

meet this risk. Support your State Emergency Management Director and the State Floodplain Manager in this process.

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### **Encourage insurance agents to participate in local pre-disaster prevention activities.**

Communities that undertake pre-disaster activities are able to bounce back from natural disasters with far less damage to property and consequently much less cost for repairs. Moreover, the time lost from productive activity is minimized for both businesses and their employees.

Encourage insurance agents to become involved in local disaster prevention activities. For more information about how communities in your State can become more disaster resistant, please call your FEMA Regional Office (telephone numbers are available at [www.fema.gov/about/contact/regions.shtm](http://www.fema.gov/about/contact/regions.shtm)) or visit [www.fema.gov/plan/mitplanning](http://www.fema.gov/plan/mitplanning).

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### **Develop an outreach program to educate consumers about the NFIP.**

One of the most effective ways to educate consumers about the need to protect themselves from financial loss due to flooding is to support and encourage NFIP-related public awareness activities.

Many State Departments of Insurance are already actively involved in coordinating and sponsoring flood awareness campaigns throughout their States. Some of these activities include sponsoring flood insurance workshops and/or seminars, Flood Forums, Flood Awareness Day or Month proclamations, and direct-mail campaigns to home and business owners. The NFIP provides public awareness materials free of charge through the FEMA Distribution Center at 1-800-480-2520.

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### **Ensure mandatory disclosure on all homeowner policies that flood damage is not covered.**

Unfortunately, most flood victims don't find out until it is too late that their homeowners policy provides no coverage for the peril of flood. What is needed is a proactive way of

For more information about the NFIP and flood insurance, call 1-800-427-4661.

<http://www.fema.gov/business/nfip>

<http://www.floodsmart.gov>

communicating that message in advance to the citizens of your State. The NFIP encourages insurance companies to prominently disclose on all declarations pages, policy jackets, and renewal notices the fact that flood damage is not covered under the basic homeowners policy.

Buying flood insurance is one of the most important things consumers can do to help them recover from flood damage. Making sure that each home and business owner understands the level of protection they have under their basic homeowner and commercial policies is one of the most important things your department can do.

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### **Support strong flood standards in building codes and land-use decisions.**

Insurance experts say that the best way to reduce the rates is to reduce the risk, and that the best time to deal with flood disasters isn't when you are already under water. It is when there are written and enforced rules that tell people how and where they can build. These rules should meet or exceed the minimum standards of the NFIP.

Your constituents won't be able to purchase flood insurance unless the community meets the minimum floodplain management criteria established by FEMA. Communities that go the extra step of enacting especially strong rules can participate in the NFIP's Community Rating System, which makes residents eligible for price breaks on insurance.

We also know that strongly written and enforced building codes reduce property losses from disasters. Structures built to NFIP standards are estimated to incur approximately 80 percent less flood damage than structures not built to NFIP standards. The standards of the NFIP are estimated to save more than \$1 billion in flood damage nationwide per year.

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### **Help ensure lender compliance.**

Under the law, federally regulated lenders must require flood insurance for mortgages on properties in high-risk flood zones. However, flood damage can occur outside those areas, too. And, even where Federal law does not require flood insurance, the laws of nature demand it. You can help by encouraging lenders to require flood insurance on properties in and out of high-risk flood zones, where it seems prudent.



## **National Flood Insurance Program**

# **Top 10 Things State Insurance Commissioners Can Do**



**FEMA**

**As a State Insurance Commissioner, you play a crucial role in developing State policy for insurance. You can help shape the vision and strategy for protecting your constituents with insurance coverage and assisting victims of flood disasters.**

**Preventing flood damage and fostering flood insurance protects your constituents and saves State and local funds. Many disasters are not severe enough to be federally declared. State and local jurisdictions bear the burden for these disasters in response costs, repairs to infrastructure, social service costs, and loss of revenue when homes and businesses flood. Even when disasters are Presidentially declared, disasters are costly to State and local jurisdictions. Here are 10 simple but effective steps that you can take.**

**- 1 -**

**Encourage licensed agents to sell flood insurance.**

Making the citizens of your State aware that they can purchase financial protection against flood damage is one of the most important things licensed property/casualty insurance agents in your State can do to help home and business owners and renters recover from flood damage more quickly.

