that exceed states' capabilities and capacities
- Retain grant program and push initial funds sooner
- Parametric trigger for block grant funding
- Streamline Individual Assistance Program into one direct payment program

FEMA Review Council

- Reform FEMA:
  - Revise flood maps to show true risk
  - Risk-based pricing
  - Reduce WYO compensation
  - Take-out program to encourage move to the private market
  - Possible centralized flood insurance marketplace in each state

More information from FEMA for Engineers, Surveyors, and Architects

https://www.fema.gov/flood-maps/products-tools/know-your-risk/engineers-surveyors-architects#

The NFIP's Problem...

Building Debt Burden

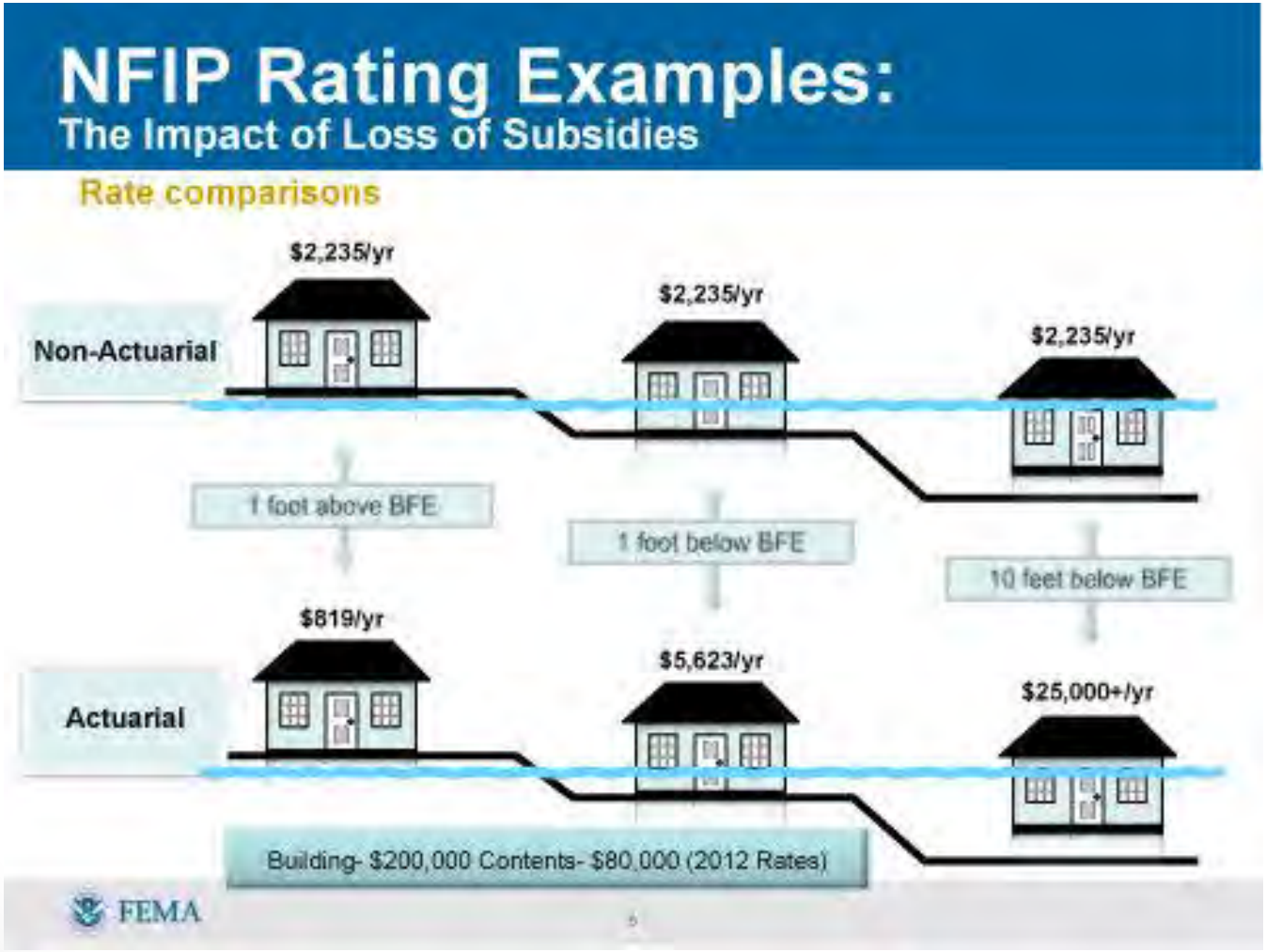
- Since Hurricane Katrina, the NFIP has accrued debt of over $22.5 billion
- $16 billion of debt was forgiven in 2017
- Total interest paid to date is over $6 billion
- Since 2012 the NFIP has attempted to move to actuarial rates

Four Solutions

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

#1: Actuarial Rates

Biggert-Waters 2012



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% of market value (PROBLEM)

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.

