FIRA Part 1 Script – Two Trainer Script

Module	Slide Assignments	# of Slides	Trainer
Part 1			
1-Getting Started & Training Overview	1-10	10	1
2-Flood Insurance Essentials	11-31	21	2
3-The Standard Flood Insurance Policy	32-45	14	1
4A-Coverage	46-60	15	2
4B- Coverage (start with GP Household slide)	61-77	17	1

Slide 2- WebEx Tips

For those who aren't familiar with WebEx, there 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 today. 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 we'll try to answer some of your questions as we go along in the Q&A, or we may answer them verbally as well. At the end of the session, we'll try to address any unanswered questions.

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 button 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)**

Slide 3- (Title Slide)

Now let's get started…" **(next slide)**

Slide 4-(Welcome Slide &Introductions)

Although we've been chatting with a few of you already, let me do proper introductions. Your instructors this morning (afternoon) are ______(Name of Trainer 2) and myself, ____________(Name of Trainer 2). We are with the NFIP Training division of H2O Partners/GeoLearning and we will both be sharing in the discussion this morning. We have both been involved with the National Flood Insurance Program for a combined total of over ___ years.

Now before we begin, I'm going to throw up a poll with a set of questions we'd like each of you to answer just to get us warmed up. So, take a few minutes to answer and then "TRAINER2" will share the answers with you. **[LAUNCH POLL & DISCUSS RESULTS](next slide)**

Slide 5- Module 1 Title Slide

Now that you know about the learning environment, let's get started with our first module, which is a training overview **(next slide).**

Slide 6-Training Objectives

Here's what we're setting out to do over the course of the two sessions that make up the 2-part Basic Agent Seminar - we want to first give you a little background by describing the goals of these sessions. **(Click)**

- We'll start off by describing some of the key concepts of flood insurance **(Click)**
- Then we'll move on to discuss the three standard flood insurance policies and the Preferred Risk Policy (PRP) **(Click)**
- We'll end part one with a description of the types of coverage provided by the standard flood insurance policy **(Click)**

- In part 2, we begin explaining the loss settlement process **(Click)**
- Then we'll focus on what it takes to build a flood insurance policy **(Click)**
- Part of what it takes to build that flood policy is an understanding of Base Flood Elevations (BFEs) and the requirements for an Elevation Certificate (EC) **(Click)**
- We'll finish part 2 up by exploring a host of resources that you can be used to explain flood insurance, write or renew policies, and provide service to your policyholders**(Click)**

The duration of the training program is 4 hrs. The training is divided into two sessions of 2 hrs each. (next slide)

Slide 7-Training Agenda

Now, here's our agenda for today. We're already in the training overview section right now. Next up, we'll talk about flood insurance essentials, then we'll look at the Standard Flood Insurance Policy to include a discussion on its coverages. Part 2 on ________ will focus on loss settlement issues, how to build a flood policy along with discussions on base flood elevations and elevations certificates. We finish with a resource discussion…. **(next slide)**

Slide 8 - Least you need to Know

If you walk away with nothing else, then I hope you will at least learn the following. These are seven very basic yet essential components to your understanding of the National Flood Insurance Program…

1. Every building is in a flood zone – not some buildings but every building. The building you are in right now – it is in a flood zone. Your homes are also in flood zones – it's just a matter of which flood zone and what is the degree of flood risk associated with it. We'll talk more about those flood zones and the flood risk as we move forward. **(Click)**
2. Before we leave the topic of flood zones, I should also add that you don't need to be in a high risk flood zone, or what is referred to as a special flood hazard area in order to purchase flood insurance. Think of it this way – if we'll write flood insurance in the highest risk zones, why wouldn't we write it in more moderate to low risk flood zones – and of course we will. **(Click)**
3. You need to purchase building and contents coverage separately. You may be used to issuing property policies that automatically package building and contents coverage, but we typically do not do that in this program. Typically these are separate purchase decisions. Insureds have to decide whether they want both building and contents coverage or if they just one coverage or the other. **(Click)**
4. You can file a flood insurance claim without a federal disaster declaration. We will discuss our definition of flood during the session and talk about what it takes to trigger that definition and you will see that it is a far cry from a situation that would generate a federal disaster declaration. **(Click)**
5. The SFIP isn't a guaranteed replacement cost policy. We do some replacement cost loss adjustment in this program, but the SFIP is not a guaranteed replacement cost policy. We'll discuss just how we handle losses on each of our three coverage forms as we go along. **(Click)**
6. The SFIP provides limited basement coverage. We'll define just what we mean by a basement and then we will talk about just how we limit coverage in those basements. **(Click)**
7. And finally #7 – the SFIP excludes coverage for time-element exposures. What the SFIP focuses on is direct physical loss by or from flood. Since the emphasis is on "direct physical loss", it

means we do not cover losses for such things as loss of use, loss of profits, access, business interruption or just plain old additional living expenses.

There you have it 7 items that are essential to your understanding of the NFIP. They provide a gateway to everything else that you need to know. And we will come back and talk about each of them in more detail in our two sessions. **(next slide)**

Slide 9-Resources for Insurance Agents and their Clients

One of the resources that we'll be drawing from today is the NFIP Flood Insurance Manual. It's available on-line at FEMA's Flood Insurance Library at the website address shown. You can download it to your hard drive or simply bookmark it for future reference. You can also obtain a hard copy of it through the FEMA Map Information Exchange.**(next slide)**

Slide 10-Poll 1

Okay, before I turn it over to _________, let's look at our first poll question.

[Launch Poll 1 and discuss the results]

Slide 11 – Module 2 - Transition to ("TRAINER2")

Repeat : "Module 2-Flood Insurance Essentials"   **(next slide)**

Slides 12– Module 2 Objectives – Flood Insurance Essentials

During this module on the Flood Insurance Essentials we're going to talk about the basics of how the NFIP works; we'll differentiate between flood insurance and disaster assistance; then we'll talk about all the different flood zones and I'll introduce to you a Flood Insurance Rate Map or a FIRM. **(next slide)**

Slide 13 Module 2: Getting Started with Flood Insurance

On our way through the module, here are some questions to keep in mind – look for the answers to them as we go through the different topics:

Consider – can you insure against flood everywhere in the country?

Is flood insurance ever mandatory?

Does a hundred year floodplain mean that it only floods there once every hundred years

And finally, how do most policyholders go about purchasing flood insurance? **(next slide)**

Slide 14 Module 2: Topic 1: The National Flood Insurance Program (Basics of the NFIP)

Topic 1 of this module focuses on the Basics of the NFIP and how it works. The NFIP offers coverage through Write Your Own insurance companies; which are private sector insurance carriers who function under an agreement with FEMA to sell flood insurance for the National Flood Insurance Program. They are also known as WYO's. These WYOs write business under their own name and give every impression that they are the actual carrier. They do everything that any carrier does for a product line that it writes. They issue the policies, collect the premiums, renew them, endorse them – when there are losses, they handle their own claims but ultimately all the policies they write, they are all a part of the NFIP. These carriers are at no underwriting risk whatsoever. This is one way that you as an agent can access the program – by striking your own agreement with one of these carriers to write your flood insurance through them.

The other alternative is for you to write your flood insurance policies through a contractor FEMA has hired called the NFIP Servicing Agent. This is often referred to as writing business direct through the NFIP. So those are the two ways that you as an agent can approach the program. Incidentally, there is a listing of all WYO carriers in the flood insurance section of FEMA's website.

Now, the NFIP's mission is really aimed at reducing the consequences of flooding by making flood insurance available to property owners and encouraging communities to establish floodplain management programs including ordinances.

