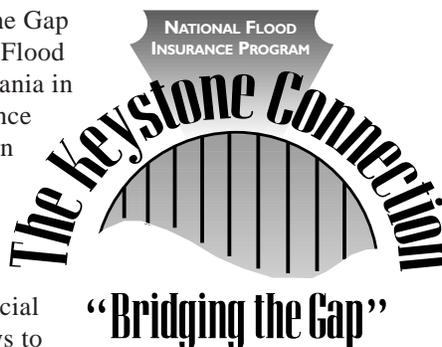


# WATERMARK

FEDERAL EMERGENCY MANAGEMENT AGENCY

## Bridging the Gap at the 1997 National Flood Conference

The Keystone Connection: Bridging the Gap was the theme for the 1997 National Flood Conference, held in Pittsburgh, Pennsylvania in May. As the theme suggests, the conference format was structured to create interaction between the various NFIP stakeholders. Community and floodplain management representatives, FEMA disaster assistance and mitigation staff, insurance agents and companies, lenders, and financial advisors all came together to discuss ways to strengthen their interaction.



The conference offered general interactive sessions followed by smaller technical and educational workshops.

There was also a special workshop for newcomers. Conference attendees had a wide variety of workshops to attend and many were repeated so they could arrange their schedule to attend nearly all of those they wanted to.

Kathy Batson, Senior Vice President, Bankers Insurance Company, hosted the conference and kept the focus by presiding over the general sessions. A number of



*Kathy Batson  
Senior Vice President,  
Bankers Insurance Company  
Host of the 1997 Conference*

keynote speakers addressed the conference including James L. Witt, Director of the Federal Emergency Management Agency and special guest Glenn Pomeroy, Commissioner, North Dakota Department of Insurance. Chuck Noll, former Pittsburgh Steelers coach and pro-football Hall of Famer, wrapped up the conference at the closing luncheon with some insight on teambuilding.

*(continued on page 8)*

## New Coverage Helps Bring Flood Damaged Buildings into Compliance

When a home or business is damaged by a flood, the owners may be required to meet certain building requirements to reduce future flood damage before the building is repaired or rebuilt. To help cover the costs of meeting those requirements, Congress mandated a new coverage that the National Flood Insurance Program (NFIP) has recently implemented. This coverage, called Increased Cost of Compliance (ICC), is written as an endorsement to the Standard Flood Insurance Policy, and applies to all new and renewed flood insurance policies effective on or after June 1, 1997.

To help explain this new coverage, FEMA is working with insurance companies and agents, as well as community officials across the country. We are also preparing a brochure that you can use to help explain the basics of this coverage to your flood insurance policyholders. Details about this new coverage are below.

### Is ICC Coverage Optional?

ICC coverage is mandatory except for contents-only policies and policies on individually-owned condominium units. This coverage becomes Coverage D of the three flood policies: Dwelling (including the Preferred Risk Policy), General Property, and Residential Condominium Building Association Policy (RCBAP). It is written as an endorsement to these contracts. It cannot be removed from those contracts, nor can it be endorsed onto existing policies.

*(continued on page 10)*

### IN THIS ISSUE

ARTICLES	Page
Bridging The Gap at the 1997 National Flood Conference . . . . .	1
Help Your Clients Understand the Benefits of Flood Insurance . . . . .	9
Mandatory Purchase Guidelines . . . . .	6
New Coverage Helps Bring Flood Damaged Buildings into Compliance . . .	1
NFIP Policy Issuance 4-97 . . . . .	4
NFIP Policy Issuance 5-97 . . . . .	5
Recent Rate and Rule Changes . . . . .	4
Revised and New Publications . . . . .	7
Save Money When You Advertise That You Sell Flood Insurance . . . . .	2
You Can Play A Part in the 1997 World Disaster Reduction Day . . . . .	3
<b>DEPARTMENTS</b>	
Benchmarks . . . . .	17
Coast to Coast . . . . .	12
Confluence . . . . .	16
Just Around the Bend . . . . .	18
Lender News . . . . .	13
Major Floods and Field Notes . . . . .	20
Message From the Executive Administrator . . . . .	2
On High Ground . . . . .	14
Perspectives . . . . .	15
WYO News . . . . .	18

## Message From the Executive Administrator



Dear *Watermark* Reader,

Agents who consistently discuss flood risk as part of their client's over-all risk picture are providing a high level of professional risk management. Increasingly, it is apparent that flood risk is more universal than a line on a map. Between 25 and 30 percent of the claims NFIP pays go to policyholders who live on sites that are not in SFHAs. This means agents have to go through a careful calculation in weighing their recommendations to clients—especially where the risk may, on the surface, appear to be marginal.

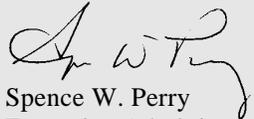
There are two elements to the equation—risk and loss. The question of risk is, to some degree, quantified by the flood map. However, the risk is only quantified—NOT eliminated by a fall on the dry side of the line.

Changes in a client's situation—new development in the area, changes in road elevations or drainage plans can create hidden risks not reflected on the map. And even the best up-to-date map reflects only probability (100- or 500-year) of a flood event, not the exclusion of all flood possibility.

In addition to risk, the size and impact of potential loss must also be given careful thought by both agent and client. Flood losses tend to be large financial blows. They are so big that they tend to adversely affect family life plans. Kids don't go to college, retirements are deferred, hard-built businesses disappear, and bankruptcy beckons. A family needs to ask if it can tolerate any risk of a \$25,000, \$50,000, \$100,000 uninsured loss. Most cannot.

The trend is to look at flood as part of the total package of a client's risk management tools. Professional standards will, I think, come to fully embrace this view in the very near term. Given the near universality of risk and the financial and emotional impact of flood loss, this is to be expected, and cutting edge agents are already moving to embrace this view.

Sincerely,



Spence W. Perry  
Executive Administrator

## Save Money When You Advertise That You Sell Flood Insurance

The NFIP Co-op Advertising Program is halfway through its second year, and hundreds of insurance agents are saving 50 percent of their media costs when they advertise in print that they sell flood insurance. Now ask yourself, are you taking full advantage of this offer? If not, you should be!

First, consider that the on-going Cover America campaign has considerably heightened consumer aware-

ness of the need for flood insurance. At a time when more homeowners and small business proprietors in your community are actively seeking out flood coverage, you should be advertising that you sell this coverage and that prospective purchasers should be dialing your number.

Second, consider the cost of advertising in local newspapers, magazines, or Yellow Pages. Whether you run three ads or 30, at \$50, \$500, or \$5,000, your cost will be cut in half when you sign up with the NFIP co-op advertising program and run qualified flood insurance print ads. There's no catch! That's because our mission is to encourage insurance agents like you to run more flood insurance ads.

Participation in the program is easy! Here are some pointers for you.

- Call or fax an NFIP co-op manager for information and materials: phone, 1-800-564-8236; fax, (212) 727-5719.
- Complete the one-page, one-sided Advertising Approval Application.
- Choose from a variety of new flood insurance ad slicks. You can better target your audience by using one of the following ad slicks: hurricane, low-risk, homeowners, or small business. There is also a Yellow Pages version, as well as Spanish and Chinese translations of some of the ad slicks.

