Advanced Agent Topics Pilot

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Slide 1 – A Few Reminders

[We would like to emphasize Points 3 and 4; please mute your telephone's by pressing *6 or your phone's mute button. To un-mute, just press *6 again. We like to leave the phones un-muted as long as possible in case someone is having technical difficulties and needs assistance. If you place your phone on hold and there's music it will disrupt the session for everyone. However, as Point 4 indicates, we will be muting all phone lines to reduce background noise when we start the webinar. We want to encourage you to PRINT OUT a hard copy of the PowerPoint Presentation "Elevation Rating" to use for note taking.] **(NEXT)**

Slide 2- WebEx Tips JOY

For those who aren't familiar with WebEx, there are a few functions that we would like to review before we get started. Let's start with the tools you have on the right side of your screen. At the top you will find some buttons that will open up three main panels: **(CLICK)** 1) Participants panel 2) Chat panel and 3) Q&A panel. More than likely the participant's panel and the Chat panel have already been opened as part of the WebEx defaults.

Let's take a closer look at the PARTICIPANTS panel. **(CLICK)** Within this panel, you will see the names of all the panelists as well as the attendees who have joined this session. Below the attendees are a few icon buttons that will give you the ability to interact and be engaged with us this morning/afternoon. Let's test those buttons: Click on the "hand" button to raise your hand. Now, let's test the Yes and No buttons. Answer yes or no to this question: "_______". Now for the fun part, you have an emoticon button with drop-down options that you can use to demonstrate your feelings. Since we can't see your smiling faces this morning/afternoon why don't you test and put an appropriate emoticon that matches how you are feeling this morning/afternoon.

Now let's take a look at your CHAT panel. **(CLICK)** This panel is reserved for chatting with other participants. This can be useful if you are having technical difficulties. Let's test this. I'm going to put a message within this box: Greetings from Texas! Please feel free to respond back to test this feature.

The third panel is the Q&A Panel **(CLICK)** and is used to ask questions during the session. If you have a question about information presented, please ask your question by typing it in the box and sending it to all Panelists. At the end of the session, we will address your questions verbally.

Keep in mind that you can maximize or minimize these panels. Also, occasionally, we will ask you some poll questions and the poll panel will open up so you can respond. You can then minimize this panel after we finish discussing the results.

Finally, I want to point out that you have some buttons at the bottom left hand side of your screen. **(CLICK)** You have options to enlarge your screen. Because we all have different internet speeds, the right button is especially important if you find that the slides are not in sync with the presenter. **(NEXT)**

Slide 3- (Introduction and Warm-up PQ) TRAINER #1

[Before starting the session, spend few minutes on an icebreaker exercise. Using the polling feature of WebEx:]

1. How many people are attending through your log-in? In other words, how many people are in the same room listening in?

a. 1 – just me

b. 2

c. 3

d. 4

e. 5 or more, it's a party!

Slide 4- Advanced Agent Topics

Now let's get started with our Advanced Agent Webinar. **(NEXT)**

Slide 5 – Advanced Agent Agenda

Let's going to review the Advanced Agent Agenda together.

(CLICK) Section 1 – **Policy Effective Date**

(CLICK) Section 2 – **Flood in Progress**

(CLICK) Section 3 – **Evidence of Insurance**

(CLICK) Section 4 – **Renewals, Endorsements and Cancellations**

(CLICK) Section 5 – **Reduction of Coverage Limits or Reformation**

(CLICK) Section 6 – **Buildings over Water**

(CLICK) Section 7 – **CBRS and OPOs**

(CLICK) Section 8 – **Understanding Compliance**

(CLICK) Section 9 – **Resources (NEXT)**

Slide 6 – Policy Effective Dates - TRAINER #2

Let's begin our discussion on Advanced Agent Webinar with a topic that is probably one of the most important topics to discuss with your insured – **When** will a flood insurance policy become effective? **(NEXT)**

Slide 7 – Policy Effective Dates - Flood Insurance Manual

The Flood Insurance Manual clarifies instructions for calculating the policy effective date within the General Rules section.

(CLICK) This section spells out the waiting period and calculating the policy effective dates. Some examples have been added. Let's quickly go over the rules.

(NEXT)

Slide 8 – Policy Effective Dates - 30 DAY WAITING PERIOD

Many of you already know that there is a thirty day waiting period for new applications and endorsements to increase coverage. The effective date of a new policy is the 30th calendar day after the application date and presentment of premium. However, the effective date depends in part on when the application or endorsement and the premium payment are received by the NFIP or WYO Company.

(CLICK) This is known as the Receipt Date.

(CLICK) So if the application or endorsement and premium payment are received by the insurer within 10 days of the request (which is calculated using the application/or endorsement date plus 9 days), then the policy effective date is calculated from the application or endorsement date. **(NEXT)**

Slide 9 – Policy Effective Dates - 30 DAY WAITING PERIOD

For example, **(CLICK)** The effective date of the new policy will be 12:01 am local time, on the 30th calendar day after the application date. For example a policy application date and premium payment is dated on Sept 1st, and is sent via the mail to the insurer, **(CLICK)** the insurer receives the application and payment on September 10th, that is within the 10 day window - September 1 plus 9 Days = September 10th.

(CLICK) So the effective date is calculated from September 1st plus 30 Days equals October 1st.