The National Flood Insurance Program (NFIP), administered by the Department of Homeland Security's Federal Emergency Management Agency (FEMA), makes federally backed flood insurance available in communities that adopt and enforce floodplain management ordinances to reduce future flood losses. As of June 30, 2005, more than 4.6 million policies, representing over \$785 billion in coverage, are in force in more than 20,000 NFIP-participating communities across the United States and its territories. Most homeowners and business insurance policies do not cover flood damage. This coverage must be purchased separately and is available only in communities that participate in the NFIP. There is generally a 30-day waiting period before a new flood insurance policy becomes effective.



People should not rely on Federal disaster assistance in lieu of flood insurance. Disaster assistance is available only when the President issues a disaster declaration. Even then, assistance is quite limited—and usually in the form of a loan that must be repaid with interest. It is hardly a substitute for flood insurance, which also covers losses from small, localized flood events that are not Presidentially declared disasters.

Flood insurance may be purchased through most insurance companies and licensed insurance agents. Maximum coverage amounts for a single-family home are \$250,000 for the structure and \$100,000 for its contents. Contents coverage is also available to renters, who may purchase up to \$100,000 of protection for their personal belongings. Maximum coverages for businesses are \$500,000 for building and \$500,000 for contents.

For information about flood insurance, property owners should contact their insurance agent or call the NFIP toll-free information line at 1-800-427-4661.

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**Mandate NFIP continuing education for licensed agents.**

How many of your constituents were protected by flood insurance last year? How many of them suffered uninsured flood losses? How many will not be insured this year? Most State Departments of Insurance have a continuing education program for their licensed agents and brokers. Insurance agents are at the forefront for getting flood insurance products to consumers. It is critical that agents are knowledgeable—armed with up-to-date information about flood risks and the insurance coverage available. You can support this effort by mandating that a certain amount of the required continuing education credits come from an approved flood insurance workshop or on-line course.

In fact, the Flood Insurance Reform Act of 2004, Public Law 108-264, Section 207, mandates minimum training and education requirements for all insurance agents who sell NFIP flood insurance policies. The *Federal Register* notice, published September 1, 2005, (Vol.70, No. 169) describes the flood insurance course content that States should include when establishing or updating their flood insurance training requirements. FEMA is committed to actively supporting the States in implementing their flood insurance training programs for insurance agents.

The NFIP conducts workshops throughout the United States and its territories annually that answer the questions insurance agents may have regarding flood insurance. These workshops cover such topics as how the NFIP works, NFIP terms and coverages, claims procedures, use of the Elevation Certificate, essential elements for rating, and where to get help. Depending on the State, insurance agents and brokers can earn from 2 to 4 continuing education credits for attending. A listing of NFIP Bureau and Statistical Agent Regional Office locations and telephone numbers can be found on the NFIP website at [http://www.fema.gov/business/nfip/nfip\\_regions.shtm](http://www.fema.gov/business/nfip/nfip_regions.shtm). Workshop schedules and other information about training opportunities are available at <http://www.fema.gov/business/nfip/trainagt.shtm>.

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**Establish an NFIP education plan for department staff and for licensing new agents and brokers.**

A recurrent theme from flood victims after a flood disaster is that their insurance agent never told them that they could purchase flood insurance, or that their insurance agent misinformed them about their eligibility to purchase the product. You can help by making sure that questions about flood insurance are included on State licensing exams.

Natural disasters can create confusion and chaos for everyone. After a flood disaster, your Department of Insurance

staff wants to be fully prepared to respond to the overwhelming number of inquiries that it might receive. What makes a great team even greater is its bench strength. Your department will be more prepared to assist consumers in recovering from a flood disaster if you prepare your team with training about the NFIP before disaster strikes. Contact the NFIP Bureau and Statistical Agent Regional Office for your State to arrange for staff training at no cost.

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**Link your website to the FEMA/NFIP website.**



Today we live in not only an environment of unprecedented peril—as weather events take a high toll on our people and our pocket-books—but also an era of unparalleled possibility—when technology makes it possible to counter nature with know-how. Information is the cornerstone of preparedness. Your providing a link to the NFIP website will allow us to

share information that enables people to more effectively assess their risks and address them.

The FloodSmart Agent Training Station is available to insurance agents 24 hours a day, 7 days a week. Upon successful completion of the mastery exam at the end of the basic training module, the insurance agent receives a Certificate of Completion. We encourage State Departments of Insurance to accept this certificate as proof of compliance with your continuing education program.

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**Assess the risks your State faces and the adequacy of State capabilities to meet them.**

With the expected increase in weather-related disasters and a greater number of constituents at risk, now is the time to review your State's risk of disaster and its capabilities to