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# Let's Talk Flood

## What Is A Flood?

*"A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (at least one of which is your property) from:*

*Overflow of inland or tidal waters; Unusual and rapid accumulation or runoff of surface waters from any source; Mudflow; or 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 that result in a flood as defined above."*

## Quick Facts

- The damage from just one inch of water can cost a homeowner more than \$20,000.
- Flash floods typically carry water between 10 and 20 feet high.
- Six inches of fast-moving water can knock over an adult & 12 inches can sweep away a small car.
- Water moving at 10 mph can wield the same pressures as wind that's moving at 270 mph.

## **Flood Insurance – Excluded in Homeowners Policies**

- Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, does not matter if driven by wind or not.
- Water which backs up through sewers or drains or which overflows from a sump; or
- Water below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

## **Who Needs Flood Insurance?**

- Properties located in areas at high risk of flooding with mortgages from federally regulated or insured lenders are required to have flood insurance
- A homeowner can purchase flood insurance even if it is not federally required for their property
- A lender can require flood insurance even if it is not federally required
- Flood insurance is **not** required for cash sale purposes

## Federal Flood Insurance Laws

### **National Flood Insurance Act of 1968**

- Compensates individuals for flood losses through insurance
- Reduces future flood damages through State and community floodplain management regulations
- Reduces Federal expenditures for disaster assistance and flood control
- Created the Mandatory Flood Insurance Purchase Requirement

### **National Flood Insurance Act of 1994**

- Increase compliance by mortgage lenders with the mandatory purchase requirement and improve coverage
- Increase the amount of flood insurance coverage that can be purchased
- Provided Increased Cost of Compliance Coverage.
- Establish Flood Mitigation Assistance to develop mitigation plans and implement measures to reduce future flood damages to structures
- Require FEMA to assess its flood hazard map inventory at least once every 5 years.

### **The Biggert-Waters Flood Insurance Reform Act of 2014**

- Extended the NFIP for five years
- Authorized and funded the national mapping program
- Established rate increases to ensure the fiscal soundness of the program by transitioning the program from subsidized rates to offer full actuarial rates reflective of risk.

### **Homeowner Flood Insurance Affordability Act of 2014**

- Repealed certain parts of Biggert-Waters; Renewed in 2017

There have been 20 short term extension since 2017. Congress is working on several bills meant to reform the NFIP; deadline is September 2022, but it will probably be extended again.

### **Private Flood Market**

- Less than 5% of all Flood Policies
- If an individual switches to private and back to NFIP, it is considered a lapse in coverage.
- Driven by technology- How to elevate? How far from the coast?
- Increased Limits- \$5 Million for Building , \$2.5 Million for Contents
- Decreased waiting period (0-5 days , up to 2 weeks)
- Additional coverages available, such as: basements, swimming pool cleanout, etc.

### **Flood Policy Simplified**

#### **Three Types of Policies**

1. Dwelling Policy
  - a. Detached Single Family Home
  - b. Two-to-Four Family Buildings (business is less than 50% of total floor area)
  - c. Dwelling unit in residential condo building (business is less than 25% of total floor area)
  - d. Residential Townhouse/Rowhouse
  - e. Manufactured Mobile Homes

#### ***What about garages?***

- 10% of coverage can be applied to detached garages
  - No additional coverage. Taken from the building limit.
  - If used for residential, business, or farming, must have a separate policy.
2. General Policy (non-residential risks)
    - a. Shop, restaurant, or other business; Mercantile Building; Grain bin, silo, or other farm building; Agricultural or industrial processing facilities; Factories; Warehouses; Pool house, club house, or other recreational building; House of Worship; School; Hotel; Licensed Bed & Breakfast; Nursing Homes; Non-residential condos; detached garage; tool shed; stock, inventory.
  3. Residential Condominium Building Association

#### **Two Types of Coverage**

1. Building Property
2. Personal Property (contents)

### **Flood Insurance Policy**

- Typically, a one-year policy that is paid annually. Premium must be paid for up front in advance.
- 30-Day Waiting Period:
  - Exceptions include requirement by the lender, map revisions or, post wildfire.
  - Can be assigned to a new owner.

#### **NFIP's Dwelling Form offers coverage for:**

1. Building Property, up to \$250,000
2. Personal Property (contents), up to \$100,000

#### **Exceptions:**

- Damage caused by moisture, mildew or mold that could have been avoided by the property owner or which are not attributable to the flood
- Damage caused by earth movement, even if the earth movement is caused by flood

- Additional living expenses, such as temporary housing, while the building is being repaired or is unable to be occupied
- Loss of use or access to the insured property
- Financial losses caused by business interruption
- Property and belongings outside of an insured building such as trees, plants, wells, septic systems, walks, decks, patios, fences, seawalls, hot tubs and swimming pools
- Currency, precious metals, and valuable papers such as stock certificates
- Most self-propelled vehicles such as cars, including their parts.