(NEXT)

Slide 10 – Policy Effective Dates - 30 DAY WAITING PERIOD

(CLICK) When the applications or endorsements are received by the insurer using Certified mail or third party delivery services such as Fedex, or UPS that provide proof of mailing, **(CLICK)** then the policy effective date is the application or endorsement date if received by the carrier within 4 days (calculated using the application or endorsement date plus 3 days). **(NEXT)**

Slide 11 – Policy Effective Dates - 30 DAY WAITING PERIOD

What happen if the Application does not arrive within ten days by regular mail or four days by certified mail? **(CLICK)** Then the 30 day waiting period starts on the date of the receipt of the application or endorsement by the insurer. So the phrase "the check is in the mail" won't cut it here! **(NEXT)**

Slide 12 – Policy Effective Dates - LOAN TRANSACTION

Lets talk about waiting periods for loans. **(CLICK)** The 30-day waiting period is waived when flood insurance is required as a result of a lender determining that a loan on a building in an SFHA should be protected by flood insurance. The coverage is effective the instant the application is completed and the payment is presented. There is no waiting period. Period. **(NEXT)**

Slide 13 – Policy Effective Dates - LOAN TRANSACTION

There are two rules that determine the policy effective date when Flood Insurance is initially purchased in connection with the making, increasing, renewing, or extending of a loan, better known as the MIRE Principal, provided that the policy is applied for at or before closing:

(CLICK)

1. Premium payments from an escrow account, title company or settlement attorney and the like is considered made if the check is received by the insurer(carrier) within 30 days of closing (closing date plus 29 days). Now, the application must be dated on or before the closing date. If received after the 30 days, the effective date is the receipt date regardless of flood zone.

(CLICK)

2. Premium payments from non escrow account, title company or settlement attorney have the same requirements, in that application must be dated on or before the closing date. However application and premium must be received within 10 days of the closing date (closing date plus 9 days) with a non escrow account**. If received after the 10 days, the effective date is the receipt date regardless of flood zone. (NEXT)**

Slide 14 - Flood in Progress – TRAINER #1

Now that we've reviewed when policies become effective, let's talk about a topic that can, at times, be closely related. Let's talk about how FEMA defines a flood in progress. This has become an important topic, especially with all the flooding we have experienced this year.

(NEXT)

Slide 15 - Flood in Progress

Here are the questions we need to ask. How soon do I have coverage after I have bought a policy? When does a flood start? What are the exclusions in the Standard Flood Insurance Policy that limit coverage for a flood in progress? Will my building be covered if the flood is caused by the intentional release of water by the Army Corp of Engineers?

These are some of the questions that came up regarding flood insurance from the recent flooding caused by excessive rains and snowmelt and the subsequent intentional release of water from dams and levees along the Missouri and Mississippi rivers. FEMA has published recent bulletins which have addressed the issue of a flood in progress. Let's address these issues one by one.

(NEXT)

Slide 16 – How soon do I have coverage?

How soon does a policy become effective after it's purchased?
(CLICK) Well as ___________ just explained, If you buy a new policy you will typically have a 30 day waiting period before coverage kicks in. The effective date of a new policy will be 12:01 a.m., local time, on the 30th calendar day after the application date and the presentment of premium. For example if you bought a policy on the 1st of June – coverage would kick in 30 days later on July 1st at 12:01 am.
(CLICK) However, don't forget there are exceptions to the 30-day waiting period. Flood insurance that is initially purchased in connection with the making, increasing, extending, or renewal of a loan will be effective at the time of loan closing, provided that the policy's application is completed and the policy is paid for at the time of or prior to the loan closing.

(CLICK) Another exception to the 30 Day waiting period is if Flood Insurance is initially purchased within 13 months after a map revision. In that case the policy coverage is effective the day after the policy is purchased at 12:01 AM. For example, if a flood map was revised on January 1, 2010, flood insurance can be purchased with just a one day wait for 13 months after the map revision. . A policy can be purchased all the way up to January 31st 2011 with that one day waiting period. So, if we buy it as late as January 30, 2011, then coverage will be effective on January 31 at 12:01 AM. But if we wait until February 1st, then the normal 30 day waiting period would apply since you would now be outside the 13 month period. **(NEXT)**

Slide 17 – When does a flood start?

So, those rules recap when coverage begins, but when does a flood start and how do the two affect each other?

Well, a flood starts when a community "first experiences" a flood – a flood as defined as in the Standard flood Insurance Policy. Say heavy rains in the Blue Ridge Mountains cause the South Fork of the Shenandoah River to overflow its banks and flood the entire downtown of Waynesboro Virginia.

(CLICK)Let's say the banks were overflowed at 3:00 AM on August 12 – that would be the time and date of when the community of Waynesboro "first experiences" the flood. **(NEXT)**

Slide 18 – When does a flood start?

Also, a flood starts on the date and time of an "event that initiates" a flood. Examples of these "initiating events" include but are not limited to **(Click)** :

(CLICK)

- a spillway is opened **(Click)**,
- a levee is breached **(Click)**,
- water is released from a dam **(Click)**, or
- water escapes from the banks of a waterway like a stream, river, or creek, etc.

For example, when the Morganza spillway was opened in Louisiana earlier this year, it started a flood as defined by the SFIP. As long as the spillway gates were opened and continued to feed that flood, it was part of a single, continuous flood event – a flood in progress. Any property insured under an SFIP that was damaged by those floodwaters, wherever those floodwaters went and whenever those floodwaters reached the property, the start of the flood in progress would still be the date that a flood, first occurred after the opening of the Morganza spillway. Coverage would have had to have been in effect as of the day that the flood first began – not just when the loss first occurs for an insured. **(NEXT)**

Slide 19 – What are the exclusions?

So, what are the exclusions in the SFIP that limit coverage for a flood in progress?

(CLICK) In the exclusion section of the SFIP, it states that:

"We do not insure a loss directly or indirectly caused by a flood that is already in progress at the time and date when the policy term begins."