We'll go in to more detail regarding these NFIP Basics during the next few slides. **(next slide)**

Slide 15 Module 2: Topic 1: The National Flood Insurance Program (Availability of Flood Insurance to Property Owners)

Here are the Key Players involved in making the National Flood Insurance Program work. It starts at the top of our organization chart with the Department of Homeland Security (DHS). FEMA , the Federal Emergency Management Agency, is a part of DHS and it is FEMA that administers the NFIP. It does it through its Insurance & Mitigation Division (FEMA) and in a partnership with the private sector. The two boxes under the heading National Flood Insurance Program represent that private sector partnership and they are the entities that we looked at on the previous slide that write all the flood insurance policies for the National Flood Insurance Program. **(next slide)**

Slide 16 Module 2: Topic 1: The National Flood Insurance Program (Community Participation)

Now that we know how you access the program, the next question becomes – who can buy flood insurance? Well, the key to who can buy flood insurance revolves around the concept of Community Participation. FEMA and the NFIP agree to make flood insurance available in communities that agree to participate in the National Flood Insurance Program. In order to be a participant, a community has to adopt and enforce a set of floodplain management ordinances. Those ordinances dictate what can and cannot be done in a community's most flood prone areas. And by what can and cannot be done, we are typically talking about how and where you can build buildings in those flood prone areas. They must be built in such a way that it reduces the impact of future flooding. In exchange for that agreement and participation, FEMA agrees to make flood insurance available in those communities. And any time we use the term community we mean entities such as cities, towns, counties, boroughs, parishes, etc. All of them can be a "participating community". **(next slide)**

Slide 17 Module 2: Topic 1: The National Flood Insurance Program (Community Participation: Ways to Participate)

Now, when a community participates in the program, it participates in one of two phases, the Emergency Program or the Regular Program. You should know that the vast majority of communities participate in the Regular Program phase. However, at one time, every community typically began in the entry level Emergency Program, which is highlighted by, amongst other things, very limited coverage and very basic maps called Flood Hazard Boundary Maps. We'll talk about how limited that coverage is later in this course.

Most communities reside in the Regular Program, which is considered sort of full-fledged participation. In the Regular Program, communities utilize our most sophisticated type of flood map, called a Flood Insurance Rate Map, and the program's full limits of insurance are available along with rating through an actuarial rate structure. And we'll discuss all of those Regular Program community advantages as we go along in the presentation. **(next slide)**

Slide 18 Module 2: Topic 1: The National Flood Insurance Program (Community Participation: Does my Community Participate?)

So, how do you know if your community participates in the NFIP? How do you know if your community is in the Emergency or Regular Program phase? Well, it's simple. FEMA compiles a listing of such communities called a Community Status Book. And it is available by logging on to the website shown on the screen. There you'll find a listing of all the states and U.S. territories, just click on the state you're interested in viewing and the website will bring up a listing similar to the one you see here for Kansas. It's a listing in alphabetical order of all those communities that participate in the NFIP in Kansas. It also provides other information as well. **(next slide)**

Slide 19

Let's take a look at each of the columns:

CID: A different Community Identification Number is designated for the incorporated city versus the unincorporated county. You must determine where the structure is physically located either the incorporated city or unincorporated county to know which community to look to.

Community Name: Again, we're looking at the incorporated city or unincorporated county, etc.

County: This column should match the relative incorporated city, township, etc.

Init FHBM Identified: This date tells when the Flood Hazard Boundary Map was created. This map is only a factor in communities that do not have a Flood Insurance Rate Map. The next column introduces you to the…

Init FIRM Identified: This date represents the community's first Flood Insurance Rate Map, and it is important because it represents the dividing line between two approaches to rating that we use in the program called Pre-FIRM and Post-FIRM which we will talk about later in the course. It is important to note that this date doesn't change. No matter how many new maps are issued in the future, there is always only one first flood insurance rate map. Speaking of new maps, the next column represents the current flood map date…

Curr Eff Map Date: This is the date of the map that is currently in effect. And as you can see by looking up and down the list, there are communities with maps dated back to the 70s and 80s as well as communities with much more recent maps like the city of Osage and the county of Osage. Both have current flood maps dated in 2010. The next columns deals with whether a community is in that regular or emergency program...

Reg-Emer Date: Notice that the city of Onaga right at the top of the column has an E in parentheses next to its date. If there is an 'E' next to the date that means the community is in the Emergency Program and subject to that limited coverage that we referred to earlier. More on that later. If there is no E, then the community resides in the Regular Program. Finally, the last column…

Tribal: Some Indian nations become participating communities which this column would then indicate a Y for Yes. **(next slide)**

Slide 20 Module 2: Poll Question

[Launch poll and discuss results]

Slide 21 Module 2: Topic 2: Flood Zones and Mapping (Flood Insurance versus Disaster Assistance)

Topic 2 of this module begins by highlighting the differences between Flood Insurance and Disaster Assistance. For example…

Flood Insurance will pay even when there's not a Presidential Disaster Declaration.

There is no payback requirement for flood insurance unlike most federal disaster assistance which comes in the form of a low interest loan.

The average flood insurance premium is $550/year, while an SBA loan's repayment term can extend to 30 years.

Flood Insurance clearly outweighs disaster assistance and puts the property owner in control. **(next slide)**

Slide 22 Module 2: Topic 2: Flood Zones and Mapping (Basics of Flood Zones)

The next topic in the module involves flood zones and mapping.

Flood zones are placed into two categories: SFHA or non-SFHA. SFHA stands for Special Flood Hazard areas. These special flood hazard areas are represented on flood maps as zones A or V. These are the most flood prone zones. These are also the zones where lenders must require the purchase of flood insurance as a condition of their loans.

V zones are typically just found in coastal areas and the V stands for velocity – which means there is wave action with the water.

The non-special flood hazard areas are represented on flood maps by zones B, C and X. These are more moderate to low risk areas. And there is no federal statute that requires the purchase of flood insurance in these zones. However, 25% to 30% of the NFIP's losses occur in these low to moderate zones. It can and does flood anywhere and everywhere in the United States.

Let's go back to the special flood hazard areas, the A and V zones, for a second. These special flood hazard areas are also sometimes referred to as the 100 year floodplain, which doesn't mean that they will only flood once every hundred years. What it really means is that there is a 1 per cent chance of flooding in any given year. Now that may not sound like a lot of risk until you start stackin' the years one on top of another. Over the life of a 30-year mortgage that likelihood grows from 1% to 26%. And those odds are not good, particularly when you compare them to other perils your insureds routinely insure against. That 26% likelihood is greater than any other peril that you are routinely insuring someone against on, say, an average homeowner's policy. **(next slide)**

Slide 23 Module 2: Topic 2: Flood Zones and Mapping (Flood Insurance Rate Map)

As we discussed earlier, FIRM stands for Flood Insurance Rate Map. It is the official FEMA map for flood zones and base flood elevations. FIRMS are available on-line at: www.msc.fema.gov. (point to website address on slide) This is also where you are able to create what's called a FIRM-ette, which is a great documentation resource. I'll show you how to do that in a minute… **(next slide)**

Slide 24- Finding a FIRM

But first let's take a look at how and where you can view flood maps online. All you have to do is go to www.msc.fema.gov and utilize the pre-formatted template that you will see on the left hand side of the page (point to it). Just plug in an address and another window will pop up indicating that it has found the address and shows that it located on a certain map panel. Now you have a couple of choices, you can either buy the map by clicking on the little dollar sign icon, or you can view the map. Viewing is free, all you have to do is just click on the green view button… **(next slide)**

Slide 25

And the map will open up on your screen. There are navigational tools located on the left hand side of the screen that allow you to zoom in, zoom out and pan around the map. You can also make a document called a FIRMette that we discussed earlier by clicking on the button entitled "Make a FIRMette" (point to it) **(next slide)**

Slide 26

Once you click on that button, it backs you off your enlarged map to the beginning but it gives you a pink overlay that you can drag to anywhere you want on the map and then click on "Create a FIRMette and…**(next slide)**

Slide 27

It makes you this document that just focuses on that area of the flood map that you highlighted with the overlay. It also draws the firmette to scale, shows you the scale in the upper right hand corner, and it also places the cover of that community's flood map on the firmette. These are great for file documentation or to share with your insured. They can also be used to document eligibility for the program's new PRP Eligibility Extension – a rule we'll discuss in part 2 of this course. Notice the darkly shaded areas on this flood map. They represent the special flood hazard areas on an older generation of flood map, which many communities still have… **(next slide)**

Slide 28

But here's the future of flood maps. And for many communities the future is now. Over the past few years FEMA has been in the process of updating, modernizing and digitizing many of the nation's flood maps. Here is an example of that new digital format that is much more readable. On this map, the special flood hazard areas are highlighted by the aqua-dotted areas that you see**. (next slide)**

Slide 29 Module 2: Poll Question

Trainer1 will read the Poll Question while Trainer2 deploys the Poll Question. Please answer the Poll Question that is shown on the screen and remember to press 'Submit' when you are finished. Once the polling is completed we will share the results.

Correct answer: b **(next slide)**

Slide 30 Coastal Barrier Resources Act

Before we leave the topic of flood maps and flood zones, let's discuss one more item – the Coastal Barrier Resources Act. It is an exception to the rule when it comes to being able to write flood insurance, even in participating communities. Back in October 1982 and again in November 1990, Congress enacted federal legislation that prohibited federal expenditures or financial assistance, including flood insurance, in certain designated coastal barrier and otherwise protected areas. So, there may be buildings constructed after the deadlines imposed by the Acts in certain coastal barrier areas that may not be eligible for flood insurance. A listing of communities where coastal barriers and/or otherwise protected areas have been identified is in the NFIP Flood Insurance Manual. **(next slide)**

Slide 31 Module 2: Module Poll Questions

[Launch poll and discuss poll results.]