(continued on page 19)

# You Can Play a Part in the 1997 World Disaster Reduction Day

Since 1990, October 8 has been recognized as World Disaster Reduction Day. Here in the United States, we have typically referred to this day as Natural Disaster Awareness Day. But this year, a Federal interagency group has adopted the same title for the designated day as the United Nations' International Decade for Natural Disaster Reduction and we have adopted their theme for 1997, which is "Water: Too much – too little – Leading Cause of Natural Disasters." Being in the flood business, who could ask for a better theme?

A number of Federal agencies and national organizations are working together to recognize this day. We are planning a national strategy which will involve reaching out to national media to target home and business owners, as well as a more localized strategy. For the local strategy, we will prepare a generic package of information and materials. Then, each Federal agency will tailor that basic package to include information designed specifically for their constituents and mail it to them with a "How to Use This Kit" fact sheet.

You can play a big role in helping spread the word about water-related disasters, especially floods, and what people can do to protect themselves from these disasters. One of the most obvious things you can do is make sure all your customers know about flood insurance. You could really cash in on the national attention from all of the floods that have occurred this year, and the national attention for World Disaster Reduction Day. But, you can do a lot more. Here are some ideas that you can start working on now so you're ready on October 8.

## Target Your Current Customers

- Mail a brochure, stuffer, or flyer about flood insurance to all your customers who don't have flood insurance and let them know that it's a good idea to have this coverage. Follow it up with a phone call.
- Send a "Disaster Preparedness Quiz" to your customers and give a prize to the person who mails back the most correct answers.
- Send information about preparing for floods, such as an emergency checklist.
- Take advantage of recent floods, and floods that have occurred in your area to bring home the message that floods happen everywhere, and that with floods, you can never say never.
- Make sure your flood insurance policyholders renew their policies, especially in October.

## Partnerships with Local Organizations

- Partner with a local hardware or home improvement store to develop a "Flood Policy Drive." Have a display with NFIP materials (brochures, posters, etc.) and a sign-in desk for additional materials and information. The local store can provide a display of materials the consumer should have on hand in preparation for any disaster/flood. This can be promoted through publicity in local newspapers, radio and TV.
- Work with your community and local businesses to sponsor a flood awareness day.
- Contact local business, trade, church, and school organizations (e.g. Kiwanis, Parent/Teachers Association, 4-H, Chambers of Commerce) and offer a talk about flood preparedness, using information from the FEMA Fax (202-646-FEMA) or FEMA's world wide web site ([www.fema.gov](http://www.fema.gov)) as speaking points.

## Use the Media

- If you advertise on local radio, leverage your advertising dollars by working with the station for "Disaster Day" promotions, such as a one-day "Disaster Hotline." Request that the station set-up a listener call-in number, which is promoted on air by DJs prior to Disaster Day. Listeners are invited to call the hotline for more information about preparedness, risk-levels and insurance protection, which you provide.
- Contact local newspaper editors to suggest stories about Disaster Day and to talk about the level of risk to their communities.
- Send a letter to the feature editor of your daily newspaper offering to provide background information about programs that can help the citizens of your community protect themselves against financial ruin from a natural disaster, e.g., flood insurance.
- Prepare a "Disaster Preparedness Quiz" that can be offered to your local newspapers to stimulate awareness of preparedness.
- Sponsor a radio contest that quizzes listeners about disaster preparedness. Offer a prize to the listener with the most correct answers.
- Create a special "Disaster Day" ad, focusing on flood insurance.
- Work with the NFIP co-op advertising program to share the costs of a flood insurance ad that would run on October 8.

Remember that people see you as their experts about flood insurance. People look to you for the most reliable information, so if you let people know that one of the best ways they can protect themselves from floods is with flood insurance, *people will listen!* Take advantage of the 1997 World Disaster Reduction Day – start preparing today! 

## Recent Rate and Rule Changes

A significant change has recently been made to the Standard Flood Insurance Policy, with the addition of the new Increased Cost of Compliance (ICC) coverage. This new coverage will be included in all new and renewed flood insurance policies issued or renewed on or after June 1, 1997. For details about ICC coverage, see the article on page 1. Additional changes made in May and June are listed below, as well as changes that will be effective October 1, 1997.

### May 1, 1997 Changes

As of May 1, 1997, the NFIP Flood Insurance Manual changes below went into effect.

- Revised rate tables, except the Preferred Risk Policy (PRP).
- The \$3,000 deductible has been eliminated from the 1981 Post-FIRM V1-V-30, and VE Zone Rate Table.
- Rates for buildings with enclosures have been separated from the rates for buildings with basements on residential and non-residential Pre-FIRM buildings insured under the Dwelling and General Property policies.
- Additional building drawing examples were added for elevated and non-elevated buildings.
- Community Rating System (CRS) classifications were changed as appropriate.

### June 1, 1997 Changes

Below are NFIP Flood Insurance Manual changes that were effective June 1, 1997.

- Preferred Risk Policy premiums increase, which includes the ICC premium.
- New Standard Flood Insurance Policy ICC Premium Table for \$15,000 coverage, includes Mortgage Portfolio Protection Program.

*continued on page 22*

## National Flood Insurance Program Policy Issuance 4-97

**Subject:** Conversion of Coverage for Residential Timeshare Condominiums to the Residential Condominium Building Association Policy (RCBAP)

**Background:** Policy Issuance 6-96, issued on August 7, 1996, clarified the coverage provided by the NFIP for timeshare buildings. It was determined that timeshare buildings in the condominium form of ownership where at least 75% of the area of the building is used for residential purposes are residential condominium buildings and thus are eligible for coverage under the RCBAP.

A question has arisen as to whether all residential timeshare condominiums insured under the General Property Policy must now be insured under the RCBAP.

**Policy Statement:** This is to clarify that residential timeshare buildings in the condominium form of ownership must be insured under the RCBAP. Residential timeshare condominiums, with NFIP coverage in effect under the General Property Policy on the date of this issuance, must convert to coverage under the RCBAP by the end of the current policy year or December 31, 1997, whichever is later. Residential timeshare condominiums with coverage newly written under the General Property Policy after the date of this issuance and before January 1, 1998, have until December 31, 1997 to convert to coverage under the RCBAP. Residential timeshare condominiums with coverage newly written after December 31, 1997, must be written under the RCBAP.

If a loss occurs to a residential timeshare condominium building insured under a General Property Policy (i.e., not yet converted to a RCBAP) before the required conversion date, it will be adjusted based on the policy as written. This means the claim payment will be made based on the limits of coverage written and subject to all provisions of the General Property Policy.

If a flood loss occurs to a residential timeshare condominium building after the required conversion date and it is still insured under the General Property Policy, the policy will be reformed to a RCBAP with the amount of coverage purchased under the General Property Policy. If additional premium is due, the reformation provisions of the policy will apply and the insured will have thirty days from the date of notice of the additional premium due to submit the premium. If the premium is not received within the thirty-day period, coverage will be reduced to the amount that the premium already paid for the General Property Policy will buy at RCBAP rates. There will be no right to increase the amount of coverage above the amount purchased under the General Property Policy to cover the loss. All the provisions of the RCBAP will apply including the co-insurance provision.