This exclusion applies both to when the 30 day waiting period is in effect and when flood insurance is purchased without a waiting period. So you are not covered if a flood is ongoing at the date and time of buying a policy. **(NEXT)**

Slide 20- What are the exclusions?

For example, Waynesboro Virginia's flood started on August 12th at 3:00 AM in our example. A Flood insurance policy was required and bought as part of a Mortgage on the sale of Mike's Bikes Shop in Downtown Waynesboro. The closing date was August 11th at 3:00 PM. Since there is no waiting period for flood insurance for loan related mandates – coverage is effective immediately on August 11th at 3:00 PM. 12 hours later- at 3:00 AM on August 12th the flood starts. Mike's Bikes is covered. Coverage for Mike's Bikes was in effect when the flood began.

Another downtown Waynesboro business, Harriett's Hair Salon, also bought a policy as part of loan on August 13th. Unfortunately, at that time the Shenandoah river's banks were still overflowed from the flooding event that started on August 12th . The August 12th flood is still in progress. Harriett's Hair Salon is not covered if that same flood does damage to the insured building since the policy excludes "a loss caused by a flood that is already in progress at the time and date when the policy term begins."

Now, if the flood waters eventually recede and are finally contained by the river banks on, let's say, August 15th and then another massive rain storm hits and the Shenandoah river banks once again overflow causing a flood in downtown Waynesboro on August 20. Is Harriet's Hair Salon covered this time?

The answer is yes. This is a different flooding event than the one that started when her policy became effective – so coverage is not excluded. Damages from this flood will be covered. **(NEXT)**

Slide 21- Intentional release of water?

Will my building be covered if the flood is caused by the *intentional* release of water by the Army Corp of Engineers? The answer is Yes. Depending on if you have a flood insurance policy that was in effect *before* that intentional release of water. **(NEXT)**

Slide 22 - Advice to Agents

So, what should you tell your clients? You should discuss with your clients the flood-in-progress exclusions and explain that a loss caused by a flood in progress may be excluded from coverage.

Agents should also explain that the exclusion can be determined only after a loss has happened. Even with a flood in progress, another flooding event that had not started at the time the policy became effective, could cause a separate and independent flood event for which coverage would apply. Every loss will be evaluated on an individual basis. **(NEXT)**

Slide 23 - Evidence of Insurance – TRAINER #2

Lenders are required by Federal Law to have proof that a building that they have a mortgage on, that is in a Special Flood Hazard Area, is adequately insured for flood. Often they will ask the agent to provide that proof. Let's find out what is acceptable proof of flood insurance coverage. **(NEXT)**

Slide 24 - Acceptable Proof of Coverage

Acceptable proof or evidence of Flood insurance coverage includes

(CLICK) A copy of flood insurance application AND premium payment, or

(CLICK) A copy of the declarations page

(CLICK) Remember binders are not recognized in the NFIP and there is no blanket coverage. Its One building on One Policy in the NFIP. We don't write multiple structures on a single policy.

Know that Certificates of property insurance or evidence of insurance forms are recognized for renewal policies if they meet specific criteria. Let's take a quick look at that criteria. **(NEXT)**

Slide 25 - Certificates of Property Insurance/Evidence of Insurance Forms

Certificates of Property Insurance and Evidence of Insurance Forms are acceptable for renewals if they include:

(CLICK) What policy form is it? General Property Form, the Dwelling Policy, the Residential Condominium Building Association Policy or the Preferred Risk policy?

(CLICK) the Policy Term

(CLICK) the Policy Number

(CLICK) the Insured's Name and Mailing Address

(CLICK) the Property Location

(CLICK) the Flood Zone

(CLICK) has the building been Grandfathered? Yes or No?

(CLICK) the Mortgagee Name and Address

(CLICK) the Coverage Limits, Deductibles

(CLICK) the Annual Premium

(CLICK) And for a RCBAP – they must include number of units and Replacement Cost Value of building.

(NEXT)

Slide 26 – HIDDEN SLIDE

Slide 27 - Renewals, Endorsements and Cancellations – TRAINER #1

Let's turn our attention to how renewals, endorsements and cancellations work within the NFIP.

Slide 28 - Renewals, Endorsements and Cancellations –

But before we do that, let's talk about how it differs from other lines of insurance.

(CLICK) With most Property and Casualty insurance polices the company issues a renewal declaration page and even ID cards, for auto policies, along with a bill about 6 weeks before the new policy becomes effective, right?. The company honors the policy effective date if the payment is received. Insureds, lender and agents are used to the issuance of a policy prior to it ever being paid.

(CLICK) On a property and casualty policy, if a payment is not received by the renewal date, so what happens next? Well, a notice of cancellation is sent out to the insured and the agent is notified by the company. **(NEXT)**

Slide 29 - Renewal Process - Flood

With the NFIP flood policy, it works very differently.

(CLICK) First thing that happens is a renewal billing offer is mailed providing two coverage choice options.

(CLICK) Once the payment is received, then it goes through the company's payment processing and then the new policy term is released.

(CLICK) In many cases the mortgagee pays the bill and the payment is received long before the policy renewal term expires, but there are many that are paid by the insured. So if your insured drops off the payment at the your office on July 1st, for a July 5th renewal, then the company doesn't release a new policy with current effective dates until it goes through the processing mentioned earlier.

Once processed, a new policy will be issued with a July 1st date on it because it was paid within the 30 day limit. **(NEXT)**

Slide 30 - Renewal Process

Let's take a brief look at the renewal process.

(CLICK) The NFIP or the WYO company will issue a bill offering renewal approximately 45 days prior to the renewal date.