> Now I am going to transition the program back over to Trainer1 to discuss Module 3, The Standard Flood Insurance Policy. Trainer1? **(next slide)**

Slide 32 – Module 3 – Transition to Trainer #1

Now that you have a running head start with floods and flood insurance, let's explore some basics about the policies that NFIP offers. We'll talk a little bit about what a flood insurance policy does as well as what it doesn't do. **(next slide)**

Slide 33
Within this module, we will be discussing the three different coverage forms along with the 30-day waiting period and the Preferred Risk Policy **(next slide)**

Slide 34
Before we get started with the module, we want you to consider the following questions. We want you to gauge your current knowledge with what you learn within this module. So let's take a minute to review them. **(Read each question aloud)**

So keep each of those questions in mind as we go through the module. **(next slide)**

Slide 35
The Standard Flood Insurance Policy (SFIP) consists of three coverage forms: the Dwelling Form, the General Property Form, and the Residential Condominium Building Association Policy (RCBAP) Form. Knowing the use of the structure helps you know which policy form applies to that building. **(next slide)**

Slide 36 – Dwelling Form

The Dwelling form typically applies to non-condominium 1-4 family dwellings. But it also applies to mobile homes and certain travel trailers that qualify as dwellings. It can also be used to write coverage for individually-owned condo units. **(next slide)**

Slide 37 – General Property Form

The General Property form covers residential buildings with 5 or more units as well as all non-residential structures such as stores, offices, schools, churches and similar commercial buildings. **(next slide)**

Slide 38 – RCBAP

Finally, **the Residential Condominium Building Association Policy** is used to write condominium buildings in the name of a condo association on behalf of all its unit owners. Please note that the RCBAP is the only one of the three policy forms with a coinsurance clause. **(next slide)**

Slide 39 - Poll Question

[Launch poll and discuss poll results.]

Slide 40- Topic 2: Waiting Period

We are going to change gears for a minute and talk about the NFIP flood policy waiting period. **(next slide)**

Slide 41 – Topic 2: Waiting Period

Once you collect premium and complete the flood insurance application, the manual provides guidance about when coverage actually begins. Most of you probably know that there is a 30 day waiting period that's applicable to most flood insurance policies. That is—30 CALENDAR days not BUSINESS days. This applies to any new policies as well as any modification, i.e. additional coverage, to existing policies. However, there are 3 exceptions to this rule. The most frequent exception used involves situations where there is a loan-related mandate. If a lender requires the purchase of flood insurance as a condition of loan, then the waiting period can be waived. In fact, you waive it when you establish the effective date. This happens most often on new loans or refinances. Secondly, map changes from non-SFHA to SFHA apply to this 2nd exception. If an insured seeks coverage within 13 months of new map, we reduce waiting period to 1 day. Finally, you should be aware that none of our policies have an automatic inflation guard adjustment built into them. But all carriers do recommend an increase based on such a factor. If your insured elects to take that recommended increase, they don't have to wait 30 days for it to kick in – it becomes effective as of the renewal date. **(next slide)**

Slide 42 – Topic 3: Preferred Risk Policy

Now before we begin our coverage discussion, we're going to talk about everyone's favorite policy to sell—The Preferred Risk Policy. The Preferred Risk Policy, also known as the PRP, is a low cost policy with certain eligibility requirements. Let's review them…. **(Click)**

First off, the PRP only applies to buildings in B, C and X zones **(Click)**

Secondly, it must meet certain loss eligibility requirements since it is a preferred product. **(Click)**

And it also requires upfront documentation to your carrier that it is eligible. **(Click)**

The PRP can be written on an individual condo, but not condo associations. It applies to all other residential and non-residential buildings.

It's important to recognize that the PRP does not use a different coverage form, but relies on one of the 2 coverage forms: Dwelling Form or General Property Form for outlining coverage. The PRP is not a separate set of products but a separate approach to writing flood insurance. It is a simplified, lower cost approach. It is the simplest way to write flood insurance and the least expensive way to do it. But remember, you have to be in a B, C or X zone to be eligible. **(NEXT SLIDE)**

Slide 43- Poll Question

[Launch poll and discuss poll results.]

INSERT FIVE MINUTE BREAK HERE

Slide 44 – Poll Question – Transition to Trainer #2

Now, before we leave Module 3, let's review what we learned in it with another poll question. [LAUNCH POLL and DISCUSS RESULTS]

Slide 45 Module: 4 Coverage ("TRAINER2")

Next up, let's explore NFIP coverages in Module 4. **(next slide)**

Slide 46 Module 4: Objectives (Coverage)

In Module 4, we'll discuss the definition of flood, review what's covered by the Standard Flood Insurance Policy and, just as importantly, what's NOT covered by the SFIP.

As we go through the Module we'll primarily use the Dwelling policy as the model for our discussion but keep in mind that most of what we talk about is the same in all three coverage forms. However, where there are differences we'll try to point out the differences between the Dwelling Policy, the General Property Policy, and the Residential Condominium Building Association Policy as we go along.

Keep in mind as we start our coverage discussion that the Standard Flood Insurance Policy is a single peril policy that covers direct physical loss by or from flooding. That is where the focus of the SFIP is – on direct physical loss. **(next slide)**

Slide 47 Module 4: Objectives (Getting Started with Coverage)

Before we head into the coverage module, here's another series of questions that you might want to consider. (Read them aloud). As we go through our coverage discussion keep those questions in mind. **(next slide)**

Slide 48 Module 4: Topic 1: Definition of Flood

Let's begin our coverage discussion by looking at the definition of flood. In order to have a flood, to trigger our coverage form, you must meet four key criteria:

First, the condition of flooding must be general. By general we mean it must affect at least two or more properties, or if it is confined to one property, it must cover at least two or more acres on that property.

Second, the condition of flooding must be temporary. There must be a definitive start and stop point like most property losses.

Thirdly, and perhaps most importantly, inundation must be present. And there are two types of inundation described in the definition of flood. The definition says it can come from the overflow of inland or tidal waters – that's what most people think of when they think of a flood. But the definition goes on to also talk about it being caused by the unusual and rapid accumulation or runoff of surface waters from any source. The key term there is surface waters – water that travels along the surface of the ground, but it doesn't matter where it comes from – it can literally come from any source.

Finally, the occurrence must be accidental from the insured's standpoint.

That's it – that's all it takes to trigger our coverage form. **(next slide)**

Slide 49 Module 4: Topic 1: Definition of Flood (Mudflow)

Mudflow is also included in the definition of flood. Mudflow is defined as a river of liquid or flowing mud on the surfaces of normally dry land areas as when earth is carried by a current of water. In the aftermath of such an event you'd literally see a dried out river bed where the mud had flowed through in its liquid state. Anecdotally, think of it this way – if it has the consistency of chocolate milk or a milkshake – that's mudflow – similar to what you see pictured here. **(next slide)**

Slide 50 Module 4: Topic 1: NFIP's Definition of Flood (Erosion)

The standard policy also covers the collapse or subsidence of land along the shore of a body of water, which could be the result of erosion.

We want to emphasize that the collapse or subsidence of land (including erosion) must be a direct effect of a flooding condition as described by the NFIP. **(next slide)**

Slide 51 Poll Question

[Launch poll and discuss poll results.]

Slide 52 Module 4: Topic 2– Types of Coverage (Overview)

Topic 2 of this module includes a discussion on the four types of coverage available in the standard policy.

Let's go ahead and start with Coverage A: Building Property. **(next slide)**

Slide 53 Module 4: Topic 2– Types of Coverage (Coverage A: What is a Building?)

Since what this program is about is covering buildings – it would seem like the best place to start talking about coverage is to define what we mean by a building.

The NFIP's definition of a building is rather broad. All it has to have is at least two walls and a roof and be principally above ground level – and it's a building!

Our definition of a building also includes certain mobile homes and travel trailers. We want to emphasize that per FEMA's definition; only a travel trailer without wheels is insurable. **(next slide)**

Slide 54 Module 4: Topic 2: Types of Coverage (Coverage A: Buildings under Construction)

Buildings in the course of construction can also be considered buildings. The program does not have a separate builder's risk form but each of the three coverage forms has coverage wording that allows for buildings in the course of construction to be insured even before they are walled and roofed. **(next slide)**

Slide 55 Module 4: Topic 2: Types of Coverage (Coverage A: Additions and Extensions)

Now that we know how we define a building – what about additions and extensions to it. Well, the coverage forms go on to say that a "building" includes any addition or extension attached to or in contact with our structure by means of a rigid exterior wall, solid load-bearing interior wall, stairway, elevated walkway, or a roof.