### Examples:

- (1) One-year policy term effective May 1, 1997 to May 1, 1998; the policy must be converted to a RCBAP no later than May 1, 1998.
- (2) One-year policy term effective October 1, 1997 to October 1, 1998; the policy must be converted to a RCBAP no later than December 31, 1997.
- (3) Three-year policy term effective May 1, 1996 through May 1, 1999; policy must be converted to a RCBAP prior to the end of the current policy year of May 1, 1997 to May 1, 1998.
- (4) Three-year policy term effective October 1, 1996 through October 1, 1999; policy must be converted to a RCBAP no later than December 31, 1997. **IV**

# National Flood Insurance Program Policy Issuance 5-97

**Subject:** Residential Condominiums Occupied as Hotels or Motels or Rented on a Short-term Basis

**Background:** A May 1997 revision in the Flood Insurance Manual on page CONDO 6 was intended to clarify that the rule in the General Rules Section that hotels and motels were considered as non-residential also applied to condominiums. Since this clarification appeared, we have been contacted by a number of WYO Companies and agents who expressed concern that this issue was widely misunderstood. They advised that there was little practical difference between a condominium being run as a hotel or motel, and one where a number of units were being rented out during weeks when the owners were not using them. It was requested that this issue be reviewed to see if there was a more equitable determination that could be made under the NFIP rules.

In reviewing this issue, we referred to the understanding that we reached with Congress that allowed the NFIP to offer full single family dwelling limits on each condominium dwelling unit, which subsequently resulted in the creation of the Residential Condominium Building Association Policy (RCBAP). This understanding was based on a condominium dwelling unit being treated the same as a single family dwelling. Since a detached single family dwelling is written using the Dwelling Policy regardless of the rental status, a condominium building containing dwelling units should not have its eligibility for the RCBAP affected by the rental status.

**Policy Statement:** A building in the condominium form of ownership with at least 75% of its floor area consisting of dwelling units, which may be rented on a long- or short-term basis, is a residential condominium building and therefore is to be written using the RCBAP.

Residential condominium buildings that are currently being insured on the General Property Policy because their units are being used as a hotel or motel or are being rented on a short-term basis must now be insured on the RCBAP. WYO companies and agents have until December 31, 1997 or the end of the policy term in effect on the date of this Policy Issuance, whichever is later, to rewrite the policy under the RCBAP. If a loss occurs to a residential condominium building before the required conversion date, it will be adjusted under the terms of the General Property Policy with no right of reformation to a RCBAP.

If a flood loss occurs to a residential condominium building after the required conversion date and it is still insured under the General Property Policy, the policy will be reformed to a RCBAP with the amount of coverage purchased under the General Property Policy. If additional premium is due, the reformation provisions of the policy will apply and the insured will have thirty days from the date of notice of the additional premium due to submit the premium. If the premium is not received within the thirty-day period, coverage will be reduced to the amount that the premium already paid for the General Property Policy will buy at RCBAP rates. There will be no right to increase the amount of coverage above the amount purchased under the General Property Policy to cover the loss. All the provisions of the RCBAP will apply including the co-insurance provision.

## Examples:

- (1) One-year policy term effective May 1, 1997 to May 1, 1998; the policy must be converted to a RCBAP no later than May 1, 1998.
- (2) One-year policy term effective October 1, 1997 to October 1, 1998; the policy must be converted to a RCBAP no later than December 31, 1997.
- (3) Three-year policy term effective May 1, 1996 through May 1, 1999; policy must be converted to a RCBAP prior to the end of the current policy year of May 1, 1997 to May 1, 1998.
- (4) Three-year policy term effective October 1, 1996 through October 1, 1999; policy must be converted to a RCBAP no later than December 31, 1997. ☑

The following acronyms are used throughout *Watermark*.