(CLICK) They will provide two renewal options. Option A, renewing at the current value or Option B, with an Inflation Factor increase. This inflation factor is 10 percent for building coverage and 5 percent for contents coverage. The current deductible is used for calculations. For a Preferred Risk Policy, Option B is the next higher coverage package available.

Note that there is no waiting period if Option B is chosen. **(NEXT)**

Slide 31 - Renewal Process

Once the premium has been received a new renewal declaration page will be issued and mailed to the agent, mortgage company and insured. **(NEXT)**

Slide 32 - Renewal Process

What happens if the payment is not received? If payment is not received by the date of expiration on the renewal offer, a FINAL notice will be sent to the agent, insured and mortgagee, if applicable.

(CLICK) Payment must be received within 30 days of the expiration date – which is the date the current policy term expires.

(CLICK) For example, if a Policy's renewal is Jan 1, as long as payment is received by NFIP or the WYO company before by January 30th, the policy will retain the original effective date, even if the payment is not received until January 27th. There is a 30 day grace period, so if a payment is received within those first 30 days, coverage continues as if it never stopped.

(CLICK) If the payment is missed, the renewal can occur up to 90 days after the original renewal date, but there will be a lapse in coverage.

(CLICK) For example let's say a late payment on the same renewal of January 1st is received on February 5th then the policy renewal effective date will be issued with a 30 day wait and the new renewal term will be March 7th creating a lapse in coverage.

If during this oversight, the insured has received a letter from the lender, then a new policy can be written in lieu of reinstating the old policy. The advantage of this to the insured is when new policy is a requirement of their loan, then they are not subject to the 30 day wait and this could certainly help avoid a lender placed policy.

(CLICK) Once 90 days has passed, a new application is required and this has important implications for grandfathering, since continuous coverage has been broken. **(NEXT)**

Slide 33 - Endorsements after Renewal

(CLICK) Let's move on to how endorsements work. Remember, coverage can be increased at any time during the policy term with submission of the additional premium. A 30 day wait does not apply to when additional amounts are required in connection with Making, Increasing, Renewing or Extending loans.

(CLICK) The endorsement request and presentment of premium must be received by the NFIP or your WYO company within 10 days from the date of the endorsement request.

(CLICK) If the application and premium is not received within 10 day from the date of request then the waiting period will be calculated from the date the NFIP or the WYO Company received the endorsement and payment. **(NEXT)**

Slide 34 - Binding

Binding authority is not granted by NFIP. There are no exceptions here.

So if your insured is going to close on a loan, a copy of the flood insurance application and premium payment is sufficient evidence for new business. In most cases a copy of the declaration page is acceptable proof of coverage on existing policies. **(NEXT)**

Slide 35 - 24 Cancellation Codes

There are currently 24 cancellation codes under the NFIP. 22 of the 24 can result in a refund.

Here are some of the most common:

(CLICK) The first one is the "Building sold, removed or foreclosed." The effective date of the cancellation will be the date the insured ceased to have an insurable interest. Note that the cancellation must be received within 1 year of the sale or the building removed. Documentation required for cancellation would include one of the following: a Bill of sale, final settlement statement, proof of total loss, or court documentation to identify the refund recipient if the building is in foreclosure. In this type of cancellation the refund will be pro rated.

(CLICK) Another common cancellation is the "Property closing did not occur." Documentation required for cancellation includes a Statement from the title company lender or attorney representing the interests of the title company, lender or insured stating that the property did not close. A Full refund can be issued if the closing didn't occur. **(NEXT)**

Slide 36 - 24 Cancellation Codes

Another common reason **(CLICK)** – "Insurance No longer required by the mortgagee."

Actually, 3 cancellation reasons deal with this topic (Reasons 9, 15, & 18). Flood insurance was initially required by the mortgagee because the property was determined to be in a SFHA and is later determined either due to map revision, or a LOMA/LODR that coverage is not required. Cancellation must be received <u>during the policy period</u> OR <u>within 6 months of the policy expiration date</u>. Documentation needed for the cancellation would include a copy of the new map, or a copy of the LOMA/LODR **and** a statement from the lender that flood insurance is no longer required. A Full Refund of the current premium will be issued providing no claims have been paid or are pending.

(CLICK) Another common reason - **"**Mortgage paid off."

Cancellation must be received within 6 months of the loan being paid off. When received after 6 months, the effective date of cancellation is the receipt date of the request. What Documentation is needed? A statement from the mortgagee that the mortgage has been paid off **and** that flood insurance was **required** as part of the mortgage. So it should be noted, that a voluntary purchase of flood insurance would not be eligible to use this cancellation reason. **(NEXT)**

Slide 37 - Reduction of Coverage Limits or Reformation – TRAINER #2

Let's talk about policy reformation. (NEXT)

Slide 38 - Reduction of Coverage Limits or Reformation

One of the concerns that agents often express is, what happens if a policy is rated incorrectly when there is a loss? Well, occasionall, at the time of loss, it's discovered that the amount of premium payment received was not enough for coverage requested. And sometimes its discovered at claims time that critical rating information is missing to properly rate the risk. Under normal circumstances the amount of premium payment received determines the amount of insurance purchased. You get what you pay for.

(CLICK) However if insufficient premium payment has been paid or if missing rating information is discovered after a loss, any additional premium due is calculated "*prospectively."* *"Prospectively"* means "a future date" which in this case is the "date of discovery." Due to the insufficient premium paid, there would be an automatic reduction in policy limits which is calculated from the date of discovery. **(NEXT)**

Slide 39- Surfer Joe's Surf Shop

For example, **(CLICK)** Surfer Joe's Surf Shop was mistakenly rated in an AE Zone when it's actually in a VE. This was discovered after a hurricane damages Surfer Joe's Surf shop. **(CLICK)** The NFIP will go ahead and settle his claim, even though he was paying less for the AE Zone than he would be with the VE Zone. **(CLICK)** They will go ahead and settle the claim, but then they will send out a 30 day notice requesting the difference in annual payment.