And the policy goes on to state that: "At [the insured's] option, additions and extensions connected by any of these methods may be separately insured." - giving the insured the latitude to increase the amount of coverage availability if desired. **(next slide)**

Slide 56 Module 4: Topic 2: Types of Coverage (Coverage A: Appurtenant Structures-Detached Garages)

Okay, so now we know what a building is and how we handle additions and extensions to it – but what about structures appurtenant to it? Well, what you learn very quickly in this program is that we essentially write one building per policy. So, if you have five buildings, you have to write five policies. There's only one exception to this and it's found only in the Dwelling Policy form and it only applies to detached garages.

What the Dwelling Form says is that at the insured's option at the time of loss, he can extend up to 10% of his coverage A limit over to the detached garage. But that is not an additional amount of coverage –it reduces the building limit. And this clause in the policy is very specific about what is not a garage for purposes of this extension. If the garage is used or held for use for residential, business or farming purposes, then it ceases to be eligible for this extension and must be insured separately. **(next slide)**

Slide 57 Module 4: Topic 2: Types of Coverage (Coverage A: Other Forms of Building Coverage)

Here's a quick listing of items that are covered under the Coverage A limit. This is not an exhaustive list but illustrates the types of property that would always be considered "building" items rather than contents. (**next slide)**

Slide 58 Module 4: Topic 2: Types of Coverage (Coverage B: Personal Property based upon the Policy Form)

Now let's transition over to Coverage B – personal property.

Remember that we established in one of the early slides that insureds typically must purchase building and contents limits separately. Contents coverage does not typically come with the purchase of building coverage limits – it is a separate purchase decision.

On the Dwelling Form – contents the insured owns is covered in any building as long as that building is at the described location. And by described location, we mean what is the location described on the dec page.

On the other hand, on the General Property Form or the condo association form, the RCBAP, the contents must be inside a fully enclosed insured building. So the additional latitude provided the insured on the Dwelling Form does not apply to the other two coverage forms. **(next slide)**

Slide 59 Module 4: Topic 2: Types of Coverage (Coverage B: Personal Property Examples)

Here's a quick list of Coverage B items similar to the Coverage A list we viewed before. Once again this is not an exhaustive list but it does illustrate that certain items on the list will always be considered personal property items. For example, a portable or window air conditioner is a contents item while we saw that a central air conditioner was considered a Coverage A item on the previous list. **(next slide)**

Slide 60 Module 4: Topic 2: Types of Coverage (Coverage B: Even if You're on the Fourth Floor!)

It's our favorite call from your insured's when they say, "Why do we have to have flood insurance when we're on the fourth floor?" Well, as we can see from this slide flood damage happens, even on the Fourth Floor! **(next slide)**

Now let me turn the presenter role back over to "TRAINER1" to talk about Types of Coverage regarding the General Property Form. Trainer1, take it away…..

Slide 61 Topic 2 Types of Coverage – Transition to Trainer #1

This slide highlights an important distinction in the General Property Form relative to Coverage B. Because a variety of buildings and occupancy types can be insured under the General Property Form, the language is broad enough for residential items described as "household" as well as commercial items described as "other than household. Take a glance at the list. Under the General Property Form, Coverage B either covers household personal property or non-household personal property on a policy but not both. **(next slide)**

Slide 62 - Basements

Now, before we completely leave our discussion of coverages A and B, let's throw one more thing in to our building – a basement. And let's start by taking a look at the NFIP definition of a basement. Essentially a basement is any level of a structure where the flood is below ground on all sides. It doesn't matter what anybody living there does with it or calls it – if the floor is subgrade on all sides, then it meets the definition of a basement. Note on the slide that the definition could include a sunken room or sunken living room. **(Next Slide)**

Slide 63

So, why is understanding the basement definition so important? Because there are coverage limitations within basements. Take a look at the chart on this slide. It lists all the "building" items covered with your Coverage A limit in a basement. It is these and only these.

Although these might be common in typical basements, they certainly aren't items that you might see in a sunken living room, are they? And, by the way, these limitations also apply in Post-FIRM enclosures within SFHAs. Think of the beachfront property or lakefront property where you have elevated buildings with enclosures underneath them. But remember, although there are limitations only in certain type of enclosures in certain zones, the basement limitations apply in ALL zones. **(Next Slide)**

Slide 64

Now, the previous slide referred to building coverage, here's a much shorter list of personal property items covered in a basement. It is these three and only these three – and only if someone has purchased contents coverage. And, these items are covered only if they are in a functioning location and plugged into a power source. **(Next Slide)**

Slide 65

Okay, here's a poll that hits directly on the topic we just finished – basements [Launch poll and discuss poll results.]

Slide 66

Okay, so now that we've finished our discussion on coverages A and B, let's move on to Coverage C – Other Coverages. Coverage C contains a set of miscellaneous coverages beginning with debris removal.

In severe flooding situations, it's common that you may have debris on your property that you don't own, or maybe your debris has floated elsewhere. Well, the NFIP thought of these occurrences by adding coverage that would reimburse you to remove non-owned debris from on or in your property and retrieve and remove your debris anywhere. In fact, the coverage will also reimburse the insured for his labor should he and any members of his household decide to do their own debris removal. However, the reimbursement rate is only equivalent to the current federal minimum wage! **(Click)**

Another Coverage C item is entitled Loss Avoidance Measures. There are two types of loss avoidance measures – one is entitled Sandbags, Supplies and Labor - it reimburses the insured for activity to reduce the flood damage. For example, if the insured attempts to protect his property by sandbagging, erecting a temporary levee or purchasing and operating a pump, he can be reimbursed for the cost of that effort, including his own labor up to a limit of $1,000. Or maybe the insured wants to safeguard his property by physically removing it to another location – the second loss avoidance measure is called Property Removed to Safety. It will once again reimburse the insured up to $1,000, including the value of his own labor, if he chooses to move property to another location to protect it from the flood – and in so doing the NFIP agrees to cover it at that alternate location for a period of up to 45 days. It covers it against the peril of flood only. Just remember the labor reimbursement is subject to the federal minimum wage but the good news is that no deductible applies to either of these loss avoidance measures. **(Click)**

Condo assessments are also a Coverage C item and they can apply to assessments levied by the Condo Associations on condo unit owners in the aftermath of a flood. But take a careful look at this section of the policy as there are a number of limiting factors built into the policy language on such loss assessments. **(Click)**

And finally, pollution damage is covered in the General Property Form not to exceed $10,000. When we had the recent Gulf oil spill, there was a huge concern for the effects of a hurricane bringing all that oil inland due to storm surge. I'm sure you may be able to think of more examples of how this coverage could apply. **(Next Slide)**

Slide 67

One thing to keep in mind is that the coverage C items we just went over, do not increase the liability limit for Coverage A or B. In other words, if you buy $125,000 of building coverage and you make a claim for “debris removal” and you spend $23,000, then you only have $102,000 left. So use these coverages wisely. **(Next Slide)**

Slide 68

Next we will discuss Coverage D called Increased Cost of Compliance or ICC. This coverage provides a $30,000 coverage limit to help cover the cost to rebuild flood damaged structures in compliance with the current floodplain management ordinance. It will pay to elevate, floodproof, demolish or relocate the structure if it has been substantially damaged or in some cases if it has been repetitively damaged.

Basically, every participating NFIP community has a substantial damage provision in its flood ordinance which requires it to monitor flood damages exceeding 50% of the market value. Some communities even monitor the cumulative damages of repeat losses. Think about it this way: in many cases, where the structure is below the current elevation standards, it only makes sense that it wouldn’t be safe to rebuild at that level. If the building is substantially damaged, it will be required to be brought into compliance. The $30,000 Coverage D coverage limit will help with that effort. This $30,000 limit is dedicated to just Coverage D. **(Next Slide)**

Slide 69

And …, this slide shows the maximum amounts available through the NFIP as currently authorized by Congress. In essence, you can’t sell more than this coverage through the NFIP or a WYO company. However, if your insured needs more coverage, there are excess flood markets available through private carriers. Note that the Regular Program limits are $250,000 for residential buildings and $100,000 worth of contents. For non-residential buildings, the maximums are $500,000 each for building and contents. Look at how much lower the limits are for those entry-level Emergency Program communities that we discussed earlier. **(Next Slide)**

Slide 70

[Launch poll and discuss poll results.]