**CRS** Community Rating System

**FEMA** Federal Emergency Management Agency

**FIA** Federal Insurance Administration

**FIRM** Flood Insurance Rate Map

**ICC** Increased Cost of Compliance

**NFIP** National Flood Insurance Program

**PRP** Preferred Risk Policy

**RCBAP** Residential Condominium Building Association Policy

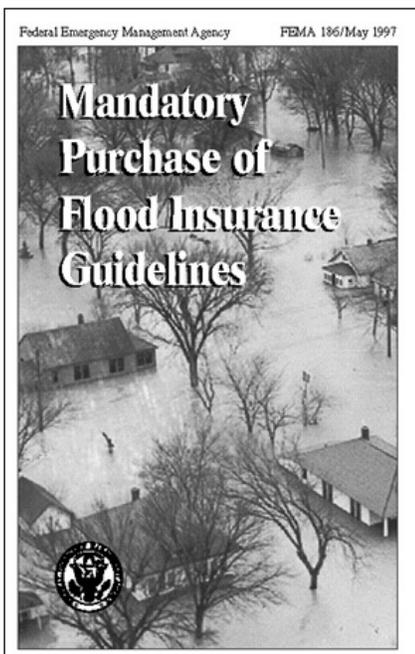
**SFHA** Special Flood Hazard Area

**WYO** Write Your Own

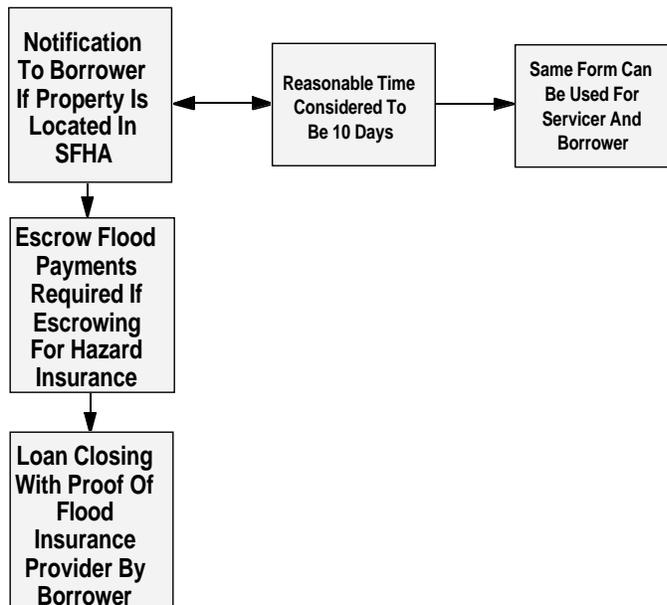
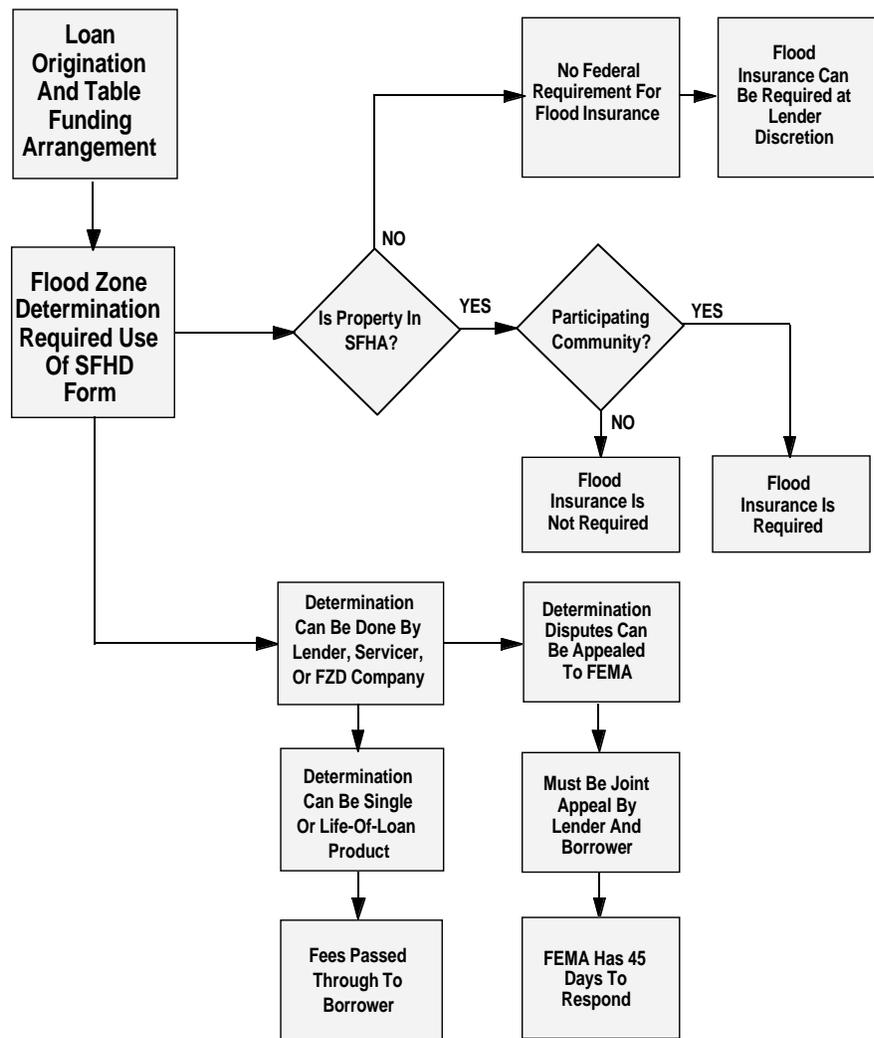
# Get Your Copy of the New Mandatory Purchase Guidelines

The booklet titled Mandatory Purchase of Flood Insurance Guidelines has been updated to reflect changes in lenders' flood insurance requirements made by the National Flood Insurance Reform Act of 1994. The latest version includes information from the regulations written and enforced by the six Federal lending regulatory agencies: Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Thrift Supervision, Farm Credit Administration, and National Credit Union Administration.

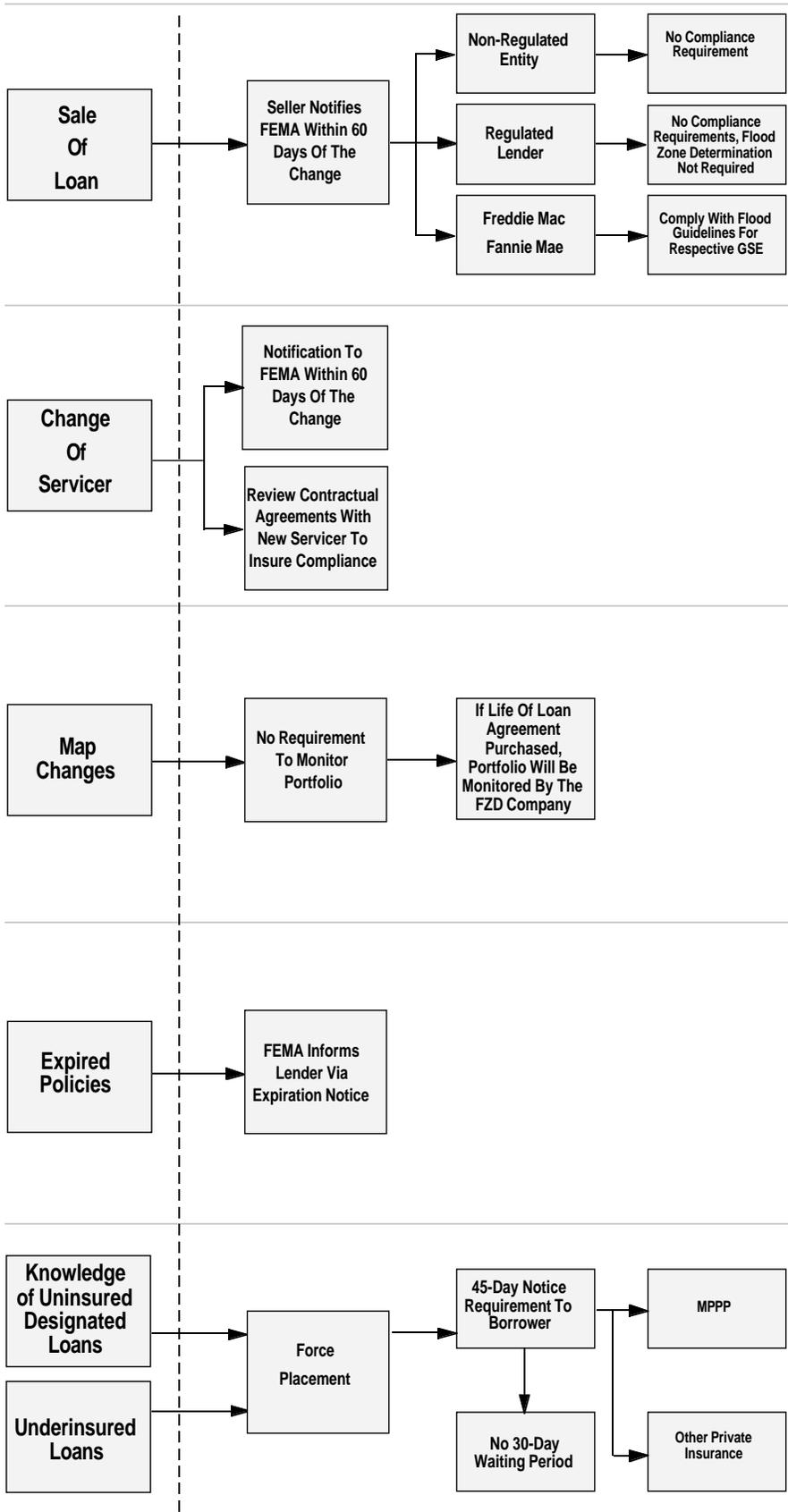
While the booklet is longer than its predecessor, it contains a great deal of useful information. For instance, there is a chart that shows how the mandatory purchase requirement of flood insurance would kick in at loan origination. Another chart shows the trigger points for requiring flood insurance during the life of the loan. These charts are included here.



## MANDATORY PURCHASE AT LOAN ORIGINATION



## TRIGGER POINTS DURING LIFE OF LOAN



While the mandatory purchase requirement applies only to structures located in Special Flood Hazard Areas (SFHAs) of participating NFIP communities, flood insurance is available in all areas of participating communities except in areas protected by the Coastal Barrier Resources Act. Further, lenders have discretionary authority to require flood insurance for buildings outside SFHAs. This is especially important because, historically, between 25 and 30 percent of all NFIP claims paid are located outside SFHAs.