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

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

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

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 flood policies**

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
- GAO estimates 95% of policies will be at the full-risk rate by 2037

Risk Rating 2.0

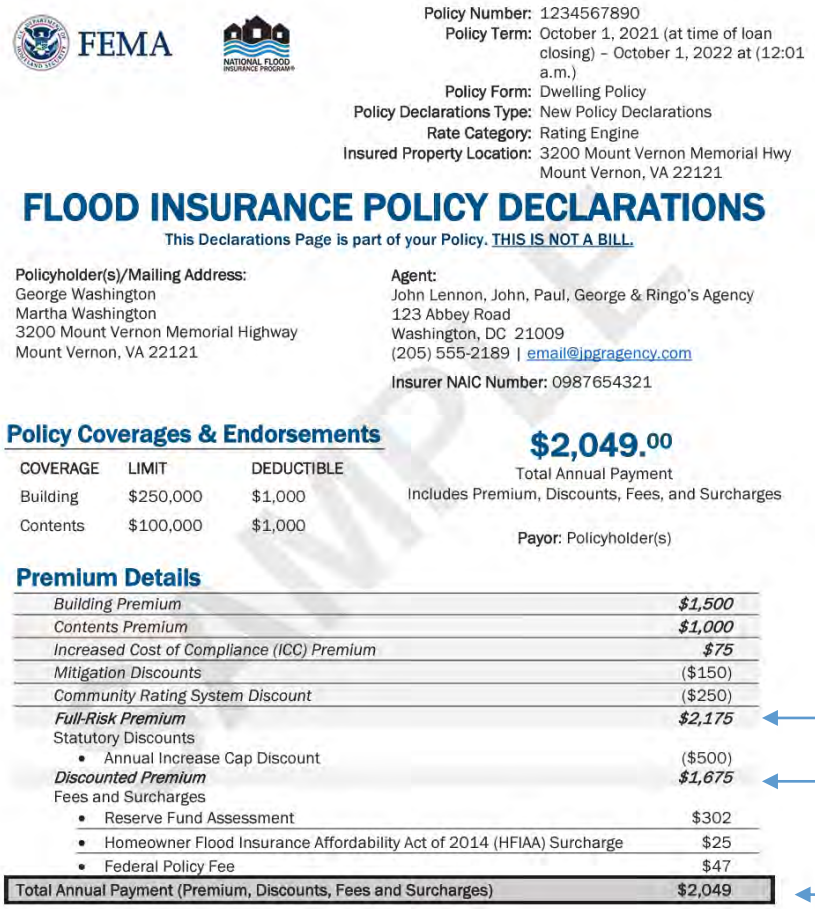
Figure 1. Overview of the NFIP Rating Data Sources and Rating Factors

Source: NFIP Flood Manual October 1, 2025

Risk Rating 2.0 – Transition

- 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)

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

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!

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)

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

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

Prior Claims Impact

- Prior claims are NOT included initially
- Only claims after April 1, 2023 are included
- 10-year lookback period

Prior Claims Impact

- 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!

Prior Claims Exclusion

- 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.

Risk Rating 2.0 – 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

Source: NFIP Flood Manual October 1, 2025

Prior Claims – Loss Runs

- Loss information is only released to the policyholder/property owner
- Can call NFIP to request loss runs

Prior Loss Disclosure

F5. Is the property located in a federal or other designated flood hazard zone?	◯	◯	◯
F6. Has the property experienced damage due to flooding, water seepage, or pooled water attributable to a natural event such as heavy rainfall, coastal storm surge, tidal inundation, or river overflow?	◯	◯	◯
F7. Have you ever filed a claim for flood damage to the property with any insurance provider, including the National Flood Insurance Program?	◯	◯	◯
F8. Is there a current flood insurance policy covering the property?	◯	◯	◯
F9. Have you received assistance from FEMA, U.S. Small Business Administration, or any other federal disaster flood assistance for flood damage to the property?	◯	◯	◯
F10. Is there a flood or FEMA elevation certificate for the property?	◯	◯	◯

NOTE: An existing flood insurance policy may be assignable to a buyer at a lesser premium than a new policy. For properties that have received disaster assistance, the requirement to obtain flood insurance passes down to all future owners. Failure to obtain flood insurance can result in an owner being ineligible for future assistance.

