Flood Insurance as a Tool of Community Resiliency
Joe Rossi, ANFI, CFM

- Degree in Architecture from Wentworth Institute of Technology
- Certified Floodplain Manager
- Associate in National Flood Insurance
- Co-Chair- National Flood Association Legislative Committee
- Board Member- IIABA Flood Insurance Task Force
- Chair- Massachusetts Coastal Coalition
- Chair- Marshfield CRS Committee
- Board member- MASSFM
- Flood Specialist- Rogers and Gray Insurance
Questions we need to answer:

• How do we make recovery better, faster, stronger?
• How does flood insurance make us resilient?
• How do they come together to better our community?

April: National Financial Capability Month

“Check your insurance coverage. Having insurance for your apartment, home or business property is the best way to be sure you will have the necessary financial resources to help you repair, rebuild or replace whatever is damaged.”

• [https://www.ready.gov/financial-preparedness](https://www.ready.gov/financial-preparedness)
• #FinancialFuture2019
Closing the Insurance Gap

Resiliency requires all levels of government and the private sector

- Help your customers understand the risk they face for all disasters, and take action to protect the life they’ve built through insurance.

- Share the importance of flood insurance through your networks and marketing channels.

- Provide clients with options to mitigate their home to bring down the cost of hazard-specific insurance.

- Together, we can double the amount of flood coverage nation-wide by 2022.
“The red dotted curve conceptualizes what could be achieved by widespread take-up of flood insurance, which increases the resilience of individuals and communities by both speeding recovery and lessening the magnitude of the shock”
Recovery

1. A return to a normal state of health, mind, or strength.
2. The action or process of regaining possession or control of something stolen or lost.
Recovery- Properly Insured

- Building is valued at $100,000

- Insurance is taken out for 80% of replacement cost

- Building receives $80,000 of damage in a flood

- Can we rebuild this building for $80,000?
Recovery- Properly Insured

- Building will cost $80,000 to repair
- Demolition will cost $20,000
- Building has to be elevated (covered under ICC)- estimated at $30,000
- Total cost: $130,000

- Building coverage will cover $80,000 of building damage
- Building coverage will cover $20,000 of demolition
- $60,000 left for reconstruction and elevation
- ICC will cover $30,000 of raising the building
- Total cost covered: $110,000
- Total cost covered to rebuild and elevate (minus demo): $90,000

Can you finance $30,000?
Recovery- Condos

The dwelling policy is the only coverage that offers assessment coverage

• Dwelling form can not be used to meet RCBAP coinsurance.

• Dwelling form will respond to assessment from a coinsurance penalty

• Each unit gets an assessment of $80,000

• The only unit with Dwelling Form building coverage is on 4th floor
Recovery- Additions & Extensions

Additions and extensions attached to and in contact with the building by the following methods may be insured under a separate policy:

- Rigid exterior wall
- Solid load-bearing interior wall
- Stairway
- Elevated walkway
- Roof
Recovery- Homeowners Policy

• Flood is NOT covered under most homeowners policies
• If a house burns down (or damaged other than a flood) and is in a high risk flood zone, it will still be required to come into compliance with the flood maps
• VERY important to have more ordinance and law coverage in these areas
• Most homeowners carriers require copy of flood coverage
Minimum Lender Requirements

• The lesser of:
  – Full amount available in the program
  – Loan amount (MA Mandatory form)
  – 100% replacement cost

ACKNOWLEDGEMENT:

I understand that my lender cannot require me to purchase flood insurance above the amount of my principal mortgage balance, or purchase coverage for the contents of my property, or require a deductible of less than $5,000. I understand that if I choose to purchase flood insurance above the limits of my principal mortgage balance, I understand that I am not the loss is above the deductible, the lender, as producer, will be responsible for any loss over that amount. I also understand that having a high deductible or failing to purchase coverage for the contents of my property could expose me to a significant loss should a flood event occur. My insurance producer has explained my flood insurance options and I understand that I am free to purchase flood insurance in an amount above the principal mortgage balance, with a lower deductible, and contents coverage.
Resiliency

1. The capacity to recover quickly from difficulties; toughness.
2. The ability of a substance or object to spring back into shape; elasticity.
**Flood City**