For your copy, write to the FEMA Map Service Center at 6730 A-G Santa Barbara Court, Baltimore, Maryland 21227-5832, and request document number 000083. You can also access the latest version through the World Wide Web at <http://www.fema.gov/nfip/mandpuri.htm> 

## Revised and New Publications

Recent changes in the NFIP have prompted us to update several of our public awareness materials. One such brochure is the *Resources for Lenders, Servicers and Examiners*, publication number 000141 (8/97), which list resources, services, publications, and other materials to lenders and Loan Servicers helping them comply with the National Flood Insurance Act (42 U.S.C. 4001 et seq.)

We have also produced five new brochures which will help promote and sell flood insurance. These brochures are:

- *Coping With a Flood - Before, During and After* . . . . . 000206 (4/79)
- *Who Is At Risk for Flooding?* . . . . . 000207 (4/97)
- *Things You Should Know About Flood Insurance* . . . . . 000208 (4/97)
- *Flood: Are You Protected From the Next Disaster* . . . . . 000209 (4/97)
- *Tips On Handling Your Flood Insurance Claim* . . . . . 000210 (4/97)



## Bridging The Gap at the 1997 National Flood Conference

*continued from page 1*

One of the highlights of the conference was the awards ceremony, where FIA recognizes its partners for their outstanding contributions and support of the NFIP.

There are three different categories for which FIA presents awards: Agency of the Year, Administrators Club, and Public Awareness Materials Contest. Additionally, the National Flood Conference Planning Committee presents the Donald L. Collins Partnership Award. Winners are listed below.



*James L. Witt  
Director, Federal Emergency  
Management Agency*



*Glenn Pomeroy  
Commissioner, North Dakota  
Department of Insurance*



*Chuck Noll  
Former Pittsburgh  
Steelers Coach*

### Agency of the Year

Three insurance agencies are selected each year to receive this award. All agency nominations are reviewed by a selection committee made up of insurance industry representatives. The top three are selected based on achieving superior policy growth, implementing innovative marketing strategies, increasing flood awareness, and adhering to NFIP underwriting guidelines.

The agencies selected for their efforts in 1996 are:

**Edward F. Cook Agency of East Hampton, New York**

**G. Anderson Agency of Haven Beach, New Jersey**

**Oswald Trippe and Company of Ft. Myers, Florida.**

See "Benchmarks" on page 17 for a profile on each of these companies.

### Public Awareness Materials Contest

This year, conference attendees had 61 entries to review for the Public Awareness Materials Contest. WYO companies and other NFIP stakeholders were asked to submit entries for any of the 10 different categories of flood insurance public awareness materials. All entries were displayed in the exhibit hall where conference attendees were able to view them and vote for their favorite in each category. The winners are listed below by category.

<b>Brochure</b>	<b>USAA</b>
<b>Envelope</b>	<b>Union American</b>
<b>Mailing Insert/Stuffer</b>	<b>NCSI</b>
<b>Kit</b>	<b>Omaha Property &amp; Casualty</b>
<b>Poster</b>	<b>Bankers Insurance Group - FCIC</b>
<b>Print Ad or Video</b>	<b>USAA</b>
<b>Spanish Item</b>	<b>Integrand Insurance Company</b>
<b>Specialty Item</b>	<b>Bankers Insurance Group - FCIC</b>
<b>Training Material</b>	<b>NCSI</b>
<b>Newsletter</b>	<b>NCSI</b>

### Administrator's Club

The Administrator's Club award is given to WYO companies that have achieved superior flood insurance growth. For the growth goals, all WYO companies are ranked by their size and placed in one of five categories. Companies with the highest growth percentage within their respective category qualify for the Administrator's Club. The company with the highest overall percentage growth with more than 2,000 new contracts over Arrangement Year 1996 is awarded the Administrator's Club trophy.

Winners of the 1996 Arrangement Year Administrator's Club are listed below.

#### COMPANIES WITH MORE THAN 75,000 CONTRACTS

##### **Nationwide Mutual Fire Insurance Company**

with an 11.83 percent growth  
and 9,691 new contracts.

#### COMPANIES WITH 15,000 - 75,000 CONTRACTS

##### **Southern Farm Bureau Casualty Insurance Company**

with an 11.98 percent growth  
and 3,589 new contracts.

#### COMPANIES WITH 5,000 - 15,000 CONTRACTS

##### **Redland Insurance**

with 14.99 percent growth  
and 1,628 new contracts.

#### COMPANIES WITH 1,000 - 5,000 CONTRACTS

##### **Union American Insurance Company**

with 47.97 percent growth  
and 1,629 new contracts.

#### COMPANIES WITH UNDER 1,000 CONTRACTS

##### **First Community Insurance Company**

with 247.85 percent growth  
and 3,617 new contracts.

#### COMPANIES NEW TO THE NFIP

##### **Hartford Underwriters Insurance Company**

with 1,847.83 percent growth  
and 3,400 new contracts.



Administrator's Club Award acceptees (l to r) Larry Palmer, Redland Insurance; Diane Felder, Nationwide Mutual Fire Ins. Co.; Mickey Nugent, Southern Farm Bureau Casualty Ins. Co.; Theresa Jones, Hartford Underwriters Ins. Co.; Kathy Batson accepting for First Community Ins. Co.; and Reinaldo Amador, Union American Ins. Co.

Hartford Underwriters Insurance Company, because of their exceptional performance, was awarded the Administrator's Club trophy.

### Donald L. Collins Partnership Award

This award was created by the National Flood Conference Planning Committee in honor of the late Donald L. Collins who was dedicated to

creating and maintaining a working relationship between industry partners and the NFIP. Each year, the committee selects an NFIP partner to receive this prestigious award. This year, the committee selected **Robert Ross, Jr.** for the Donald L. Collins Partnership Award.

Mr. Ross has been in the insurance business for 50 years and served as an adjuster, special agent, and agency Vice President and President. For the last 20 years he has been actively involved in agent education and training at the association level. He has served on the Flood Insurance Producers National Committee, often as the chair, and is a member of the



Robert Ross, Jr.  
Recipient of Donald L. Collins Partnership Award.

WYO Marketing Committee as well as the Insurance Institute for Property Loss Reduction's Flood Committee. If you have not met him, you may recognize his name from the many articles he has contributed to *Watermark*. He is truly dedicated to helping improve the NFIP and making sure more agents understand the product and that more people have this important protection. He is a wonderful friend to all of us, and a valuable partner to the NFIP.

FIA takes great pride in being able to recognize each of the winners for their contribution to the NFIP. Congratulations to all of you.

The 1998 National Flood Conference will be held in Atlanta, Ga. at the Renaissance Waverly Hotel from May, 31 - June 4, 1998. Start making your plans now to attend. It's a great way to meet other people involved with the NFIP and to get the latest information about the program. 