Say, Surfer Joe was paying $2,000 for $250,000 of building coverage for his AE Zone Policy – but he should have been paying $3,500 for the same amount of coverage in the VE zone. **(CLICK)** The NFIP pays the claim caused by the hurricane; it asks Joe for an additional $1,500 to make up for what he should have been paying for the same coverage in a VE Zone. **(NEXT)**

Slide 40 - Reduction of Coverage Limits or Reformation

The prospective reduction rather than retrospective reduction of coverage benefits the policyholder in that the loss is settled **(CLICK)** with the original requested limits, not the reduced limits, and the policyholder does not have pay the additional premium to settle the loss at the original requested limits.

So when is the additional premium payment due and missing information required? **(NEXT)**

Slide 41 - Additional Premium – 30 Days

The policyholder is given 30 days to pay the additional premium, and the additional premium is calculated from the date of discovery to the end of the policy term with no waiting period. **NEXT)**

Slide 42 - Incomplete Rating Information

The submission of incomplete rating information is very similar, the policyholder has 60 days to provide the additional rating information and then thirty days to pay the additional premium due.

Since the insufficiency was discovered after the claim, the claim payment will not be delayed due to the missing information. **(NEXT)**

Slide 43 - Additional Premium due or Incomplete Rating Information

In cases when a claim occurs after a notice is sent to the policyholder, requesting additional premium due or additional information, that claim cannot be processed until the premium or the corrected information are received by the company within the requested time.

So, for example **(Click),** a hurricane has already hit Joe's Surf Shop. At that time, it was discovered that his shop was in a VE zone – not an AE zone as the policy was written. **(Click)** That claim has been processed and the Notice requesting the additional Premium has been sent out. Let's say that a second hurricane hits Joes' shop and causes more damage. Then that claim cannot be processed until the additional Premium is received. This same situation would apply if a premium deficiency or a rating error was discovered before a loss. The claim would not be settled until after the additional premium is received once the insured has been notified of the premium/rating discrepancy. **(NEXT)**

Slide 44 - Incorrect Flood Zone

Now, when the building location and the zone shown on the flood policy do not agree, all claim payments will be based on the building's actual location and zone, and not the zone shown on the flood policy if it is in error.

(CLICK) For example, if a policy for a Post-FIRM, elevated building is written incorrectly in a non-SFHA , for example an X Zone, and at the time of the loss the property is determined to actually be located in an SFHA say a AE , then the claim is paid in accordance with the coverage limitations applicable to the SFHA – in this case the AE Zone. **(NEXT)**

Slide 45 - Incorrect SFIP Form

Also, if coverage is issued using an incorrect SFIP form, let's say for example it was written on the Dwelling Policy Form but it was really should have been written on a General Property Form, then the policy is void on the incorrect form and the coverage must be written under the correct policy form. All the provisions of the *correct* SFIP form apply and cannot exceed the coverage limits originally issued under the incorrect policy – in this case the Dwelling Form. **(NEXT)**

Slide 46 – Incorrect SFIP Form

For Example;

If Joe's Surf Shop was written under the Dwelling form, but it was really a non-residential structure with the building owner living in one room above the surf shop, then the General Property Form should have been used to write this building. Surfer Joe insured it to the max available under the Dwelling Policy for both building and contents in hopes of receiving replacement cost loss settlement if the building were damaged by a flood. Well – lo and behold – a Tsunami comes and totally destroys the Surf Shop. It's gone! Does Surfer Joe get Replacement Cost on his Building? The answer is NO. The dwelling Form has Replacement cost for a Single Family Dwelling, only if that building is a single family residence, and the owner lives there 80% of the year and the building is insured either to the maximum or at least 80% of its replacement cost. However, the General Property form only pays off building damage at ACV or Actual Cash Value - there is no replacement cost on building. So Surfer Joe will get the ACV of his damaged surf shop. **(NEXT)**

Slide 47 - Eligibility Requirements for Buildings over Water – TRAINER #1

Does the Flood Insurance cover buildings over water? The quick answer is no – but this being the National Flood Insurance Program - there are exceptions. Let's take a look at the eligibility requirement for insuring buildings over water. **(NEXT)**

Slide 48 - May 2011 Flood Insurance Manual

The General Rules section of the Flood Manual details eligibility requirements for buildings over water.

Strictly interpreted, "the Property not Covered" clause in the Standard Flood Insurance Policy (Section IV, Paragraph 2) specifically excludes flood insurance on building constructed in, on or overwater.

However, FEMA has become aware of situations where NFIP-insured buildings constructed over land or partially over water on or after October 1, 1982, are now completely over water because of erosion. A strict interpretation of the policy language would result in denial of coverage for these buildings, even though they may have had NFIP policies prior to being located entirely over water. The May Manual changes reflect this new policy interpretation. . **(CLICK). .** *That if a building was originally constructed on land or partially over water, and later becomes entirely over water because of erosion, it is eligible for coverage only if the building has had continuous coverage:*

(CLICK) (1) from the period beginning at least 1 year prior to the building being located entirely over water, regardless of any changes in the ownership of the building, or

(CLICK) (2) from the date of construction if less than 1 year.

Slide 49 - May 2011 Flood Insurance Manual

Again from the General Rules section of the Flood Insurance Manual detailing requirements for buildings over water. . .**(CLICK)**. . . There are now the four items of acceptable documentation for continued eligibility for buildings entirely over water. All four items are needed for continued eligibility.

