

NFIP Hurricane Season 2006 General Talking Points

The Hurricane Seasons of 2004 and 2005 have shown us that the consequences of flooding can be devastating.

- All property owners should consider the devastation of the past two hurricane seasons as a warning that it is vital to protect homes and businesses before the next storm season begins on June 1st. Currently, only half of the homeowners living in the most flood prone areas in our country have protection through flood insurance.
- Only 50 percent of property owners who suffered flood damage from Hurricanes Katrina and Rita were insured through the NFIP, leaving many hurricane victims to absorb the financial losses on their own or seek limited funding from other sources.

Experts are predicting another active hurricane season for 2006. If those forecasts are correct, the 2006 season could be comparable to the storm-filled seasons of 2004 and 2005 – the costliest on record.

- A Colorado State University hurricane expert is predicting 17 named storms for the upcoming 2006 hurricane season, higher than the number of storms he predicted at this time last year. These are the highest numbers ever issued this early in the season.
- Many scientists say the latest 15- to 20-year cycle of warmer water in the Atlantic started in 1995 and is fuel for more, stronger hurricanes in the United States. Scientists predict the Northeast is long overdue for a major hurricane and the Texas coast from Corpus Christi to the Louisiana border is likely to be the target of more hurricane activity than usual over the next 10 years.

Flood insurance covers flooding due to tidal flooding and storm surge caused by Hurricanes.

- Flood insurance will cover tidal surge flooding where other insurance policies may not.

If you live in a highest-risk area (special flood hazard area), you need to be covered by flood insurance.

- All residents in a special flood hazard area are at significant risk for flooding and should be protected with flood insurance. Flooding in these highest-risk areas could, has, and will occur.
- Flood insurance is a vital investment to ensure that residents have protection against the devastating effects of flooding.

You don't have to live in a highest-risk area to be at risk for floods.

- Floods can happen anywhere, at anytime. Residents who live in and outside of a highest-risk area should know their risk, and consider protection. Approximately 25 percent of all flood damage occurs outside of a special flood hazard area.
- Land use, development and other factors do cause changes in flood risk over time. However, even perfectly accurate flood hazard maps would not show the risk of catastrophic events such as the hurricanes of 2005.
- For this reason, FEMA advises that even if you are living outside the high-risk zone, and thus are not required by law to purchase flood insurance you are still at risk for flooding, and should consider flood insurance. Flooding *is not* covered by homeowners insurance.

Hurricanes can cause extensive flooding long after the storm makes landfall.

- Hurricanes cause heavy rains and become tropical systems that can also cause extensive flood damage in coastal and inland areas. Everyone is at risk and should consider flood insurance protection.
- Some of the most damaging floods after a hurricane occur hundreds of miles from the coast. Even though the state of Pennsylvania has no ocean coastline, it repeatedly faced intense rainfall causing dramatic inland flooding during 2004's hurricane season. Flood insurance claims for Pennsylvanians that year were second only to Florida.
- A tropical storm can produce more rainfall than a Category 5 hurricane. The largest amount of rainfall from hurricanes is usually produced by slow moving tropical storms that stall over an area. As all hurricanes weaken to tropical storms and move inland, the threat of torrential rains and high winds over large areas intensify the risks of flooding. Recent tropical storms such as Allison, Isabel and Frances have caused flood damage as far north as Pennsylvania and New York and as far inland as the Ohio Valley.
- Just inches of water can cause thousands of dollars in damage.

Now is the time to purchase flood insurance. We are just a month away from the start of Hurricane Season and there is a 30-day wait before a flood insurance policy takes effect.

- Call your agent today. Call 1-800-427-2419 or visit FloodSmart.gov to find an agent in your area and to learn more.
- Homeowners insurance policies do NOT cover damage or losses from flooding, only a flood insurance policy through the NFIP.
- Remember: to stay covered, you must renew your policy each year.

NFIP Hurricane Season 2006 Insurance Agent Talking Points

The 2004/2005 Hurricane Seasons showed us that the consequences of flooding can be devastating. Insurance companies and organizations are urged to work with their agents, to encourage agents to ensure their customers are covered against flooding.

- Insurance agents play a unique role in local communities to prepare home and business owners for the threat of flood damage. The National Flood Insurance Program (NFIP) urges agents to reach out to policyholders and potential customers **now** about the benefits of flood insurance.
- Now is the time to encourage customers to purchase flood insurance. There is a 30-day wait before a flood insurance policy takes effect. If customers wait for a storm warning before they consider investing in coverage, they won't be protected.
- Insurance agents can help protect customers' homes and businesses before the next storm season begins on June 1st. Currently, only half of the homeowners living in the most flood prone areas in our country have protection through flood insurance.
- Outside of high-risk special flood hazard areas (SFHAs), the risk of flooding is reduced but still present. Historically, about 20-25 percent of all flood claims in the U.S. come from such low- to moderate-risk areas. Since flooding also occurs outside of SFHAs, agents can protect their portfolios and the communities they serve by encouraging flood insurance coverage.
- Policyholders need to stay covered and avoid having their policies lapse. Insurance agents should remind them about the need to renew their policies each year.
- Agents are reminded to protect themselves, too. They can reduce exposure to Errors and Omissions (E&O) with a few simple steps. For instance, agents should document communication with each client. If a customer refuses flood insurance, agents should ask customers to sign a waiver in order to protect themselves.