## Help Your Clients Understand the Benefits

Agents often say that one of the reasons that people don't buy flood insurance is because they think disaster assistance will be available. However, this assistance is often in the form of a loan that the flood victim must repay, and, Federal assistance is only available if the President declares a disaster. So, to help you make sure people understand the facts about disaster assistance and why flood insurance is the best way to recover from a flood, we have produced a new fact sheet: *Here's What To Tell Your Clients About The Benefits Of Flood Insurance*. Shown here is a small version of the fact sheet, which will be on 8-1/2 x 11 inch paper. You can start using this information today. Just cut this out and use it as a reference.

This information will also be printed in stuffer size, 3-5/6 x 8-1/2 inches, to make it easy for you to include in mailings to your clients. To order the fact sheet or the stuffer, call the FEMA Map Service Center at 1-800-358-9616. Request document number 000217 for the fact sheet or document number 000216 for the stuffer. 

### HERE'S WHAT TO TELL YOUR CLIENTS ABOUT THE BENEFITS OF FLOOD INSURANCE

#### FLOOD INSURANCE

- You are in control. Flood insurance claims are paid even if a disaster is not declared by the President.
- Between 25 and 30 percent of all claims paid by the NFIP are outside the SFHA's.
- There is no payback requirement.
- Flood insurance policies are continuous, and are not non-renewed or cancelled for repeat losses.
- Flood insurance reimburses you for all covered losses up to \$250,000 for homeowners and \$500,000 for businesses.
- The average cost of a one-year flood policy is \$316 annually, or less than one dollar per day.
- The cost of a \$50,000 flood policy is \$166 annually, depending on where you live, or less than 50 cents per day.

#### DISASTER ASSISTANCE

- Most forms of Federal Disaster Assistance require a Presidential declaration.
- Federal disaster assistance declarations are awarded in less than 50% of flooding incidents.
- The most typical form of disaster assistance is a loan that must be repaid with interest.
- The duration of a Small Business Administration (SBA) disaster home loan is 18.5 years.
- The average Individual and Family Grant payment is less than \$2,500.
- The average loan payment on an SBA disaster home loan is \$140 a month or \$1,680 annually.
- Repayment on a \$50,000 SBA disaster home loan is \$320 a month or \$3,840 annually.



"We can't replace your memories, but we can help you build new ones."



For additional information contact us at: 1-888-Call Flood x304 • TDD#1-800-427-5593 • <http://www.fema.gov>

## New Coverage Helps Bring Flood Damaged Buildings into Compliance

continued from page 1

### How Much Coverage is Available?

Flood insurance policyholders in special flood hazard areas can get up to \$15,000 to help pay the costs to bring their home or business into compliance with their community's floodplain ordinance.

This \$15,000 of coverage is included in addition to the building policy limits for direct, physical damage from flood. However, the most one could get in a claim for *combined* physical damage for the building coverage and ICC is the statutory limits.

### How Much Will It Cost?

ICC coverage will increase flood insurance premiums on all policies from \$4 to \$75. It is based on the likelihood of loss payments for each risk zone. Rate tables for ICC coverage have already been established and distributed in the June 1, 1997 Flood Insurance Manual revisions.

### Do All Policyholders Pay for ICC?

All flood insurance policyholders do pay for the coverage, yet only those in special flood hazard areas (zones A and V) can file and receive payment for an ICC claim. However, when a map is revised showing new SFHAs and/or increases in the base flood elevation, some buildings previously in B, C, X, or D zones may be changed to a zone A or V. In these cases, since they have ICC coverage, an ICC claim could be filed to elevate or floodproof flood-damaged structures to these preliminary or advisory base flood elevations, provided the community has adopted and is

enforcing these base flood elevations.

### What Options are Covered?

There are four options flood insurance policyholders can take to comply with the community's floodplain management ordinance and help reduce future flood damage.

1. Elevation. This raises the home or business above the flood elevation level adopted by your community.
2. Relocation. This moves the home or business out of harm's way.
3. Demolition. This tears down and removes flood damaged buildings.
4. Floodproofing. This option is only available for non-residential buildings, and residential buildings in certain communities certified by FEMA (see page CERT 3 in the *Flood Insurance Manual*). It involves making a building watertight through a combination of adjustments or additions of features to the building that reduces the potential for flood damage.

### Who Determines Which Option to Implement?

The property owner makes the decision about which of the four options to take. It is important that the property owner consult with community building officials to discuss the floodplain management requirements and any other community and/or State land use regulations that may apply. These requirements could affect which measure is selected.

### When Can an ICC Claim be Filed?

ICC claims can be filed in two instances:

1. If the community determines that the policyholder's home or business is damaged to the point that repairs will cost 50 percent or more of the building's market value. This is called substantial damage.
2. If the community determines that the policyholder's home or business has been damaged by a flood two times in the past 10 years where the cost of repairing the flood damage, on the average, equaled or exceeded 25 percent of its market value at the time of each flood. This is called repetitive damage or loss. Additionally, there must have been flood insurance claim payments for each of the two flood losses.

It is important to note that the repetitive loss and substantial damage features require that the state or community have a provision in its floodplain management law or ordinance being enforced against the structure.

ICC coverage is only for flood-related damages. It is not available on other hazards, such as wind, fire, or earthquake damages.

### How is an ICC Claim Filed?

ICC claims are adjusted separately from the claims filed under the Standard Flood Insurance Policy. Policyholders can only file an ICC claim if their community determines that the insured home or business has been substantially damaged or repetitively damaged by a flood. This determination is made when the policyholder applies for a building permit to begin

repairing the flood damaged home or business.

If the community does determine that the home or business is substantially or repetitively damaged, they will explain the floodplain management ordinance provisions that have to be met.

Once the community has made this determination, the policyholder must contact the insurance company or agent who wrote the flood policy to file an ICC claim. The insurer will assign a claim representative to process the ICC claim.

At this point, policyholders can get the permit from the community. They should also begin to get estimates from contractors to make the necessary steps to elevate, relocate, floodproof, or demolish their flood damaged home or business.

### **How Are ICC Claims Payments Handled?**

After the claims representative forwards a proposed ICC Proof of Loss to the policyholder, that policyholder may be able to receive a partial payment if the claims representative has a copy of the signed contract for the work, a permit from the county to do the work, and a return of the signed ICC Proof of Loss. If the work is not completed, the policyholder must return any partial payment to the insurer.

Once the work is completed, local officials will inspect and issue a certificate of occupancy or a confirmation letter. Once the policyholder submits this to the claims representative, the insurer will pay the final installment or full payment.

ICC claims will only be paid on flood-damaged homes and businesses, and can only be used to pay for costs of meeting the floodplain management ordinance in the community.

### **What is NOT Covered by ICC?**

Under Coverage D (Increased Cost of Compliance), the NFIP will not pay for the items below.

- Buildings in the Emergency Program.
- Pollution costs
- Loss in value due to any ordinance or law
- Loss in the residual value of the undamaged portion of a building demolished as a consequence of enforcement of any State or local floodplain management law or ordinance.
- Any damages under coverage D:
  - (a) Until the covered building is actually elevated, floodproofed, demolished or relocated on the same or to another premises; and
  - (b) Unless the covered building is elevated, floodproofed, demolished, or relocated as soon as reasonably possible after the loss, not to exceed two years.
- Any code upgrade requirements that are not specifically related to the State or local floodplain management law or ordinance, such as plumbing or electrical wiring.
- Any compliance activities needed to bring additions or improvements made after the loss occurred into compliance with State or local floodplain management laws or ordinances.
- Loss due to any ordinance or law that the insured was required to comply with before the current loss.