(CLICK)

- A letter from the community official stating that the building originally was constructed on land or only partially over water; and

- Photographs of the building over land, if available; and
- The approximate date when the building became located entirely over water; and
- Proof of continuous flood insurance coverage from the period beginning 1 year prior to the building being located entirely over water, or from the date of construction if less than 1 year. **(NEXT)**

Slide 50 – Coastal Barrier Resources Act, Otherwise Protected Areas - TRAINER #2

So we going to talk a bit about Coastal Barrier Resources Act and Otherwise Protected Areas **(NEXT)**

Slide 51-The Coastal Barrier Resources Act (CBRA)

What is The Coastal Barrier Resources Act?

(CLICK) It is a Federal law passed by Congress. Congress passed the Coastal Barriers Resources Act of 1982 and the Coastal Barrier Improvement Act of 1990.

(CLICK) These laws were specifically implemented to minimize loss of human life by discouraging development in high-risk areas, reduce wasteful expenditures of Federal resources, and preserve the ecological integrity of areas that Congress designates as a Coastal Barrier Resources System (CBRS) and Otherwise Protected Areas (OPAs). You'll find some of these protected areas along the East coast, the Gulf coast, and even up in the Great Lakes area. **(NEXT)**

Slide 52 – Pre- The Coastal Barrier Resources Act (CBRA)

So basically, areas designated as a Coastal Barrier Resources System (CBRS) and Otherwise Protected Areas (OPAs) provide protection by **(CLICK)** prohibiting all Federal expenditures or financial assistance, **including flood insurance**, not only for residential but also for commercial development identified in these areas. In other words, this law protects our natural resources by discouraging development in these protected areas.

So if you have a building in one of these areas, even though it is in a participating community, depending on its date of construction, you might not be able to sell NFIP flood Insurance on this building. **(NEXT)**

Slide 53 – Coastal Barrier Resources Act (CBRS) / Coastal Barrier Improvement Act (CIBA)

Therefore, by law, the Coastal Barriers Resources Act of 1982 (CBRA) and the Coastal Barrier Improvement Act of 1990 (CBIA) - **(CLICK)** Prohibits federally regulated mortgage lending and **(CLICK)** Federal disaster assistance in these areas. **(CLICK)** Also, federally backed flood insurance is not available for new construction or substantial improvements in CBRS or OPAs! **(NEXT)**

Slide 54 – Coastal Barrier Resources Act (CBRS) / Coastal Barrier Improvement Act (CIBA)

The CBRA of 1982 and CBIA of 1990 does not prevent private development, financing or private flood insurance, if available, in CBRA designated areas. Of course, any such development is subject to all applicable state and local laws, regulations and building codes. **(NEXT)**

Slide 55 - Coastal Barrier Resources System (CBRS) / Other Protected Areas (OPA)

With the Coastal Barrier Resource System and Other Protected Areas, the boundaries are established and mapped by the Department of Interior, U.S. Fish and Wildlife Service. So it's not FEMA who identifies them, however, FEMA does place them on the flood maps to assist with the identification of these areas. **(NEXT)**

Slide 56 - Coastal Barrier Resources System (CBRS) / Other Protected Areas (OPA)

CBRA and OPA's are commonly referred to as "CoBRA Zones," **(NEXT)**

Slide 57 – Coastal Barrier Resources System (CBRS) / Other Protected Areas (OPA)

CBRA and OPA s are identified by backward slanting broken diagonal lines patterns on Flood Insurance Rate Maps or FIRMs.

(CLICK) The Designation Date also appears on the FIRM. **(NEXT)**

Slide 58- HIDDEN SLIDE

Slide 59- Coastal Barrier Resources System (CBRS) / Other Protected Areas (OPA)

Agents should be careful when selling flood insurance near these areas because when you see that a building is in a CBRS or OPA area, Federally backed flood insurance is not available for new construction. Nor is it available in these areas for a substantial improvement or fixing a substantially damaged building.

(CLICK)

Basically, if flood insurance was purchased prior to the identification date of a CBRS or OPA then flood insurance can be purchased and maintained. However, if a building is newly constructed or substantially improved on or after the identification date, then flood insurance is prohibited. So the designation date of the CBRA and OPAs are important.

(CLICK)

The Identification Date of the CBRS or OPA areas will be on the FIRM Maps. For example this CBRS area was designated November the 16th, 1990.

If the date of construction of a building is before November the 16th, 1990, then YES, you can sell flood insurance.

If the date of construction of a building is after November the 16th, 1990, then No - you can't sell flood insurance on that structure. **(NEXT)**

Slide 60 – Case Study

Let's look at an example. **(CLICK)**

Let's go to beautiful South Padre Island, in the great State of Texas…

(CLICK) Here, on South Padre Island, a Hilton Garden Inn Hotel was built in 2010 - Very nice local right on the Gulf of Mexico. **(NEXT)**

Slide 61 - Vicinity of OPA

It turns out that they built this hotel in an designated OPA – "Other Protected Area" As you can see, it was designated in in 1991 – way before the construction date of 2010.

So can you sell Flood Insurance on this hotel? We know that the community of South Padre Island does participate in the NFIP. **(Optional informal poll)** However, the correct answer is no – because this was built after the OPA designation Date. **(NEXT)**

Slide 62-Elevation Certificate

Remember, you can find out if a building is in a CBRA or OPA area by checking its Elevation Certificate. In section B, item B12 of the Elevation Certificate tells you if the building is in either a CBRA or OPA area – and the designation date of that area.