Several factors may influence the need to make changes to a flood policy. Remind agents to track for such changes, to keep a step ahead and protect their customers and themselves.

- If a policyholder moves to a high-risk flood area from a low- to moderate-risk area, or vice versa, their policy will need to be modified to ensure proper coverage.
- Renovations may also influence the need for making changes to a flood policy. If home or business owners' value of their property has increased, agents can work with customers to ensure they have enough coverage for their full investment.
- Another way to safeguard clients is to encourage adequate coverage for their investment. Many policyholders affected by Hurricane Katrina didn't have enough coverage, resulting in numerous foreclosures. The National Flood Insurance Program's coverage limits can help insure property up to—\$250,000 for residential building coverage and \$100,000 for contents; \$500,000 for nonresidential building coverage and \$500,000 for contents.

Insurance agents are affected by floods as well, and need to prepare themselves in the event of damaging floods.

- An approaching storm poses a number of risks and challenges. Personal safety is paramount, so agents should be sure to take appropriate precautions. Remind agents to review and implement the relevant portions of their agency's Catastrophe Plan, and evacuate if the community issues the order. The following tips provide guidance to help agents effectively address their client's needs while staying out of harm's way.
- First of all, be sure *your* agency is protected with flood insurance before hurricane season begins. Commercial flood insurance is available for business owners and lessors in all risk areas. You can purchase flood insurance for both your building and contents. Building coverage usually covers things such as water heaters, central air systems, fuel tanks and furnaces.
- Be familiar with your agency's pre- and post-storm procedures. If you are an independent agent, make sure that you too have a plan in place to address client needs and ensure your own personal safety.
- Start implementing your agency's recovery plan in the days before the storm threatens to strike. Review checklists and update your emergency contact list. Find out which of your colleagues and clients plan to evacuate and if they have an alternate number where they can be reached. Create an emergency communications plan so all employees are accounted for and know what to do. Remember to plan a secondary location in advance, so in the event of your office flooding, the agency can stay in business.
- Print and duplicate all documents and forms that you will need to continue working in an alternate location in case your office is affected. Also, check with your state insurance association. They may have sample letters to affected customers, phone numbers to call and more. After the storm, these can be used as handouts for clients waiting in line or those you meet in the field.
- Secure your office before leaving work. The storm may affect more than just your clients' properties.
- Take the time to make copies of toll-free claim numbers and put them in a safe place. Don't expect to go to Command Posts or Emergency Operations Centers to get them.
- If you are an agent who does not have an emergency source of power like a generator, take steps in advance of the storm to address this.
- Visit the NOAA website for frequent updates on the storm's position and severity: <http://www.nhc.noaa.gov>
- After the flood, support customers in navigating post-flood cleanup and the insurance claims process. Communicating with customers is key to lessen E&O exposure.

Agents.FloodSmart.gov: A valuable resource for agents

- The National Flood Insurance Program's new FloodSmart website, **Agents.FloodSmart.gov**, has information exclusively for insurance agents. The site provides access to agent materials and new content in a password-protected Agents-Only section of FloodSmart.gov. After registering a username and password, an agent can simply log in to access:
- Links to education and training programs about flood insurance
- A schedule to alert agents to flood map changes occurring around the country
- The latest claims and product information from the NFIP
- Marketing tips, advertising tools, and additional resources for agents to distinguish themselves as their community's flood insurance expert
- Resource materials for customers to help them through the claims filing process
- Tips for increasing visibility as a flood expert after a flood happens in their area
- Resources to protect the agent from E&O exposure after discussing flood insurance with customers
- Comprehensive support for agents' sales efforts that include tips, talking points, and an opportunity to enroll online for NFIP's Agent Referral Program and Co-op Program. Agents may use the Co-Op Program to advertise in their local papers and send direct mail letters to their customers who do not have flood insurance. The Agent Referral Program allows agents to get qualified leads and grow their flood business.

Additional messages from the NFIP

Everyone is at some risk for flooding and should consider their flood insurance options

- Floods are the #1 natural disaster in the United States
- Everyone is at some risk for flooding. Floods can happen anywhere, at anytime.
- Residents who live in a special flood hazard area are required to purchase flood insurance “if” they have a federally insured mortgage.
- However, everyone who lives in a special flood hazard area should know their risk and consider the option of flood insurance regardless of a mortgage requirement.
- In addition, those outside of the highest-risk areas should also know their risk, and consider protection. Twenty to 25 percent of all flood insurance claims are filed in low- to moderate-risk areas.
- Flood insurance is available in more than 20,000 communities across the country. Everyone can purchase flood insurance – renters, business owners, and homeowners.
- New land development can increase flood risk, especially if the construction changes natural runoff paths.
- To purchase a policy, simply call your family’s insurance agent or go to FloodSmart.gov to find an agent near you. To learn more about flood insurance, visit www.FloodSmart.gov.

