

Debunking Flood Insurance Misconceptions

Since 2005's devastating hurricane season, the National Flood Insurance Program (NFIP) and the individuals tasked with administering the program to residential and commercial policyholders have received much attention. As an independent agent, your participation in procuring this coverage for clients places you at the forefront of this program.

Perhaps the most prevalent misconception regarding flood insurance involves the mandatory 30-day waiting period for coverage to be effective. While it is true that the program does maintain a 30-day waiting period, it is not a total bar to procuring such coverage immediately before a flood. The NFIP recognizes a couple of exceptions that may allow clients to secure the coverage immediately. First, the program will waive the 30-day waiting period if the initial flood insurance purchase is in connection with making, increasing, extending or renewing a loan. The coverage is deemed effective at the time of the loan provided that the application and payment is made at or prior to the closing of the loan. Secondly, if the initial flood insurance purchase occurs during the 13-month period following the effective date of a revised flood map for a community, there is a *one-day* waiting period.

Another misconception is that you cannot buy flood insurance if you are in a high-risk flood area. The NFIP, established in 1968, provides homeowners and businesses with the ability to secure coverage for flooding generally irrespective of location. If your community participates in the NFIP, you can purchase the coverage no matter where you live. The only exceptions are locations that comprise the Coastal Barrier Resources System (CBRS) and Otherwise Protected Areas (OPAs). The CBRS and OPAs are composed of coastal barrier areas that could be developed or are undeveloped along all coastal lines. This initiative targets minimizing loss to human life by discouraging development in high-risk areas, reducing wasteful expenditures of federal resources and preserving the ecological integrity of these federally designated areas. A Lloyds syndicates usually underwrites coverage, which is only available via an excess or surplus lines market. If you are working with property owners who own land in or around the CBRS, take that extra step to determine if the property is subject to the NFIP exception.

A third basic misconception is that flood insurance is only available to homeowners. However, the NFIP provides nondiscriminatory protection. The NFIP's coverage extends to homes, condominiums, apartments and commercial or non-residential buildings. Under the terms and conditions of the program, it affords a maximum of \$250,000 of building coverage for single-family residential buildings and a maximum limit \$250,000 per unit for residential condominium association buildings. The limit for contents coverage on all residential buildings is capped at \$100,000. In regards to commercial/non-residential structures, the structures can be insured up to a limit of \$500,000 for the building and \$500,000 for the buildings contents.

Additionally, many policyholders believe that Federal Disaster Assistance will provide for flood damage even when they do not maintain flood insurance for themselves. The Federal Disaster Program will only provide coverage to uncovered individuals or businesses if the affected area is declared a federal disaster area. But only about 50% of all flood events are declared federal disasters by the president. The average award of about \$4,000 typically is in the form of a Small Business Administration loan that must be repaid with interest, and the disaster victim must agree to carry flood insurance for the life of the loan.

As an independent agent, anticipate and provide for your clients' needs by keeping current with the NFIP's limitations and conditions. The Federal Emergency Management Agency's Web site (www.fema.gov) is a quick and accurate resource for all your flood insurance questions. I

Matt Rengel is claims counsel for GE Insurance Solutions, the endorsed carrier for the Big "I" Professional Liability. Sourced from: "Myths and Facts About the NFIP," (last modified June 30, 2005) www.fema.gov/nfip/myth.shtm.

Turn to Big "I" for Coverage

The Big "I" continues to work with lawmakers to bring positive reform to the NFIP that benefit consumers and agents alike. Big "I" Advantage, IIABA's insurance-licensed subsidiary, offers member agents the Big "I" Flood Program with Selective Insurance, a National Flood Insurance Write-Your-Own company (WYO) for NFIP.

"As a managing general agency for Selective, we can provide competitive commissions and, more importantly, provide hands-on tutelage and guidance for members who are not overly familiar with flood insurance," says Linda Mackey, CIC, CISR, AAIAM and manager of the Big "I" Flood Program. "There are no volume requirements and registering is easy. There are multiple options for accessing coverage, and agents can even receive a direct contract with Selective."

For more information on the Big "I" Flood Program, go to www.independentagent.com/flood.

—M.R.