- Flood City has a total of 10,000 buildings
- Flood City has a total of 1764 flood policies
- The total premium in force is $2,130,979
- The total insurance in force is $446,060,800
- Flood City has a population of about 20,000 citizens
Disaster Assistance? (IA)
Average payout in Harvey: $6,000

HMGP?
Limited funding after a storm

SBA?
Up to $200,000 for primary home owners

Traditional Lending?
Traditional LTV requirements apply. 203K more flexible but still has lending restrictions

Flood Insurance
$446,060, 800 in force of insurance-guarantee to be available

Recovery and Resiliency
Federally Supported, State Managed, and Locally Executed Readiness for Target States Moving Forward

Disasters costing $41 M or less constitute **80% of declared disasters**

39,266 declared disasters- 54% did not include IA
Resiliency- Affordability

**Flood Insurance Affordability**
- 26% of policyholders inside the SFHA are low income.
- 21% of policyholders outside the SFHA are low income.
- 51% of non-policyholders in the SFHA are low income.
- 41% of non-policyholders outside the SFHA are low income.

**Annual Increases**
- Pre-FIRM second homes, Pre-FIRM businesses and Pre-FIRM SRLs increase at 25% a year
- All Pre-FIRM structures have a mandatory annual increase of at least 5%
- Rate increases do not include fees and surcharges
Resiliency- Affordability

Premium: ~$2,000

- Properly vented enclosure
- Lowest floor at BFE
- Utilities
Resiliency- Affordability

Premium: ~$400

Utilities

Properly vented enclosure

Lowest floor +3 over BFE
Basement and Enclosure Coverages

- Mechanical
- Drywall
- Electrical panel
- Clean up costs

Where are we most vulnerable

- 4.1 Million NFIP policies are single family dwellings (affordability study)
- Average flood insurance paid claim: $43,000 (FEMA)
- FEMA estimates that 90% of all RLPs were built prior to December 31, 1974 (CRS)
- What does this mean? Most vulnerable buildings are Pre-FIRM single family dwellings with small to medium size losses
Local Ordinances

Marshfield, MA

**Bump Out:** “When floodproofing an existing home on a preexisting nonconforming residential lot, one single-story thirty-two-square-foot utility addition (bump out) located on the first floor may project into the side or rear setback.”

Hull, MA

**Freeboard Incentive:** In September 2009, the Hull Board of Selectman unanimously voted to enact the state's first freeboard incentive program... to offer a credit up to $500 for permit fees to builders and homeowners who elevate new and renovated structures at least two feet above the highest federal or state requirement.
• Insurance Affordability = Better financial resiliency

• Mitigation that leads to affordability = Better financial resiliency

• Communication = Better financial resiliency

Flood Insurance = Better financial resiliency
**Flood City**

- Why worry about 1 or 2 policies being sold?
- Single family building fully insured at $250,000
- Every 4 policies sold = $1,000,000 in more coverage for the community
Implementation

Public Outreach

• Pre and Post Disaster Outreach
• 5 held statewide post disaster, 1 held pre disaster
• Hundreds reached, many policies reviewed, advise provided and followed up
KNOW FLOOD SUITE OF SERVICES

The Massachusetts Coastal Coalition's Know Flood suite of services brings flood risk information to your fingertips. These services are designed to meet the needs of realtors, lenders, policy holders and residential and commercial applications where flood information can affect everyday life.

Note: By clicking on one of our services below, you will be taken away from the MCC website and to a MCC/MassiveCert website.

"KNOW FLOOD INSURANCE" INFORMATION

Flood Insurance Service Center

Have a question about flood insurance? You've come to the right place. The MCC knows the value of understanding flood insurance. Over the years, we have fielded thousands of inquiries on questions about flood insurance and realize there is no single place for stakeholders to get simple, easy answers for flood insurance questions.

That's why the MCC is proud to present our flood insurance service center, run by MCC flood expert Art McKinney. Art will do his best to answer broad and specific flood insurance questions, or help point you in the right direction.

Simply fill out the form below, attach any helpful documents and we will get back to you during our posted hours of operation.