Flood Insurance – What is and isn’t covered

- You can purchase flood insurance for both your building and contents.
- There are limits to NFIP insurance (250K structure; 100k contents).
- Flood insurance covers damage up to \$250,000 for your building and up to \$100,000 if you purchase contents coverage.
- Building coverage usually covers things such as water heaters, central air systems, fuel tanks and furnaces.
- Insurance doesn’t cover property (land) or contents outside of your building, such as trees, septic systems, swimming pools, or seawalls.
- There are also some exceptions for coverage in areas below the lowest elevated floor of your home.
- If you enclose an open area under the first floor and use it for storage, the contents will not be covered by flood insurance.

The National Flood Insurance Program ensures the availability of flood insurance and guarantees claims will be paid.

- Flood insurance claims, from those whose homes and businesses were damaged or destroyed by flooding and storm surge, are not a new obligation—are the result of a legal promise we made to these homeowners and business owners when Congress passed the National Flood Insurance Act of 1968.
- The arrangement is simple: Communities agree to adopt building codes to mitigate flood risks. Homeowners and businesses pay premiums, and the federal government provides insurance coverage for policyholders and pays claims after a flood event.
- Every single one of these claims represents someone who has taken the responsible course of action by purchasing flood insurance and paying premiums. We not only have a legal obligation to honor our commitments, but we have a moral obligation to provide the coverage we’ve promised to provide.

Flood insurance is affordable, and premiums are set by the National Flood Insurance Program – they do not differ from insurance company to insurance company.

- The average premium for a yearly flood insurance policy is around \$500. You can financially secure your home or business at a cost equivalent to a year's subscription to cable television.
- If you live outside of the highest-risk areas (or SFHA), and are eligible for the Preferred Risk Policy, your flood insurance premium may be as low as \$112 a year including coverage for your property's contents
- It's important to realize that one catastrophic event doesn't dramatically change the overall cost of flood insurance.
- The risk of flooding is an important factor in determining flood insurance premiums, but the calculation is based on an analysis of many factors, including flood data collected over many years, the age and type of structure, engineering studies, topographical surveys, and other data.
- Under NFIP's current statutory authority, premiums will continue to be based on these charted calculations of flood risk, including recent hurricanes and inland flooding, not on any single disaster. This information is used to determine appropriate premiums to cover future loss expectations, not past losses.

The National Flood Insurance Program provides federally backed flood insurance in exchange for the enforcement of sound floodplain management

- Over than 20,000 communities in all 50 States and U.S. Territories voluntarily participate in the NFIP, representing about 95 percent of all properties in the Nation's Special Flood Hazard Areas
- Sound floodplain management planning and regulations save this country an estimated \$1.1 billion in prevented flood damages annually, and structures built to NFIP criteria experience 80 percent less damage than structures not built to such standards.
- Creating stronger and safer communities reduces loss of life and property, enables individuals and localities to rapidly recover from future events, and lessens the financial impact on State, Tribal and local governments, as well as the United States Treasury.

FEMA's National Flood Insurance Program is prepared to serve all policyholders during the 2006 Hurricane Season while continuing to process claims from the 2005 Hurricane Season as quickly and accurately as possible.

- Lessons learned from the 2005 Hurricane Season point to options for strengthening the program to better serve the public in the future. FEMA is working with the insurance industry and Congress to identify ways to ensure that the program continues to meet its mandate of covering policyholders against loss and lessening community vulnerability.
- President Bush has signed legislation authorizing the National Flood insurance Program to borrow up to \$24 billion to which will allow insurance companies to continue paying claims from the 2005 hurricane season.
- The claims process is continuing in the Gulf. Currently more than 92 percent of flood insurance claims have been processed and closed.
- The NFIP is working with claims and insurance experts from the flood insurance companies to share valuable information and resolve claims fairly.

The National Flood Insurance Program encourages property owners to learn their risk and options for protection through the FloodSmart campaign.

- In 2004, the NFIP developed a comprehensive, integrated campaign to educate and inform. Property owners and all stakeholders need good information to make informed decisions.
- The campaign increases awareness among homeowners and businesses about the flood risks they face, and educates citizens about the value of flood insurance. The NFIP's 21 consecutive months of uninterrupted growth, combined with a 6.7% growth rate as of February for the current campaign year, reflects FloodSmart's effectiveness.
- Our awareness strategy promotes flood insurance not only among those who live in high-risk areas, but among those who live in lower-risk areas as well. Finally, the program focuses on retaining the policyholders we already have, and our campaign continues to reach out to NFIP communities as they work with new floodplain management information.