- Any rebuilding activity to standards that do not meet the NFIP’s minimum requirements.
- Any structure insured under a Group Flood Insurance Policy (available only to certain disaster assistance grantees)
- Appurtenant structures
- Assessments made by a condominium association on unit owners

### **What Else Should I Know about ICC Coverage?**

ICC coverage will not be included in the calculation to determine any of the 80 percent insurance-to-value requirement for the items below.

- Replacement cost coverage in the Dwelling policy
- The co-insurance requirement in the RCBAP
- Payment for loss from land subsidence, sewer backup, or seepage of water

This ICC coverage is NOT the same as the traditional ordinance or law coverage with which insurance agents are familiar in private insurance company contracts because (1) it involves “repetitive loss structures,” (2) it covers increased cost of compliance brought on by a flood loss and the compliance requirement applies to flood-damaged structures (no other perils are covered); and; (3) it is limited to \$15,000.

---

For more information about ICC, consult the June 1, 1997 Flood Insurance Manual revisions. Insurance agents may also call their WYO company for assistance. 

# COAST TO COAST

## Forms Changed to Include ICC Coverage

With the June 1, 1997 change to include the new ICC coverage, came changes to the forms. The forms changed include the Flood Insurance Application, General Change Endorsement, Preferred Risk Policy Application, and the Cancellation/Nullification Form. Copies of these forms are in the May 1 and June 1 revisions to the Flood Insurance Manual. Additional copies of these forms are available through the FEMA Map Service Center by calling 1-800-358-9616.

## Flood Insurance Summit Meeting Scheduled for Grand Forks, North Dakota

The devastating floods in the Red River Valley in April, 1997 caused hundreds of millions of dollars in damage to citizens in North Dakota, South Dakota, and Minnesota. Prior to the flood, numerous public and private organizations and individuals encouraged homeowners, renters and business owners to purchase federally backed flood insurance. While many people responded to this advice and bought flood insurance, the majority of flood victims were uninsured when the floods hit.

To better understand and analyze the Red River Valley experience, determine its relationship to communities across the nation, and recommend improvements to the flood insurance delivery process nationwide, the North Dakota Insurance Commissioner is holding a special summit. The summit is scheduled for Aug. 12 - 13, 1997 for leaders from the insurance industry, the insurance regulatory community, lenders, and federal, state and community officials.

## Flood Awareness Mini-Conference with Live Broadcast

In conjunction with the summit meeting, the Federal Insurance Administration is conducting a flood awareness mini-conference at the University of North Dakota in Grand Forks on August 14. An interactive morning General Session will be held with Spence Perry, Executive Administrator, FIA and panelists including an insurance agent, lender, Realtor, community official, and both an insured and uninsured flood victim.



The conference continues into the afternoon with a workshop for insurance agents and lenders with focus on the National Flood Insurance Reform Act of 1994 and flood insurance policy coverages. FIA will broadcast the morning session via satellite through the states that comprise FEMA Region 8: Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming.

## FEMA Director Featured in New Flood Insurance Commercials

In February 1997, FIA produced three new flood insurance commercials through the Cover America campaign featuring the FEMA Director, James Lee Witt. These new commercials are being used only as special alerts when flooding is predicted with enough of an advance to allow for media buying and to afford people the opportunity to buy flood insurance before the 30-day waiting

period is over. In each commercial, the Director explains the benefits of flood insurance and the 30-day waiting period, and encourages people to call their insurance agent or the NFIP for more information. Each spot targets a different type of flooding: snow melt, hurricane, and general.

The snow melt spot aired in Idaho, Minnesota, North Dakota, and South Dakota from March 3 to March 28. From March 17 through April 4, the general flood insurance commercial aired on 12 national cable stations. And, the hurricane spot aired in hurricane-prone areas during the weeks of May 5, May 19, and June 2 during news and other high visibility programs.

## Radio Advertising

To reach even more people with the flood insurance message, FIA has started using radio advertising. Through the Cover America campaign, targeted live-read radio scripts were produced and aired in California, Nevada and Oregon during the floods at the beginning of the year; in Idaho, Minnesota, North Dakota, and South Dakota before the snow melt flooding; and in hurricane-prone areas during the month of May. The hurricane message was prepared and aired in both English and Spanish.

## Public Relations Efforts for Hurricane Season

In addition to the advertising efforts, FIA undertook a number of public relations efforts in relation to the Cover America campaign to reach hurricane-prone areas. FIA Executive Administrator Spence Perry was invited to speak on state radio networks in nine hurricane-prone states. Mr. Perry also participated in a series of television and radio interviews with local stations on June 12th and June 13th. Between television and radio, there were 651 confirmed broadcasts reaching an audience of more than 17.6 million.

*continued on page 14*

## Top 10 Facts About Flood Insurance for Lenders

FIA has recently completed a new fact sheet about flood insurance. It's called the "Top 10 Facts Every Lender Needs to Know about Flood Insurance." It was printed in July and August issues of lender trade publications such as *American Banker*, *ABA Banking Journal*, and *Mortgage Banking*. We have also provided it to the major lender trade associations and we will make this available on the FEMA Fax so anyone can get a copy.

The National Flood Insurance Program was created by the National Flood Insurance Act of 1968. Two subsequent laws, the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994, have made the purchase of flood insurance mandatory for federally backed mortgages on structures located in special flood hazard areas.

The top ten facts listed below apply to Federally regulated lending institutions that are supervised by the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Thrift Supervision, Farm Credit Administration, and National Credit Union Administration, as well as Government Sponsored Enterprises Freddie Mac and Fannie Mae.

**1. Flood insurance is mandatory for buildings in FEMA-identified high-risk flood areas, which are called Special Flood Hazard Areas (SFHAs).**

This requirement applies to structures located in SFHAs on FEMA's flood maps including loans for manufactured (mobile) homes, and commercial buildings. Whenever you make, increase, extend, or renew a mortgage, home equity, home improvement, commercial or farm credit loan in a SFHA, you must require flood insurance.

You may require flood insurance on all loans, even those outside SFHAs.

**2. Ensure that flood insurance coverage is maintained for the term of the loan.**

Escrowing flood insurance premiums can help make sure you meet this requirement, and it helps protect you and your borrowers from uninsured flood losses.

**3. Flood zone determinations are required to establish whether a**

**structure is located in a SFHA. Document your findings on the required Standard Flood Hazard Determination Form (SFHDF).**

The SFHDF is available on the FEMA Fax by calling (202) 646-FEMA and requesting document 23103.

**4. Know the amount of flood insurance coverage to require.**

The coverage required by law is the lesser of the following:

1. The maximum amount of NFIP flood insurance coverage available,
2. The outstanding principal balance of the loan, or
3. The value of the property minus the land.

**5. Notify borrowers in writing of the requirement to buy flood insurance for new and existing loans.**

**New Loans:** If you determine that a home or business is in a SFHA before loan closing, you are required to notify the borrower within a reasonable time (defined by Federal regulation as at least 10 days) prior to the loan closing.