Remember – you can sell flood insurance on a building if its date of construction is before the designation date – as long as its community has joined and is participating in the NFIP. You can't sell it if the building was built after that designation date – even if that community participates!

To find out the building's date of construction either ask your insured or go to the city or county property assessment website, where ever the building is located, and check there. **(NEXT)**

Slide 63- Flood Insurance Manual - CBRS Section

To find out if your community has a CBRS, you can check the CBRS section of the Flood Insurance Manual. There you'll find a listing by States of all the communities that have CBRAs. It's interesting to see where these protected areas are. You might not be surprised to find them in areas such as FL, NC, TX, RI, but you might be surprised to see these areas in states like Ohio, Michigan and Wisconsin, up around the Great Lakes area. **(NEXT)**

Slide 64- Understanding Compliance / Your insured, a loan and flood insurance… TRAINER #1

Final topic before we discuss Resources is Understanding Compliance **(Click) -** Your insured, a loan and flood insurance… **(NEXT)**

Slide 65 – When must a lender require flood insurance?

Let's look at a series of questions to help you as an agent understand the compliance activities of lenders and how they can affect you. Let's start out by discussing when a lender must require flood insurance.

(CLICK) A lender must require flood insurance any time there is a designated loan. A designated loan is defined as: any loan secured by a building or mobile home that is located or to be located in a "special flood hazard area" in which flood insurance is available under the Act. There are 3 keys here. The building or mobile has to be serving as collateral for a lender's loan; it has to be in a special flood hazard area – meaning a zone that begins with either the letter A or V; and it has to be where flood insurance is available. Please note the emphasis on a building or mobile home as collateral – you need that to have a designated loan. **(NEXT)**

Slide 66 - How are designated loans documented?

The next question is, "how are designated loans documented by lenders"? Well, lenders have been tasked by the Federal Government and are responsible to determine flood zones.

(CLICK) On all buildings or mobile homes that are security for a loan

(CLICK) And they are required to determine a building's flood zone any time the lender hits one of the regulatory tripwires, that is, any time it is Making, Increasing, Renewing or Extending a loan.

(CLICK) Most lenders designate a third-party vendor to determine flood zones. That third party must guarantee the accuracy of their flood zone determination results.

(CLICK) So, when maps are updated, many of those flood zone determination companies monitor a lender's portfolio for flood zone changes. And they send notices to lenders of those changes which, in turn, may lead to lenders requiring flood insurance.

(CLICK) Flood zone determinations are documented on a form called the Standard Flood Hazard Determination Form – better known as the S-F-H-D-F. **(NEXT)**

Slide 67 - Standard Flood Hazard Determination Form

For those agents who have never seen the SFHDF - this is what is it looks like.

(CLICK) The Standard Flood Hazard Determination Form documents the flood zone. **(NEXT)**

Slide 68- Standard Flood Hazard Determination Form

It also cites the date of the flood map used in its zone determination. **(Click)**

(NEXT)

Slide 69 - Standard Flood Hazard Determination Form

It documents if a community participates is the National Flood Insurance Program. **(NEXT)**

Slide 70 - Standard Flood Hazard Determination Form

It establishes if flood insurance is required based on location of building. Note specifically that the focus is on the building or mobile home and if it is in an A or V zone. The lender should be looking to determine what flood zone the actual footprint of the building is in – not just on whether a special flood hazard area encroaches on the property. **(NEXT)**

Slide 71 – Standard Flood Hazard Determination Form

It also documents the amount of flood insurance required on the building by the bank and, in a minute, we'll look at how a lender determines how much coverage to require. **(NEXT)**

Slide 72 – Standard Flood Hazard Determination Form

Finally, the S-F-H-D-F Is maintained by the lender for the term of the loan. **(NEXT)**

Slide 73 - How much flood insurance must lenders require?

So, just how does a lender determine how much flood insurance coverage to require?

Well, the lender must, at a minimum, require the lowest of the following three compliance minimums:

- The outstanding principal balance of loan(s)
- The maximum limit of coverage available under the NFIP
- The insurable value of the structure, which is typically considered to be 100% replacement cost of the building. **(NEXT)**

Slide 74 - NFIP Maximum Coverage Limits

Just a quick mention of the maximum coverage limits here. As you can see for a residential building $250,000 is the Maximum amount of building coverage you can get and $100, 000 is the maximum contents. For a Non Residential Building you can get a max of $500,000 for building and $500,000 of contents coverage.**(NEXT)**

Slide 75 – Lender Case Study: Coverage for Multiple Buildings

Let's go to a case study for coverage on multiple buildings.

Let's say that a Lender makes a loan in the principal amount of $150,000 secured by five nonresidential buildings, only 3 of which are located in SFHAs. Remember the maximum amount of insurance under the NFIP is the lesser either of the Maximum limit available which is $500,000 or in the aggregate with these 3 buildings $1.5 million or the insurable value which in this case is $100,000 on each of the three buildings totaling $300,000. However the loan is only $150,000 and that is the amount of insurance required since it is the lowest of the 3 compliance minimums. The $150,000 will be allocated amongst the 3 buildings within the SFHA since each has to have a flood insurance policy. **(NEXT)**

Slide 76 – How is insurable value defined for lenders?

How is insurable value defined for lenders? Well, as I mentioned earlier, insurable values means: 100% Replacement Cost Value (RCV). The Replacement Cost Value does not include land values and of course replacement Cost Value is not "market value" **(NEXT)**

Slide 77- How do lenders determine insurable value?