Correct Answers: c

Feedback: The desk and computer are not covered if they are in the basement. Recreational vehicles are not covered. Section IV (Property Not Covered), item 4 (recreational vehicles). Collectibles, along with artwork and other items, are subject to a special limit of no more than $2,500 for any one loss – so they are covered.

Personal property in the open is not covered so that would eliminate the barbeque in the backyard and hot tubs are excluded as we’ll see when we look at our next topic – Property Not Covered. **(Next Slide)**

Slide 71

We've talked about a lot of things we do cover, Topic 3 of this module focuses on Property Not Covered and Exclusions in the standard flood insurance policy. This is just a partial list of the types of properties not covered. An exhaustive list is featured in the policy. But the point that this list does make is that essentially our coverages focus on buildings – not the things around them. Take a look at this list. Notice we don't cover walks, decks, driveways. We don't cover land, trees, shrubs, fences, seawalls, piers, docks, crops and livestock. We essentially cover buildings and if an insured buys contents coverage then we will cover the contents in that building subject to our basement coverage limitations – but we don't cover virtually anything else around that building. Take note from our last poll that hot tubs are not covered unless used as a bathroom fixture. **(Next Slide)**

Slide 72

Speaking of things not covered, let's take a quick look at some Exclusions. Earlier in this session we established that the NFIP policy only covers "direct physical loss by or from a flood". Well, since all we cover is direct physical loss that would mean that we don't cover certain time element exposures like loss of revenue or profits, loss of access, business interruption or even plain old additional living expenses. Don't leave this session thinking that your insureds do have coverage for these types of losses – they don't – because our focus is just on direct physical loss. **(Next Slide)**

Slide 73

Here are a few other exclusions. Notice that the policy excludes such things as sewer backup, overflow from a sump or seepage. It also excludes damage from the pressure or weight of water. It excludes all of them UNLESS there is a general condition of flooding in the area and if the flood is the proximate cause of those types of losses – if that's the case – then they would be covered.

Mold and mildew are also listed as excluded items. But if you look at the fine print, it mentions that they're excluded if within the insured's control, if the insured doesn't mitigate the loss. If you remember after Katrina, folks did not have access to their homes to reduce this damage. So the NFIP did cover mold and mildew that was caused by the flood. **(next slide)**

Slide 74

[Launch poll and discuss poll results.]

Slide 75 – Transition to Trainer #2 for wrap-up

NFIP Training Options.

Slide 76

Survey Monkey Reminder

Slide 77

Questions and Answers

FIRA Part 2 Script – Two Trainer Script

Module		# of Slides	Trainer
PART 2			
Welcome, Reminders, Introduction	Slides 1-6	6	1-DM
5-Loss Settlement	Slides 7-19	13	2-SW
6A-Building a Policy	Slides 20-30	11	1-DM
6B-Building a Policy (start with Topic 3 slide)	Slides 31-47	17	2-SW
7-BFEs and ECs	Slides 48-74	27	1-DM
8-Summary and Resources	Slides 75-84	10	2-SW

____

Slide 1- A Few Reminders

[Go over reminder list]

Slide 2 – WebEx tips – ("TRAINER1") gives tips

[Since this is Part 2, you may choose to discuss an abbreviated version of the WebEx tips]

For those who aren't familiar with WebEx, there 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 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. 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 button 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)

Slide 3- Title Slide

Now let's get started…"

Slide 4- Session Overview

This is Part 2 of a Two-Part training webinar. Most of you have already taken Part 1 on ________ or another time that this session was offered.

Slide 5-Welcome Slide with trainer photos

So just to remind you again, I'm ____________ and I'll be co-presenting with ______ (Sonja Wood). As a warm-up, tell us what's the biggest objection you hear from your clients about buying flood insurance – just a short, simple phrase. **(next slide)**

Slide 6-Session 2 Agenda

Okay, here are the topics we are covering today, we will go over:

1. Loss Settlement
2. Building an NFIP Policy
3. Base Flood Elevation and Elevation Certificates
4. Resources and Summary **(next slide)**

Transition to Trainer 2

Slide 7 – Module 5 ("TRAINER2")

Repeat: "Module 5-Loss Settlement" **(next slide)**

Slides 8– Module 5 Objectives Loss Settlement

We ended Part 1 with a discussion on coverages, Module 5 completes that discussion by focusing on such things as deductibles and loss settlement procedures. **(next slide)**

Slide 9 Module 5: Getting Started with Loss Settlement

Consider the questions displayed on the screen - (Read them aloud quickly).

All of them will be more fully explored in our discussions in the Loss Settlement module. **(next slide)**

Slide 10 Module 5: Topic 1: NFIP Loss Settlement Options (Deductibles)

Topic 1 of Module 5 deals with deductibles. The NFIP's standard deductibles are either $1,000 or $2,000 but higher deductibles are available up to $50,000 on non-residential buildings, $25,000 for condo associations and for all other buildings the highest option is $5,000. You should also understand that the NFIP has separate deductibles for building and contents. So if you insured elects to buy both coverages, he will have a separate building and a separate contents deductible. They don't have to be the same deductible, but he will have one of each.

On buildings in the course of construction, the deductible doubles before the building is walled and roofed and there are no separate deductibles for loss avoidance measures, loss assessment coverage or increased cost of compliance coverage – all items we discussed in Part 1 **(next slide)**

Slide 11 Module 5: Topic 1: NFIP Loss Settlement Options (How NFIP Covers Loss)

Now, let's turn our attention to how losses are settled in the National Flood Insurance Program. Some losses are settled on a replacement cost basis; some are adjusted on an actual cash value basis and yet others are handled with a special loss settlement. **(next slide)**

Slide 12 Module 5: Topic 1: NFIP Loss Settlement Options (Replacement Cost)

In order for your insured to receive replacement cost loss settlement, the situation must meet a very specific profile. First, replacement cost loss settlement applies just to buildings, never to contents. There is no replacement cost on contents in this program. Secondly, the building must be a single family dwelling. And thirdly, that single family dwelling must be someone's principal residence. That's it, that's the profile. And if you have a building that fits it, you must insure that building to either 80% of its replacement cost or up to the maximum limit available under the program – which remains $250,000 for a single family dwelling. **(next slide)**

Slide 13 Module 5: Topic 1: NFIP Loss Settlement Options (Replacement Cost under RCBAP)

Now replacement cost loss settlement also applies to the Residential Condominium Building Association Policy or RCBAP. As you recall the RCBAP is written in the name of the condo association on behalf of all of its unit owners. And this coverage form automatically provides replacement cost loss settlement on the building elements. Since it does that, this coverage form requires that you insure the building to at least 80% of its replacement cost or up to the max available in order to avoid a co-insurance penalty being levied at time of loss. The RCBAP has a co-insurance clause built into it, the other two coverage forms do not.

Now, when it comes to figuring the max limit available on a condo building, how do you do that? You simply take the number of units in the building and multiply it times the $250,000 residential maximum. **(next slide)**

Slide 14 Module 5: Poll Question

[Launch poll and discuss poll results.]

Slide 15 Module 5: Topic 1: NFIP Loss Settlement Options (Actual Cash Value)

Now that we've dealt with RCV, let's talk about ACV. Since replacement cost loss adjustment is limited to those situations we just described, if a building does not meet the NFIP's criteria for replacement cost then it automatically defaults to actual cash value loss settlement. And as you can see some buildings are always ACV like 2-to-4 family dwellings, non-residential buildings and remember contents is always ACV. **(next slide)**

Slide 16 Module 5: Topic 1: NFIP Loss Settlement Options (Manufactured/Mobile Homes and Travel Trailers)

There's one last loss settlement option that only applies to only a very specific type of mobile home or travel trailer. Those mobile homes or travel trailers must be at least 16-feet wide and have at least 600 square feet. They must also be someone's principal residence to qualify for this special loss settlement option. If they qualify, partial losses are covered on a replacement cost basis while a total loss is settled at the lowest of the building's limit, its replacement cost or 1.5 times its ACV.

As noted on the previous slide, all other mobile homes/travel trailers are handled on an ACV basis always. **(next slide)**

Slide 17 Module 5: Topic 2: National Flood Insurance Act of 2004 (Information sent by WYO)

To quickly finish up this module, let's discuss the impact of the National Flood Insurance Reform Act of 2004 on your policyholders. It requires that all carriers annually send policyholders a 4-page Summary of Coverage that explains their policy and its coverages and it also requires…**(next slide)**

Slide 18 Module 5: Topic 1: National Flood Insurance Act of 2004 (Information sent by FEMA)

…that FEMA send policyholders a Flood Insurance Claims Handbook that outlines the claims handling process. **(next slide)**

Slide 19 Poll Question

[Launch poll and discuss poll results.]