HOURS OF OPERATION: Tuesdays 6pm-8pm, Thursdays 7pm-9pm
Disaster Resources for Homeowners

Federal Mitigation Assistance (FMA)
The FMA program has the goal of reducing or eliminating claims under the National Flood Insurance Program (NFIP). The FMA program gives up to 100% funding for mitigation projects such as building elevation, mitigation, demolition and flood proofing. Congress approves funding each year for FMA; it is a nationally competitive program, and the community must apply for the program. The individual applies to the community. The project must be run through a benefit cost estimator to be approved, and due to competitiveness, those buildings with high losses are more likely to be approved. Contact your community to find out if they are applying for the FMA program. For more information, CLICK HERE

Hazard Mitigation Grant Program (HMGP)
A state will receive funding for mitigation projects after a Presidentially declared disaster. HMGP supports cost-effective post-disaster projects. Below is a graphic on how individuals can apply when HMGP funding becomes available:

For more information, CLICK HERE

LOAN PROGRAMS
Traditional mortgages or the HUD 203(k) loan programs are available for elevation and/or mitigation. However, traditional loan requirements apply. On a traditional loan product, the amount that can be borrowed would be up to 80% of the value of the home. This is called Loan to Value (LTV). There may be additional loan products available if this is under any kind of a grant or reimbursement program but the LTV still would need to be at 80% LTV. For more information, CLICK HERE

DISASTER ASSISTANCE
Available to everyone, with or without flood insurance, but only in AREAS COVERED IN A PRESIDENTIAL DISASTER DECLARATION. Currently, awards are limited to $32,000. Housing and Other Than Housing are two major categories of assistance:

HOUSING ASSISTANCE:
- Temporary Housing: In some cases, financial assistance is available to rent a different place to live.
- Repairs - Financial assistance to repair damages not covered by insurance. Repairs are not intended to restore property to pre-disaster condition, but to make the home safe, sanitary, secure, and functional.

OTHER THAN HOUSING NEEDS (sometimes called Individual Assistance):
- Many other forms of assistance are available based on applicant’s needs. Such as, but not limited to, medical/dental
### Implementation

#### POST-FIRM

<table>
<thead>
<tr>
<th>Zones</th>
<th>PIF</th>
<th>Premium</th>
<th>IIF</th>
<th>Closed Paid Losses</th>
<th>$ of Paid Losses</th>
<th>Adjustment in Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>A01-30 &amp; AE</td>
<td>235</td>
<td>$143,914</td>
<td>57,011,700</td>
<td>50</td>
<td>$1,039,527.78</td>
<td>$51,581.84</td>
</tr>
<tr>
<td>A Zones</td>
<td>0</td>
<td>$0</td>
<td>0</td>
<td>0</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>AO Zones</td>
<td>43</td>
<td>$31,966</td>
<td>11,522,400</td>
<td>15</td>
<td>$397,309.01</td>
<td>$18,385.03</td>
</tr>
<tr>
<td>AH Zones</td>
<td>19</td>
<td>$15,294</td>
<td>4,705,200</td>
<td>4</td>
<td>$21,065.21</td>
<td>$2,220.00</td>
</tr>
<tr>
<td>V01-30 &amp; VE</td>
<td>21</td>
<td>$75,913</td>
<td>5,294,500</td>
<td>41</td>
<td>$638,703.79</td>
<td>$38,460.30</td>
</tr>
<tr>
<td>B, C, X</td>
<td>192</td>
<td>$114,628</td>
<td>62,912,100</td>
<td>23</td>
<td>$330,929.80</td>
<td>$13,815.00</td>
</tr>
<tr>
<td>Standard</td>
<td>143</td>
<td>$93,516</td>
<td>47,408,100</td>
<td>19</td>
<td>$290,261.70</td>
<td>$10,600.00</td>
</tr>
<tr>
<td>PRP</td>
<td>49</td>
<td>$21,112</td>
<td>15,504,000</td>
<td>4</td>
<td>$40,668.10</td>
<td>$3,215.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>702</td>
<td><strong>$496,343</strong></td>
<td><strong>204,358,000</strong></td>
<td><strong>156</strong></td>
<td><strong>$2,758,465.39</strong></td>
<td><strong>$138,277.17</strong></td>
</tr>
</tbody>
</table>