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

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

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

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

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

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

Changes to Maximum Cost (Dwelling)

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

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

Which Option is Best?

- NFIP
  - Policy now shows full risk premium
- NFIP underlying with private excess
  - Must buy maximum from NFIP
- Private market
  - Pricing and coverage vary

Shift #2: Loss Financing

Traditional Reinsurance

- 2025 $757.835 million of reinsurance
- 2026 – NO purchase of reinsurance

NFIP Reinsurance Program – Capital Markets

- $575 million Cat Bond effective March 2024 – March 2027
- Tranches of Cat Bonds from 2020 and 2022 were extended to cover losses from Ian and Helene

Mitigation

Repetitive Loss Properties

- 2 or more claims of $1,000 or more within 10 years (since 1978)
- There are over 239,000 repetitive loss properties with over $12.5 billion in claims
- About 13,000 in NC which is an increase of 30% in 5 years
- 25% NOT in the SFHA

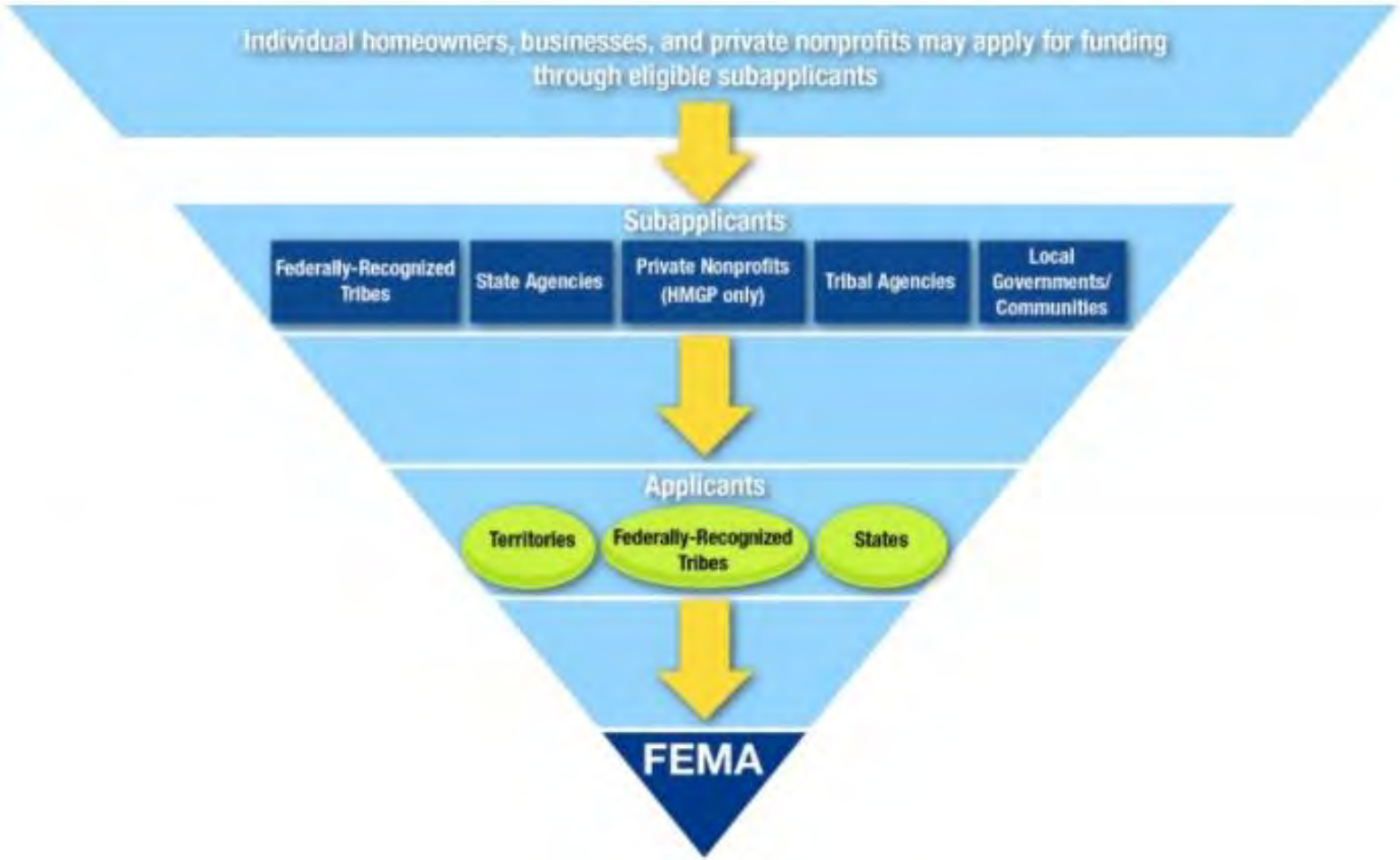
Severe Repetitive Losses (SRL)

