

The Flood Insurance Industry and Flood Map Modernization



NEW FLOOD MAPS COMING YOUR WAY

Many of the Nation's flood hazard maps are outdated and no longer realistically depict the true flood risk. A multi-year effort to update these maps and present them in digital form called Flood Map Modernization (Map Mod) is underway. These efforts will produce reliable maps more quickly and provide easier access to the data. This will not only help local officials in areas like managing development and emergency response, but also assist the lenders and agents in offering the proper protection to their clients.

UPDATED MAPS MEAN CHANGES; BUT WHEN?

The Federal Emergency Management Agency (FEMA's) 5-year plan, called the Multi-Year Flood Hazard Identification Plan (MHIP), provides the sequence in which communities will be studied. By 2010, the goal is to provide updated digital flood hazard maps for areas with flood risks. This means that many changes will take place in a relatively short period of time.

FEMA hired a National Service Provider (NSP) to manage Map Mod. Through a premier data collection and delivery system, the NSP will provide continual, national updates on each community's progress.

INSURANCE COMPANIES AND AGENTS ROLE

Insurance companies and agents play an important role in educating the public. In addition to knowing when the map changes will occur, they will need to know what to do and what to tell the home and business owner. In some situations, taking advantage of the National Flood Insurance Program's (NFIP's) grandfathering rule may make sense; while in others, providing continuous protection with a Preferred Risk Policy (PRP) may be a solution. Either way, the risk levels are changing and the risks are real. For more information on Map Mod, visit the Mapping Information Platform at hazards.fema.gov or the Flood Hazard Mapping Web site at www.fema.gov/fhm. For more information on the NFIP, visit www.floodsmart.gov.

LOWER COST FLOOD INSURANCE NOW AN OPTION

The National Flood Insurance Program (NFIP) offers Preferred Risk Policy (PRP) policies not only for residential properties, but non-residential properties (commercial) and rental properties as well. The PRP is an easy-to-write policy for properties located in low-to-moderate flood risk zones, where 25-30 percent of NFIP claims occur.

The commercial PRP provides a lower-cost insurance option for the business owner in low or moderate risk zones, whether they own or lease the property. Up to \$500,000 in building coverage is available and up to \$500,000 in contents coverage is available.

Residential properties can obtain coverage up to \$250,000 per building and \$100,000 for contents. Coverage is also available for renters with premiums as low as \$39 for \$8,000 in coverage.

PRPs will play a critical role in ensuring the best coverage for a home or business owner as flood maps change.

When A Flood Zone Changes	Property Owners Should Consider These Options
From a low- or moderate- to a high-risk zone	Maintain policy or buy before new rates take effect
From a high- to a low- or moderate-risk zone	Purchase low-cost Preferred Risk Policy. Twenty-five to thirty percent of NFIP claims occur in low or moderate risk zones.