Now I am going to transition the program back over to Trainer1 to discuss Module 6, Building an NFIP Policy. Trainer1? **(next slide)**

Slide 20- Module 6-Building a Flood Policy

Now that you have a basic knowledge of how losses are settled, we'll switch gears now and talk about what it takes to build a flood insurance policy. **(next slide)**

Slide 21- Module objectives

In module 6, we'll be applying some of the basics you learned in Part 1 to get a better understanding of how we can use that information to rate a policy. **(next slide)**

Slide 22-Getting started with Building a policy

As we go through this discussion, consider these questions and their importance:

1. How can I determine if my property is in a flood zone?
2. Does it make a difference when my structure was built?
3. How much will I pay for coverage? **(next slide)**

Slide 23-Topic 1 – Community

Now the first step in building our policy is determining the status of the community. Of course the community MUST participate in order for you to write a policy. Once you determine that the community does participate, then you have to determine whether that community is in the regular or emergency program phase. Those are the participatory phases that we discussed in Part 1. If the community participates in the Regular phase, then maximum coverage amounts are available. Finally, you'll need to know what flood zone the property is in.

Now for those of you who write your flood insurance through a WYO carrier, a lot of this process may be automated for you through your carrier's rating software. That's one of the major advantages to using a WYO carrier to write your flood insurance. **(Next slide)**

Slide 24 - Community

Remember, you can always determine the community's status by taking a quick look at the Community Status Book that we talked about in Part 1. Here is the direct link to the Community Status section of FEMA's website (point to it), but you can also access it by simply going to fema.gov and clicking on the link to Flood Insurance, Maps and Information (point to it). That section provides a gateway to a lot of flood insurance and flood map information. **(Next slide)**

Slide 25

Speaking of the Community Status Book, here's a poll question that tests your memory of it from Part 1. [Launch poll and discuss poll results.]

Slide 26 Module: 6B Topic 2: Building an NFIP Policy (Second Consideration for Building an NFIP Policy-Building)

Now that we know that the community our building is in participates in the program, we can move forward with putting our policy together.

First, we have to know whether our building is eligible for coverage. Remember it has to be a walled and roofed structure that's principally above ground and affixed to a permanent site. A building can also be a mobile home or travel trailer that meets the criteria that we discussed in Part 1.

We also have to know what type of building it is – because that will determine not only which coverage form we will use but how much coverage limit we can write.

We also have to establish which rating approach we will use – Pre-FIRM or Post-FIRM and we'll talk about those approaches in a minute.

And finally, we need to know whether our building has a basement or an enclosure. In Part 1 we talked about they can limit coverage but they also have an impact on rating as well, which we'll discuss. **(next slide)**

Slide 27 Module 6B Poll Questions

So, as we build our policy, let's look at another poll and figure out which of these buildings are insurable. [Launch poll and discuss results]

Slide 28 Module 6B: Building an NFIP Policy Part 2 (Pre-FIRM versus Post-FIRM)

Okay, just before the poll questions I mentioned the terms Pre-FIRM and Post-FIRM. These terms represent the two rating approaches used in the NFIP. A Pre-FIRM building is one that was built before the community adopted its first flood insurance rate map. Think of it this way – it was already there before the flood map was ever drawn. And these pre-existing, Pre-FIRM structures are rated using a set of subsidized rates. Now, on the other hand a Post-FIRM building was built after the adoption of the community's first flood insurance rate map, after the floodplain was defined, after the community adopted its floodplain ordinances. And those buildings have to play by a different set of rules when they are built. And we have an actuarial rating approach that we use for those newer Post-FIRM structures. **(next slide)**

Slide 29 Module 6B: Building an NFIP Policy Part 2 (Importance of Initial FIRM Date)

How do you determine if a building is Pre or Post-FIRM. You simply look at the column titled "Init FIRM Identified" in the Community Status Book. In this Kansas example, you can see that that all the different communities listed have different dates. That date is the dividing line between Pre and Post FIRM. Anything built prior to that date is Pre-FIRM and anything built on or after it is Post-FIRM. And that date never changes, it is always the dividing line even after new maps have been issued. For example, look at the City of Overland Park (point to it). It has an initial FIRM date of Sept. 30, 1977 but a current map date of August 3, 2009. 9/30/77 remains the dividing line between Pre and Post FIRM because it was the first map. **(next slide)**

Slide 30 Module 6B: Building an NFIP Policy Part 2 (Rate Comparisons)

Here is a slide that illustrates the difference between subsidized Pre-FIRM rating and actuarial Post-FIRM rating. Notice the three Pre-FIRM buildings at the top of the slide. They are all exactly the same except they are at different elevation levels. Since they are all Pre-FIRM it means they were all built before the community's first flood map was ever drawn and before the base flood elevation, which is represented by the blue line you see, was ever established. The base flood elevation is simply a prediction of how high the flood waters will get when there is that 1% chance flood we talked about in Part 1. Well, since these buildings were already there before the BFE was established, we ignore their elevation differences in our subsidized rating approach and notice that since all their other risk characteristics are the same, they all pay the same annual premium.

But let's change one thing about this example. Let's make these buildings all Post-FIRM. Now look at the three buildings at the bottom of the slide. These were all built in the floodplain after the first flood insurance rate map was drawn, after the base flood elevation had been established. And these have to play a different set of rules. They must have their lowest floors built at or above the base flood elevation in order to lessen impact of future flooding. Well, the first building does just that – it is built a foot above the BFE and look at how our actuarial rating approach favors it. He pays just over $800 a year for his flood insurance. But then look at his next door neighbor – he violated the floodplain ordinance by building his structure a foot below the base flood elevation and he pays nearly $5,000 a year more than his neighbor. Then finally we have the building all the way down on the end that is 10 feet below the base flood elevation. He's going to pay more than $25,000 a year for his flood coverage. Now, admittedly, we may not get a lot of takers at that premium but all I am really trying to illustrate here is the difference between Pre-FIRM subsidized rating and Post-FIRM actuarial rating. **(next slide)**

Let me turn it back over to _______ to take us a little further in the process of building a flood insurance policy.

Transition back to Trainer 2

Slide 31 Module 6B: Building an NFIP Policy Part 3 (Third Consideration for Building an NFIP Policy-Coverage)

Topic 3 in this module explains what impact the coverage type, coverage amount and deductible selections have on how much a flood insurance policy costs. Insureds have to decide if they want to purchase coverage on just their building, just contents or both. They also need to select a coverage limit. Coverage D – increased cost of compliance coverage also has an impact as does something called a CRS discount which we'll discuss is a few minutes. **(next slide)**

Slide 32 Module 6B: Building an NFIP Policy Part 3 (NFIP Coverage Limits)

Here's a slide that we looked at in Part 1. It shows the maximum coverage limits available. For regular program communities, remember its $250,000 building and $100,000 contents for residential buildings while its $500K building and $500K contents for non-residential buildings. **(next slide)**

Slide 33 Module 6B: Building an NFIP Policy Part 3 (Example: Basic and Additional Limits)

When it comes to rating, those regular program coverage limits are divided up into a two-tiered rating system. There is a set of rates for the first tier called basic limits and another set for the additional limits tier. This chart shows you the how that is broken out by type of structure. For example, the basic limits rate applies on a per hundred basis to the first $60K worth of coverage and then a lower additional limits rate applies to the remaining $190K worth of coverage. We'll show you how this works in a rating example near the end of this session. **(next slide)**

Slide 34 Module 6B: Module Poll Questions

Considering the topics we've just completed, here's a poll dealing with available coverage limits. [Launch poll and discuss results] ***CLICK TO SHOW "STATUS BOOK" GRAPHIC***

Slide 35 Module 6B: Building an NFIP Policy Part 3 (Federal Policy Fees -Effective 05/01/2010)

One more thing that goes into determining how much an insured pays for flood insurance is a federal policy fee. It's an annual charge that typically now runs $40 on standard rated policies. On the Preferred Risk Policy there is a much lower fee that is already included in the PRP premiums and finally there is a sliding scale for the fee when it comes to condo associations written under the RCBAP. **(next slide)**

Slide 36 Module 6B: Building an NFIP Policy Part 3 (Community Rating System)

The Community Rating System or CRS discount saves insured's money on their flood insurance premiums. CRS is an incentive program that gives communities the chance to lower premiums by undertaking flood protection and flood awareness projects and activities that exceed the NFIP's minimum requirements. FEMA classifies all communities in the program on a scale from 1 to 10. A class 10 community gets no discount but communities can earn a better designation all the way up to a class 1 based on the flood awareness and flood protection activities that it documents to FEMA. Discounts from 5% all the way up to 45% can be earned for every policyholder in the community – and it is all driven by the community's CRS classification. There is a listing of all communities that receive one of these discounts in a section of the NFIP Flood Insurance Manual entitled Community Rating System. **(next slide)**

Slide 37 Module 6B: Building an NFIP Policy Part 3 (Grandfathering)

One of the keys to how much flood insurance costs is driven by what flood zone a building is rated in. Typically the flood zone that the building is in on the current map is also the flood zone used for rating. But with more and more revised flood maps being issued, more insureds are eligible to take advantage of the program's Grandfather Rating Rules.