- 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
- NC ranks 6th in the number of RL and SRL properties

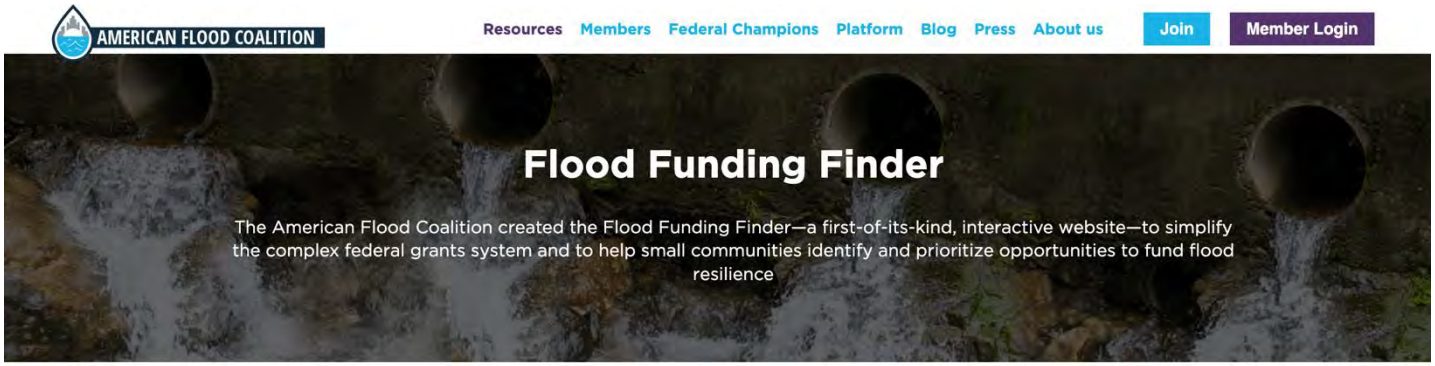
FEMA Grant Programs

- 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

NFIP Mitigation Grants



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/

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

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
  - Had to compromise with a lower elevation

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

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

Helene Mitigation Issues

- Property owners don’t want a buyout
- Many suspicious of the government taking their land
- Difficulty rebuilding after an uninsured loss
- Limits on temporary housing
- Severity of living conditions after the storm
- Overwhelmed system due to scale of catastrophe
- Mandatory mitigation doesn’t scale well

Other Mitigation Options

- Water diversion away from the structure
- Rain gardens
- Water-absorbing plants
- Build assuming BFE may rise
- Coordinate with wind mitigation in high-wind risk areas (beach and mountains)

NC Mitigation - Wind

- The NCIUA (Coastal Property Insurance Pool) has the largest wind mitigation program in the world
- Has conducted training sessions for roofers and inspectors
- Over 21,000 roofs have been/are being replaced with IBHS bronze level roofs (or better)
- Results from Hurricane Florence and Hurricane Dorian show significantly less damage to IBHS rated roofs
- More information: www.StrengthenYourRoof.com and www.StrengthenYourCoastalRoof.com

Mitigation Benefits

- Reduced losses
- Community resiliency
- Lower premiums
- New programs for lower interest loans for mitigated homes