How do lenders determine insurable value? This is the guidance that federal regulators have given to lenders on how they might determine what the insurable value of a building is. They might, for example, look to the replacement cost figure used on the same building in the hazard policy, for example, the homeowners policy. But they might also have an appraisal available to them based on the cost value or reconstruction cost approach. Finally, in the absence of such an appraisal, they might use construction cost calculations in terms of a residential or commercial cost estimator – similar to those used in both the insurance and appraisal industries. **(NEXT)**

Slide 78 - What types of coverage do lenders require?

What types of coverage do lenders require?

(CLICK) If just the building is collateral like you have in most residential loans, then only building coverage is required.

(CLICK) If both building and contents are collateral for loan, If the building is ***in a SFHA***, then flood insurance is required on ***both*** the building and contents.

(CLICK) However, if a loan is secured by a building in a SFHA and by contents in a different building that is not in a SFHA, flood insurance is not required on the contents – just the building. **(NEXT)**

Slide 79 – How much flood insurance can lenders require?

But how much flood insurance can lenders require? What options do lenders have in requiring coverage above the minimum? What we've just talked about are what are the minimum requirements when it comes to flood insurance. But…

(CLICK) Lenders are permitted to require more coverage than the minimum required. Requiring coverage above the minimum is a lender decision, not a requirement under the Act and explains why some lenders require more than others.

(CLICK) But keep in mind a NFIP policy will not cover an amount exceeding a building's insurable value.

(CLICK) Your insured cannot avoid the mandatory purchase of flood insurance through the use of a high deductible. .

(CLICK) But an insured can purchase a higher deductible to reduce the premium if lender approves. **(NEXT)**

Slide 80 – Special Compliance Issues

Now let's finish up this section by talking about a couple of special compliance issues that involve construction loans and home equity loans or second mortgages.

Let's begin with Construction loans **(CLICK).** Lenders have the option **(CLICK)**to require flood insurance at the time the development loan is made or **(CLICK)** they can wait to require flood insurance at the time of a specified drawdown that leads to the start of actual construction.

If a lender elects the second of the two options, the lender has to be prepared to monitor the project for the actual start of construction and require flood insurance at that time. Regardless of which option is taken, there is …

- No 30-day waiting period applies to either option if flood insurance is required by lender.
- Buildings can be eligible for coverage prior to being walled and roofed provided the building meets underwriting criteria specified in the policy.
- Materials and supplies eligible for coverage if they meet certain requirements outlined in the policy.
- Rates can be based on construction drawings. **(NEXT)**

Slide 81 - Special Compliance Issues

One last special situation involves home equity loans and second loans. The slide notes that:

- Home equities, second mortgages and other junior liens can be "designated loans".
- And that additional flood insurance may be required
- Finally when lenders consider amount of loan for their compliance minimums, they must consider all outstanding loans **(NEXT)**

Slide 82 - A Zone Examples - Diagram 6 – Application

So, let's use a case study to highlight how and when coverage amount requirements can change when there is subsequent loan activity.

Your insured takes out a first mortgage with Lender A with a principal balance of $100,000, but Lender A improperly requires only $75,000 of flood insurance.

Your insured then approaches Lender B for a $50,000 equity loan. $100,000 plus $50,000 equals a combined loan balance of $150,000.

Lender B will require that the coverage be increased to $150,000, not to only require an increase of $50,000 of flood insurance. The lender looks to all outstanding indebtedness so that his interests and, in this case, the first mortgagee's interests are also adequately covered. **(NEXT)**

Slide 83 – Resources – TRAINER #2

First up is the Flood Insurance Manual.

Slide 84 – FIM

It's the Bible of the program – chapter and verse.

Most of the information concerning the advanced agent topics you heard today, comes directly out of the Flood Insurance Manual - for example with Sections dedicated on General Rules, Renewals and Cancellations, CoBras and Opas, etc.

It is just Chock full of great info

No matter how much flood you write you need this manual for Flood Insurance.

If you write flood insurance you need a copy of the FIM. Download your copy at that web address or simply Google Flood Insurance Manual. **(NEXT)**

Slide 85 - FloodSmart.gov

So, here's an easy website for you to remember - floodsmart.gov. FloodSmart.gov is the official website of the National Flood Insurance Program. It's packed full of all kinds of consumer information plus.

(CLICK) this is the site that has the secure site for agents. This is a site just for agents, which is full of helpful information. By registering you can get referrals and take advantage of the Advertising Co-op Program where you can be reimbursed for up to 75% by advertising for flood insurance.

(CLICK) Also on this site there is information about upcoming flood map changes. **(NEXT)**

Slide 86 - NFIP iService

And finally, we want you to be aware of the NFIP's iService site. Here are all kinds of information on flood insurance.

(CLICK) At this website you can download the latest edition of the Flood Insurance Manual and various Bulletins on the Program.

(CLICK) Click here to get information on agent training for flood insurance. You can register for local classroom seminars or register for webinars on a multitude of Flood Insurance subjects.

(CLICK) Click here to subscribe to the WYO Bulletins. The Bulletins explain and update aspects of the Program. **(NEXT)**

Slide 87- Resources for Insurance Agents and their Clients

You can access the web sites listed on the slide to locate other topic specific webinars or instructor-led training seminars from the NFIP.

You see the e-mail addresses of the H2O flood insurance trainers and our producer, Joy Johnson, displayed on the screen.

Lastly, remember to stay tuned for other topic specific webinar offerings from the NFIP Training Contractor, SumTotal Systems and H2O Partners. **(NEXT)**

Slide 88 - Evaluations – Online

Another reminder, you will be receiving an email with a link to an evaluation, please feel free to provide your comments on how we can improve this training. Your feedback is appreciated. **(NEXT)**

Slide 90 - FEMA

Questions? **(FINI)**