Grandfathered rating is used in conjunction with flood map changes and it allows buildings to be rated using the flood zone from the prior map. It doesn't change what flood zone a building is actually in, but it can change what zone it is rated in. In essence it allows property owners to lock into the previous flood zone or base flood elevation. And it does it in two different ways, depending on if the property owner buys a policy before or after the flood map changes. **(next slide)**

Slide 38 Module 6B: Building an NFIP Policy Part 3 (Continuous Coverage)

The first approach to grandfathering is called the Continuous Coverage Rule. If a policy is purchased prior to the effective date of the new map, then it can be rated based on the prior map's flood zone or BFE. Continuous coverage has to be maintained and, the grandfathered policy can be assigned to a new owner should the building be sold. This rule applies to both Pre-FIRM and Post-FIRM buildings. **(next slide)**

Slide 39 Module 6B: Building an NFIP Policy Part 3 (Built in Compliance)

The second grandfathering option involves what is called the Built In Compliance Rule. If a building was built in compliance with the map that was in effect at the time that it was built, then the building can be rated using that map's flood zone or BFE. Proof must be submitted to the carrier and continuous coverage is not required for this option. Typically, this part of the rule applies to Post-FIRM structures. **(next slide)**

Slide 40 Module 6B: Building an NFIP Policy Part 3 (Your Source for Previous Flood Maps)

Since proof of the built in compliance rule is required, it is possible to view and print out a copy of prior (historic) flood maps by going back to the Map Service Center that we looked at in Part 1. Just click on the Product Catalog drop down menu and it will give you the choice to look at either current flood maps or historic flood maps. **(next slide)**

Slide 41 Module 6B: Building an NFIP Policy Part 3 (Pre-FIRM Limitations)

One additional part of grandfathering is specific to Pre-FIRM buildings. Pre-FIRM structures have grandfathering limitations. They can only benefit from the Grandfather Rules if flood insurance is purchased prior to the map change. When a policy is purchased on a Pre-FIRM structure after a map change, then the policy will be rated based on the current zone or BFE. **(next slide)**

Slide 42 Module 6B: Building an NFIP Policy Part 3 (Preferred Risk? No Grandfathering)

Finally, the grandfather rules do not apply to the Preferred Risk Policy. In order for a building to be eligible for the PRP, it must be in a B, C or X zone not only at the time of its original application, but it must remain there at each subsequent renewal to retain its eligibility. So, if a building starts out on a PRP because it is in a B, C or X zone but later the map changes the zone to a special flood hazard area, then the building loses its PRP eligibility at its next renewal and would have to be converted to a standard X zone rated policy under the grandfather rules.

Now, that PRP eligibility has been somewhat altered for certain buildings because of a new rule that just took effect January 1, 2011 called the Two-Year PRP Eligibility Extension that we will discuss right after our next poll. **(next slide)**

Slide 43 Poll Question

Take a look at this poll question and use what you've just learned about grandfathering to answer it. [Launch poll and discuss results]

Slide 44 Module 6B: Building an NFIP Policy Part 3 (Two-Year PRP Eligibility Extension)

Before we went to the poll, I mentioned the Two-Year PRP Eligibility Extension. It just went into effect on 1/1/11. It allows certain property owners recently affected by a map change to receive two additional years of low-cost Preferred Risk treatment. **(next slide)**

Slide 45 Module 6B: Building an NFIP Policy Part 3 (Two-Year PRP Eligibility Extension Summary)

The PRP extension is designed to address the financial burden of the NFIP's mandatory purchase requirements on policy holders that have been newly mapped into special flood hazard areas. It applies to buildings that have been newly designated into a SFHA due to a map change on or after October 1, 2008. Policy holders falling into that category are eligible for coverage under the low-cost PRP for a period of two years following either the effective date of the map change or January 1, 2011, whichever happens later. **(next slide)**

Slide 46 Module 6B: Building an NFIP Policy Part 3 (Two-Year PRP Eligibility Extension Chart)

Here's a timeline that illustrates how the extension works. Any building designated within a special flood hazard area due to a map revision on or after 10/1/08 and before 1/1/11 is eligible for the PRP for two years effective between 1/1/2011 and 12/31/2012. If the map change occurs after 1/1/2011, then the building is eligible for the PRP for two years from the effective date of the map change.

Two other things to consider here: the extension is just a temporary allowance. At the end of the two years, policies go back to be rated using standard rates per existing grandfather rules. Also, in order for a building to be eligible for the PRP extension, it must meet the PRP loss eligibility requirements we discussed in Part 1. **(next slide)**

Slide 47 Module 6B: Poll Questions

Here's another poll[Launch poll and discuss results]

Now I am going to transition the program back over to Trainer1 to discuss Module 3, The Standard Flood Insurance Policy. Trainer1? **(next slide)**

Slide 48
Now we are going to discuss Base Flood Elevations and Elevation Certificates within this module.

Slide 49 Module 7: Base Flood Elevations and Elevation Certificates
After completing this module, you'll be able to: 1)Explain how Base Flood Elevation (BFE) affects the policy's rate and 2)Describe what an Elevation Certificate (EC) is and its relevance. **(next slide)**

Slide 50 – Topic 1: Elevation Certificates

So let's go over some basics of elevations. Elevation refers to the height of a structure relative to the base flood elevation or BFE. We refer to that as the Elevation Difference. Obviously, a structure with its lowest floor above the BFE is less likely to experience flood damage. Therefore, the flood risk is lower. The lower the risk, the lower the premiums. **(next slide)**

Slide 51 – Topic 1: Elevation Certificates

Remember, we said that the base flood is a flood that has a 1% chance of being equaled or exceeded. When discussing the base flood elevation, we can say that it is the expected height of that 1% chance of flood. In other words, it is how high the water may rise according to the flood studies that the maps are based on.

However, sometimes the flood event can EXCEED that base flood elevation**. (next slide)**

Slide 52 – Topic 1: Elevation Certificates

Let's take a look at a photo that shows the impact of the base flood and elevations. If this photo represents a structure that has been flooded to a 1% flood and the height of the water represents the BFE. Then what would be considered the lowest floor of this building? When we talk about the lowest floor, we mean what is the lowest floor that would be used for rating purposes. In this particular structure, the lowest floor would be the top of the slab since it is a slab on grade structure. If this home had a basement, then the lowest floor for rating purposes would be the basement floor. **(next slide)**

Slide 53

[Launch poll and discuss results]

Slide 54

Coming off our poll question, let's talk about why an elevation certificate. When required it's an important aspect of policy rating. It documents the elevation levels of floors within the structure as well as the ground or grades around the structure. It's used to help determine the lowest floor for rating and also helps to analyze the flood risk of a particular building. **(next slide)**

Slide 55

The elevation certificate has a variety of uses. Agents use it to help determine policy rates, but it's also used by the local floodplain administrator to certify building elevations and to document community compliance with its floodplain management ordinance. At times, it is also used to support map revisions or amendments to the map. **(next slide)**

Slide 56

So who completes the elevation certificate? Here's the good news – you don't complete the elevation certificate. You just interpret it. The elevation certificate is typically completed by a licensed surveyor, architect or engineer. **(next slide)**

Slide 57

Where can you find one of these qualified professionals? There's a variety of places as shown on the slide but these days "googling" on the Internet is probably the most common. **(next slide)**

Slide 58

Before we go any further with our discussion of elevation certificates, let's talk about when you have to have one to rate a policy because you don't always need one. Let's break it down in three different ways:

1. Pre-FIRM buildings do not require elevation certificates. They are optional. If you have one that will generate a better rate on an A or V zone building than the subsidized Pre-FIRM rates will, then it can be used.
2. Non-SFHA buildings – those in B, C and X zones do not have elevation certificates. That's one reason why it's so easy to write the Preferred Risk Policy.
3. The only time you need an elevation certificate is if the building is Post-FIRM and you will be rating it in any of the A or V zones. **(next slide)**

Slide 59

Now that we know when we have to have an elevation certificate, let's take a look at it and break down its different sections. **(next slide)**

Slide 60

The elevation certificate is broken down into sections A thru G. You'll probably most often work with sections A, B and C, but we briefly look at each of the sections:

Section A is entitled Property Information…(go through each section and very briefly described its most important elements) **(next slide)**

Slide 61

The elevation certificate form also includes a series of 10 different building diagrams that surveyors use to guide them through which elevations they are to shoot for different types of buildings. For example**…(next slide)**

Slide 62

Let's take a look at one of the ten building diagrams, Diagram 1A. It represents a very common building that is found throughout the country. I wouldn't doubt that this is a common type of building practice in your area. The diagram is of a simple slab on grade structure – no crawl space, no basement or enclosure – just on a concrete slab. Diagram 1A applies to all slab on grade single and multiple floor buildings.