Download the FEMA app

Private Flood Insurance

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

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

Private Flood - Cautions

- Lender must accept
- Potential loss of NFIP subsidized rate
- Stability of private market (reinsurance impact is significant)
- Future rate increases in the private market unknown

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

Private Flood Options

- Non-admitted/Surplus Lines carriers
  - Private market insurers in Florida
  - May get loss of use coverage
  - May endorse homeowners policy (low risk areas)
- Can self-insure if no lender or very low risk
- North Carolina private flood policy with approved forms and rates

Excess Flood Programs

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

NC Private Market Flood Policy

- Goal: To develop a long term, quality flood [insurance] solution for the state of North Carolina that is accepted by lenders and offers residential risk coverage options that are equal to or greater than the current policy offered by the NFIP
- Forms and rates have been approved for use in North Carolina
- Policy more closely aligns with homeowners forms
- Not currently being sold by any carrier

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

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)

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**

Private Flood Policy Benefits

- Broader coverage with more consumer choice
- More precise rating and potentially lower premium
- Easier to understand policy forms
- Fall under state regulator oversight vs Federal government

NC Private Flood Policy Claims

- Under the jurisdiction of the NC Insurance Commissioner
- Can appeal to NC Department of Insurance
- Litigation will be in STATE court
- Better coordination with homeowners/wind & hail (if written with admitted company)

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

Parametric Flood

- Used in CA for earthquake, use for flood is new
- Provides a quick, simplified payout when a certain flood threshold is met
- Municipalities are starting to purchase to finance losses to infrastructure

Flood Claims

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

NFIP vs. FEMA - Harvey

FEMA grant average: $4,300

NFIP claim average: $115,000

Which would YOU choose?

FEMA Emergency Relief

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

Was it Wind or Water?

Claims Handling – Wind and Flood

- Flood v Wind losses
  - Policy language – concurrent causation
  - NC holds anti-concurrent causation (ACC) clauses to be enforceable
  - Other states may use predominant cause of loss
  - Difficult to allocate due to two different court systems

Flood Modeling

Flood Modeling Challenges

- Impact of rising sea levels
- Population expansion and development
- Higher economic damages
- Difficulty quantifying the risk
- Flood modeling requires a LOT of data – flooding is very localized
- History doesn't always tell you about the future!