#### **Increased Cost of Compliance (ICC) Coverage**

- Most NFIP policies include ICC coverage, which applies when flood damages are severe.
- ICC coverage provides up to
- \$30,000 of the cost to elevate, demolish, or relocate your home.
- If your community declares your home “substantially damaged” or “repetitively damaged” by a flood, it will require you to bring your home up to current community standards.

### **Flood Insurance Study**

FEMA conducts a Flood Insurance Study to identify a community's flood risk. The study includes statistical data for river flow, storm tides, hydrologic/hydraulic analyses, and rainfall and topographic surveys. FEMA uses this data to create the flood hazard maps that outline your community's different flood risk areas. Rates are based on risk of flooding as determined by “flood maps” established by FEMA.

#### **Flood Insurance Rate Map (FRIM)**

A FIRM is a map created by the NFIP for floodplain management and insurance purposes. This shows a community's base flood elevations, flood zones, and floodplain boundaries.

- **Pre-FIRM**
  - Built before January 1, 1975, Subsidized rates Approximately 20% of policies
  - Primary residence (mandatory 5% increase per year)
  - Secondary residence (increased 25% per year until full risk rate)
- **Post-FIRM**
  - Complies with local ordinances
  - Full risk rates
- **Two very important factors:**
  1. Base Flood Elevation
  2. Where the lowest point of the subject property is located.

#### **100 Year Standard**

- Flood hazard areas are defined as the area that will be inundated by the flood event having a 1-percent chance of being equaled or exceeded in any given year.
- The 1-percent annual chance flood is also referred to as the base flood or 100-year flood.
- The 100-year flood has a 26 percent (roughly 1 in 4) chance of occurring over the life of a 30-year mortgage.

**Elevation Certificate** tells where the lowest point of the property is relative to the Base Flood Elevation. The higher the elevation is above the Base Flood Elevation, the better the rate.

**FEMA Risk Rating 2.0** <https://www.fema.gov/flood-insurance/risk-rating>

### **Flood Zone Classifications**

- **High Risk Area | Special Flood Hazard Area (SFHA)**
  - 1 in 4 Chance of flooding during a 30-year mortgage
  - All home & business owners are **required to** buy flood in
  - Shown on maps beginning with ‘A’ or ‘V’

- **Moderate to Low-Risk Areas | Non-Special Flood Hazard Area (NSFHA)**

- Risk of flooding is reduced but not completely removed
- These areas submit more than 20% of NFIP claims
- Shown on maps beginning with 'B', 'C', 'X' (or shaded X)

- **Undetermined Risk Areas**

- Possible but undetermined flood hazards or unstudied areas.
- Rates reflect the uncertainty of the flood risk. Shown on maps beginning with 'D'.

How do I find what flood zone classification a property is in? <https://msc.fema.gov/portal/home>

### **Letter of Map Amendment (LOMA)**

A Letter of Map Amendment (LOMA) is an official amendment, by letter, to an effective National Flood Insurance Program (NFIP) map. A LOMA establishes a property's location in relation to the Special Flood Hazard Area (SFHA). LOMAs are usually issued because a property has been inadvertently mapped as being in the floodplain but is actually on natural high ground above the base flood elevation.

#### **FEMA's Obtain and Maintain Requirement**

- The seller or former owner received federal assistance. That assistance was conditioned upon obtaining and maintain flood insurance on the property.
- The requirement of maintaining flood insurance applies to all owners of the property, regardless of transfer of ownership.
- Federal law (42 U.S.C. 5154a) requires the buyer/transferor of the property be notified in writing of the requirement to obtain and maintain insurance.
- The buyer must maintain flood insurance coverage on the property and contents in at least the amount of the disaster assistance previously received and provide notice of this requirement to any party to whom he/she sells the property.
- Failure to obtain or maintain flood insurance as required by law will result in the property owner's ineligibility for Federal disaster assistance.
- Failure to comply with the notice requirements to subsequent buyers/transferees may create an obligation on the buyer to reimburse the Federal Government for disaster assistance provided to a subsequent buyer/transferor.

#### **Flood Insurance Purchase Requirement Addendum**

Don't forget, the failure to provide the Flood Insurance Purchase Requirement Addendum could be a costly error.