Table 2-2

#### OCCUPANCY

<table>
<thead>
<tr>
<th>Occupancy</th>
<th>PIF</th>
<th>Premium</th>
<th>IIF</th>
<th>Closed Paid Losses</th>
<th>$ of Paid Losses</th>
<th>Adjustment in Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>1615</td>
<td>$1,948,775</td>
<td>409,816,600</td>
<td>1289</td>
<td>$18,849,992.86</td>
<td>$873,460.16</td>
</tr>
<tr>
<td>2-4 Family</td>
<td>59</td>
<td>$40,489</td>
<td>12,189,900</td>
<td>26</td>
<td>$587,585.56</td>
<td>$25,539.74</td>
</tr>
<tr>
<td>Other Residential</td>
<td>48</td>
<td>$30,423</td>
<td>11,190,600</td>
<td>6</td>
<td>$164,365.65</td>
<td>$4,605.00</td>
</tr>
<tr>
<td>Non Residential</td>
<td>40</td>
<td>$111,761</td>
<td>13,447,200</td>
<td>123</td>
<td>$2,883,126.06</td>
<td>$124,335.93</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1762</td>
<td><strong>$2,131,448</strong></td>
<td><strong>446,644,300</strong></td>
<td><strong>1444</strong></td>
<td><strong>$22,485,070.13</strong></td>
<td><strong>$1,027,940.83</strong></td>
</tr>
</tbody>
</table>

Table 2-3

Marshfield PPI
By making this comparison, the Committee came up with some conclusions:

- Post FIRM houses have less losses than Pre-FIRM
- Losses for B, C and X zone (not Special Flood Hazard Areas) are the zones with the third highest losses. We estimate this is because most of those houses are grandfathered and now in higher risk zones.
- About 40% of Marshfield structures are in the Special Flood Hazard Area (SFHA)
- **About 38% of our structures in the SFHA are insured**
- 50% of multi family structures are in the SFHA and 50% of those are insured
- **38% of single family structures are in the SFHA and 45% of those are insured**
- 49% of commercial structures are in SFHA and 45% of those are insured
- 41% of public buildings are in the SFHA but there is no insurance data to show coverage. The PPI/CRS Committee estimate low take up on public buildings.

*Marshfield PPI*
The PPI Committee, based on this data, came to several conclusions:

- We need to include real estate agents as a target audience. Since the chances of a new buyer requiring flood insurance in Town was 50%, getting the risk information into new buyer’s hands is critical. We hope our outcome is an increase in flood map inquiries, an increase in flood mitigation information requests, and an increase of flood policies.

- With only 15% of the Town insured, but 50% of the Town in high risk zones, we included all structures in Town into our outreaches to increase the purchase of flood insurance in the SFHA and X zones (non required areas).

- Because of how much of the Town is in high risk zones, we included the “building in compliance” message in almost all of our outreach material and builders and contractors into our target audience. We hope the outcome is reduced flood damage, an increase in structures built above the 1% flood zone, and a reduction in non-compliant activity in the floodplain.

- Due to the high number of losses compared to the number of policies, the PPI outreach projects we targeted all residents with flood insurance in order to try to reduce losses and encourage mitigation actions.

- With recent storms, we continuously find that about 40% of those that flooded were not mapped by FEMA FIRM’s.

- The lowest number of insurance policies compared to the number of structures is single family dwellings within the SFHA. Because of this, we targeted all residents of the SFHA. Our messages inform these residents to not rely on disaster assistance, and buy a flood policy which is separate from your homeowners policy.

*Note: all structure data comes from the Town of Marshfield Hazard Mitigation Plan*
Contact

Joe Rossi, ANFI, CFM

- jrossi@knowflood.org
- jrossi@rogersgray.com
- www.knowflood.org
- www.rogersgray.com
- (781) 635-5152
- Facebook: Massachusetts Coastal Coalition
- LinkedIn: Massachusetts Coastal Coalition
- Instagram: Massachusettscoastalcoalition
- Twitter: @Knowflood