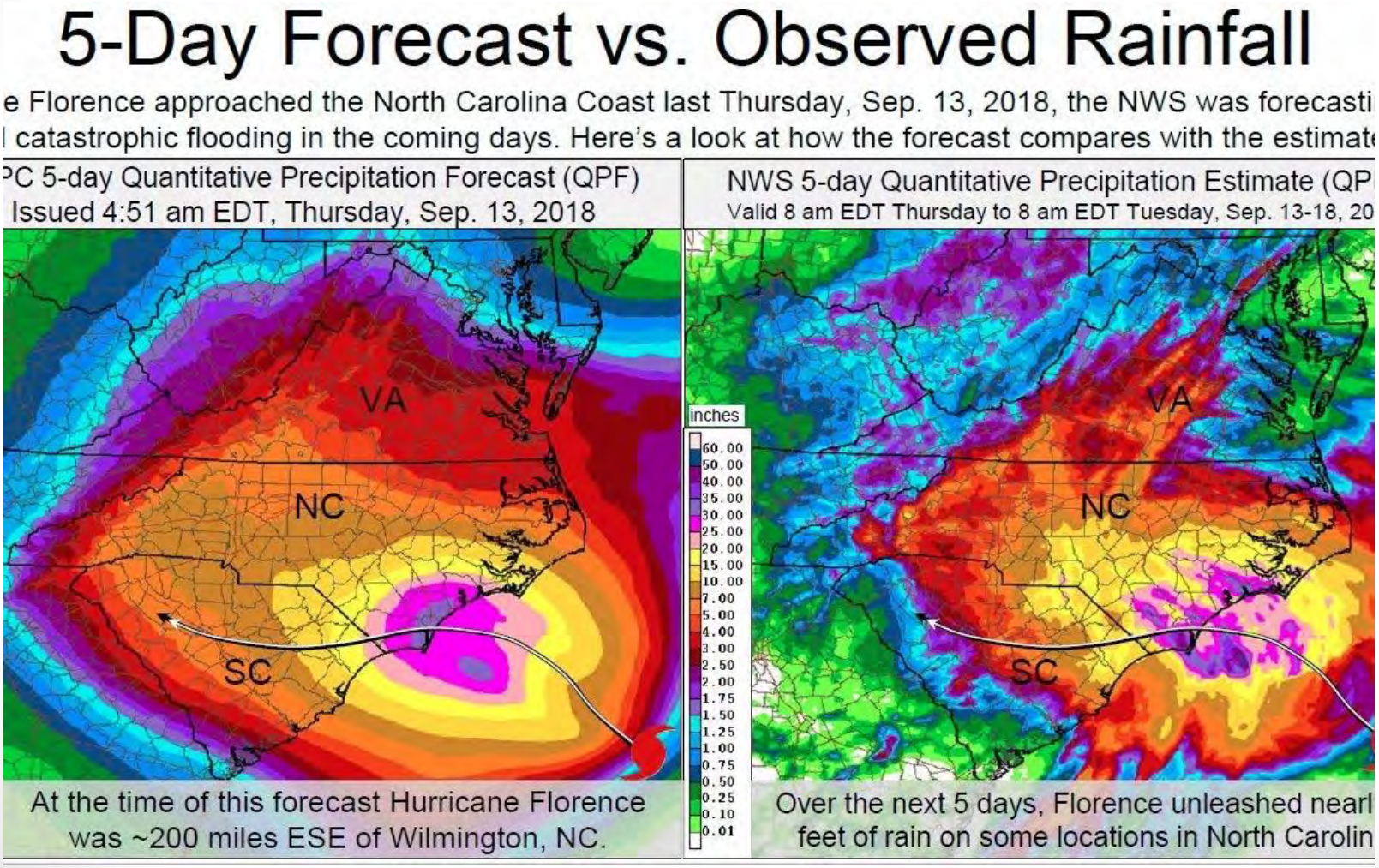
Flood Modeling

- NFIP insures primarily residential – less incentive to model privately
- 2.2 million kilometers of river network in the US
- Multi-dimensional
  - Streams
  - Vulnerability
  - Speed
  - Duration
  - Dimension of time
- Different depths of water can cause same damage

Flood Modeling

- Map Accuracy is critical
  - Geocoding accuracy
    - Small risks OK but large properties need work
  - Exposure accuracy
    - Digital Terrain Model (DTM) for horizontal perspective
    - Satellite can have 1 meter or more error
    - Currently 10 meter resolution – need better

Pretty darn close…



Hurricane Models

- There are several widely accepted models in use
- One challenge – Probable Maximum Loss is not completely correlated with hurricane category
- Public dismisses wind models but believes flood map delineations are perfect!
- Flood is a key component of damage from hurricanes

Educating the Public and Avoiding E&O Claims

Your Role in Protecting Consumers – Property Acquisition

- Provide information about the flood zone, property history, and risk level
- Provide information about mitigation done on the property
- Encourage them to talk with their insurance agent about flood risk and flood insurance
- Never promise a property will “never flood”
- Never tell someone a property isn’t in a flood zone

Your Role in Protecting Consumers – Property Development

- Consider landscaping mitigation measures
  - Rain gardens
  - Utilize swales, French drains, and other water diversion methods
- Assume Base Flood Elevation will rise and build accordingly
- Coordinate with wind mitigation in coastal areas
- Incorporate temporary flood water barricades

Your Role in Protecting 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

E&O Considerations (Agents)

- Verify named insured(s)
- Verify mortgagee
- Any changes to the structure in the past year?
- Review deductibles
- Verify limits and match whenever possible
- Make sure YOU are ready to handle a catastrophe!

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

Fair Bluff NC – 19 Years

1999: Hurricane Floyd

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

Fair Bluff NC – 19 Years

2016: Hurricane Matthew

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

Fair Bluff NC – 19 Years

2018: Hurricane Florence

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

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

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?”

DON'T BE THIS AGENT!

Offer flood insurance with
every property policy
every time

EVERYONE is in a
FLOOD ZONE

Questions on CE Credit

Contact: Tracy Biehn

919-807-6889

tracy.biehn@ncdoi.gov

Flood Materials and Links

Available for download at:

www.nowpreneur.com/DOIFlood

If you have problems accessing the site:
email Charlotte@Nowpreneur.com

Connect with me on LinkedIn:
https://www.linkedin.com/in/charlotteshicks/