Notice there are also circles with numbers and letters in them – those letters and numbers apply to section C2 of the elevation certificate. They tell the surveyor which elevations to shoot. So, this particular diagram tells the surveyor to shoot the elevation of C2a (click) which is the top of the bottom floor of the building, including basement. It also tells him to shoot the elevation of C2b (click) which is the top of the next highest floor. Finally, it tells him to shoot elevations for C2 f thru h (click) which represent highest and lowest grades adjacent to the building. The surveyor takes those measurements and then posts them into section C of the elevation certificate. Those measurements along with the base flood elevation that's posted in Section B are the keys to developing the building's lowest floor and elevation difference for rating.

Looking at this particular example, where do you think you will find the lowest floor elevation for rating? Well, it's most likely going to be C2a because there is no lower floor than the slab. Of course, if we were looking at a building with a basement, then the basement floor would be the lowest floor, but again it would also be the bottom floor so its elevation would be captured in C2a as well. **(next slide)**

Slide 63

Now let's look at a different type of structure – an Elevated Building. If you were looking at the ten building diagrams this building would be a diagram 5. We see these most commonly in coastal and lakefront areas. An elevated building by definition is one that has no basement, but it does have its lowest elevated floor raised above ground level, and is elevated by such things as foundation walls, shear walls, posts, piers, pilings, or columns. These structures are built off the ground to minimize flood damage and to get the lowest floor at or above the BFE. This picture shows that the waters can flow freely underneath the building and would not cause structural damage. However, what happens if someone were to enclose the area beneath the lowest floor? **(next slide)**

Slide 64

Before we get too deep into the discussion of enclosures, let's first define an enclosure. An Enclosure is that part of an elevated building below the lowest elevated floor that is partially or fully shut in by rigid walls. Enclosures can cause additional risk to the structure and many times can increase the premium if not properly constructed to ordinance standards. **(next slide)**

Slide 65 - Flood Vents

In A zones, a full enclosure beneath an elevated structure is allowed. However, it must be vented to allow the flow of water underneath the structure. As you can see, the vents must meet certain criteria to be proper openings. First of all, the openings have to be permanent and allow the free movement of water in more than one direction without human intervention. So openings like windows, doors and garage doors do not count as flood vents.

Secondly, the openings can't be any more than a foot above grade and they have to be of a certain size. There's got to be one square inch of opening for every square foot of enclosure. And finally there must be a minimum of two openings on different sides of the enclosed area.

And one more thing: You can only use the lower enclosed portion for 3 activities: 1) Parking 2) Limited Storage and 3) Access to the building. **(next slide)**

Slide 66- Breakaway Walls

While such vented enclosures are allowed in A zone buildings, breakaway walls are the standard in V zones. Remember, V zones are affected by high velocity wave action. Imagine a wave crashing against a structure. Would vents work to allow the water to flow beneath the structure? Of course, not. So, breakaway walls provide the ability for the enclosure wall to break away from the structure. So, the wave doesn't get resistance from that enclosure. Make sense?
So, proper breakaway walls are not part of the structural support. They're intended to give way under certain lateral forces, and not intended to damage the elevated portion or the supporting foundation. **(next slide)**

Slide 67

Let's wrap this section on the elevation certificate up with a quick poll question on flood vents. [Launch poll and discuss results]

Slide 68

Okay, let's try to tie everything together in a quick rating example case study. Here in our example we have a Post-FIRM building in zone AE and we want to write $200,000 of building and $80,000 worth of contents coverage on it. It is a single family dwelling with one floor and no basement. **(next slide)**

Slide 69

Since it is a Post-Firm building in a special flood hazard area we will need an elevation certificate to determine the building's lowest floor and its elevation difference. So, let's take a look at our sample EC. It shows in Section B, field B9 that the base flood elevation at this building's site is 746.2 feet. And notice that our lowest floor appears to be C2a top of bottom floor which has an elevation of 747.5. **(next slide)**

Slide 70

When we pull those two numbers and compare them to determine our elevation difference (click) we get an elevation difference of 1.3 feet above the base flood elevation. Since our rate structure just deals with whole number elevation differences, we would round that down to 1 foot above the BFE. **(next slide)**

Slide 71

You then plug that +1 elevation difference into you carrier's rating software or go to the appropriate rating grid in the NFIP flood manual. Here we are focused in on 1-4 family rates for a one floor no basement building. The building rates, which are shown at the top are .73/.10 and the contents rates displayed at the bottom are .52/.12. **(next slide)**

Slide 72

Remember we have a two-tiered rate system so the .73 building rate applies to the first $60K of coverage and then the rate dips to .10 per hundred while the .52 contents rate is charged on the first $25k of coverage and then the rate drops to .12 for the next $55K in our example. Put that altogether… **(next slide)**

Slide 73

(click to bring in premium computation)…and the premium comes out to be $819 based on the building and contents rates and then adding in the federal policy fee and the premium for Coverage D – Increased Cost of Compliance. And that's how you incorporate information from the elevation certificate into the rating process. It's both as simple and as difficult as that. **(next slide)**

Slide 74

Now let's wrap this section up with one more poll question. [Launch poll and discuss results][Click to bring up sample EC]

Transition to Trainer 2

Slide 75 Module 8: Resources and Summary

Okay, Let's go through the last module of the session: Resources and Summary. And talk about all the resources that are available to help you when you're writing flood insurance. **(next slide)**

Slide 76 Module 8: Resources for Insurance Agents and their Clients

[Mention that participants can use the FloodSmart.gov Web site to obtain information and guidance about flood insurance or filing a claim]. **(next slide)**

Slide 77 Module 8: Resources for Insurance Agents and their Clients

[Mention that you can use the Agent.FloodSmart.gov Web site to receive information about claims, flood insurance products, and training .It also displays a marketing calendar to help coordinate your own insurance activity.] **(next slide)**

Slide 78 Module 8: Resources for Insurance Agents and their Clients

[Inform agents that they can use the flood insurance library to access tools, such as Community Rating System and the Community Status books.] **(next slide)**

Slide 79 Module 8: Resources for Insurance Agents and their Clients

[Inform participants that they can access the NFIP Flood Insurance Manual either online or by purchasing a hard copy]. **(next slide)**

Slide 80 Module 8: Resources for Insurance Agents and their Clients

[Inform participants about the stickers, stuffers, and brochures that they can use and share with their clients]. **(next slide)**

Slide 81 Module 8: Resources for Insurance Agents and their Clients

[Remind participants about the link that they can use to access the Map Service Center.] **(next slide)**

Slide 82 Training Summary

Finally, to sum up both Parts 1 and 2, we learned about Flood Insurance Essentials, Flood Insurance Policies, Flood Insurance Coverage, Loss Settlement, How to Build a Flood Insurance Policy, and the importance of Base Flood Elevations (BFE) and Elevation Certificates. **(next slide)**

Slide 83 Survey Monkey

We greatly appreciate your attendance and participation in both Parts 1 and 2. Again, like Part 1, the Survey Monkey will deploy about now for you to review and complete. Thanks again for your participation and we'll look forward to training with you again either on-line or in person. **(next slide)**

Slide 84 Module 8: Resources for Insurance Agents and their Clients

[Mention that you can access the Web sites listed on the slide to locate instructor-led training seminars for NFIP/H2O. Also mention that participants can contact the trainers by writing to them at the e-mail addresses provided on the slide.] **(next slide)**

Don't forget to deploy the final poll – it is a fill in the blank. There is no slide. It simply asks participants to tell us one thing they learned.

Question: "I learned something new about…"