**Existing Loans:** If you determine that an existing loan for a home or business is in a Special Flood Hazard Area, you are also required to notify the borrower within a reasonable time. The law provides for force placement of flood insurance 45 days after the borrower is notified of deficient flood insurance coverage. The National Flood Insurance Program's Mortgage Portfolio Protection Program helps you force place flood insurance when necessary. For more information about the Mortgage Portfolio Protection Program, call the FEMA Fax at (202) 646-FEMA and request document 23105.

**6. Escrow flood insurance premiums.**

The law requires you to escrow flood insurance premiums for homes in SFHAs when taxes, other forms of insurance, or any other payments are

escrowed. To help maintain flood coverage for you and your borrower, consider escrowing flood insurance premiums for all loans, including loans on non-residential improved real estate.

**7. There is no waiting period for flood insurance to go into effect when it is purchased in connection with the making, increasing, renewing, or extending a loan.**

In most other instances, there is a 30-day waiting period before flood insurance goes into effect. For more information about the waiting period and its exceptions, call the FEMA Fax at (202) 646-FEMA and request document 23106 for a copy of Policy Issuance 8-95.

**8. Notify the insurance company or agent when the lender or servicer of a loan changes.**

Notification of a change of lender or servicer must be made to the insurance company or agent who wrote the flood insurance policy within 60 days after the effective date of the change. An instruction sheet about this requirement is available on the FEMA Fax by calling (202) 646-FEMA and requesting document 23108.

**9. For more details, read The Mandatory Purchase of Flood Insurance Guidelines.**

For a copy, call 1-800-358-9616 and request document 000083.

**10. Flood insurance and the mandatory purchase laws help protect your investments as well as your borrowers' against uninsured flood losses.**

Floods happen all over the country. Make sure you and your borrowers are protected from uninsured flood losses for their homes, businesses, and belongings by following these requirements. It's just good business.

We encourage you to provide this information to lenders you work with to help them better understand their requirements. And, it's a good idea for you to be familiar with these requirements too, so you can provide even better service to your customers. ■

# ON HIGH GROUND

## Don't Learn the Hard Way

Commissioner Glenn Pomeroy  
North Dakota Insurance Department

With the approach of the weekend of April 19-20, 1997, the news out of the Red River Valley grew increasingly ominous. A long, harsh winter was about to come to a violent end.

Records set in previous months for low temperatures and heavy snowfall were soon to be matched by a record far more devastating—a historical high crest of the Red River.

Grand Forks, North Dakota and East Grand Forks, Minnesota struggled mightily to prepare. Emergency dike construction throughout those frantic final days had resulted in a dike prepared to withstand an assault of a crest of 52 feet—four feet above the previous high.

On Friday, April 18, Grand Forks residents were told to prepare to leave their homes, and some neighborhoods were evacuated. In the pre-dawn hours of April 19, the dikes protecting Grand Forks were breached, and the battle to turn back the river was lost. 55,000 North Dakotans were forced to flee their homes.

By midday on the 19th, the city was an abandoned, flooded ghost town. Stunned evacuees who were forced to take up residence at a nearby Air Force base or with relatives hundreds of miles away watched in disbelief as a television broadcast showed live footage of a fire raging through the business district, leaping from block to block. Fire fighters struggled in fast-moving, waste-deep water to locate the fire hydrants only to discover there was no water pressure, and nothing could be done to fight the fire. This couldn't be happening, we all thought. And yet it was.

A couple of days after Grand Forks lost its battle with the Red River, I toured the city by boat with the Director of Claims for the National Flood Insurance Program. The experience was impossible to describe—eerie, awesome, and depressing, all at once. Block after block, neighborhood after neighborhood, the homes were empty, dark and flooded—each one telling its own story of the struggle that had occurred before its abandonment.

For many residents that was only the beginning. Filling sandbags and building dikes can only do so much. Where do you turn once your home or business has been inundated? Sadly, only about 10 percent of the homes hit hardest by the flood were properly protected with federal flood insurance.

At the North Dakota Department of Insurance, we did our best to educate the public about federal flood insurance back in February, when the heavy snows portended an ominous spring thaw. It is important to realize that the potential for flooding and the need for flood insurance exists not just in North Dakota, but throughout the country.

Though NFIP is a Federal Emergency Management Agency (FEMA)

program, the majority of the policies are actually sold by private insurance companies participating in the Write Your Own program. Unfortunately, many people fail to view flooding as a disaster that may happen to them and many agents lack either sufficient information or motivation to effectively place these policies with people who really need them. As a result, thousands of homes in Grand Forks were not prepared for this disaster.

Recently, I met with FEMA Director James Lee Witt and discussed the tragic lessons learned in Grand Forks. We agreed that FEMA and state insurance regulators should carefully analyze the private marketing of flood insurance to see what steps could be taken to ensure broader placement. We are planning a very focused analysis of this important issue over the summer months.

Heightened consumer protection is a goal we as state insurance regulators cherish. I hope people from across the nation heed the lesson many in Grand Forks learned the hard way. Returning to a flood ravaged home is bad enough. Do what you can—now—to protect yourself with the financial stability flood insurance can help provide in a time of crisis. 

## Coast To Coast

*continued from page 12*

### Consumer Home Shows

For the first time, FIA is targeting consumer home shows with the new NFIP booth. The booth will be featured at the four shows listed below this year.

**The Southern California Home and Garden Show** Anaheim, CA. Aug. 16-24

**The Fort Lauderdale Home Show** Fort Lauderdale, Florida Aug. 29-Sept. 1

**The Atlanta Home Show** Atlanta, Georgia September 11-14

**The St. Louis Builders Home and Remodeling Show** St. Louis, Missouri Sept. 24-28

### Advertorial Targeting Lenders

In July and August, the new fact sheet entitled, "Top Ten Things Every Lender Needs to Know about Flood Insurance" was featured as an advertorial in lending industry magazines such as *American Banker*, *ABA Banking Journal*, and *Mortgage Banking*. The top 10 is also included in this issue of *Watermark* on page 13. You may find the information helpful as you work with lenders in your community. 

# PERSPECTIVES

## Address Mania!

In the last *Watermark*, we asked for address verification for those who want to continue receiving *Watermark*. We want to thank the many thousands of you for responding to our request. It is necessary to ask for this information periodically due to frequent address and personnel changes, as well as to keep our mailing costs to a minimum.

We also want to thank those of you who took the time to make comments. We appreciate your feedback because it helps us determine what would be the most beneficial information to include in future issues of *Watermark*. Because many of you also had questions, we wanted to take a moment to address some of those asked most frequently.

### Q: How can I get a Flood Insurance Manual?

A: You can order a Flood Insurance Manual from the FEMA Map Service Center by calling toll free at 1-800-358-9616. There is a \$25 fee for the manual.

### Q: How do I get to be a Leads Agent?

A: Sign up by filling out the leads agent sign-up form (available on the inside back cover of this issue). You can also get it through the FEMA Fax by calling (202) 646-FEMA and requesting document 23017. If you have not already signed up for the free NFIP Leads Program, do it today! People who call the NFIP toll free number, advertised through the Cover America campaign, and who need an agent to write a flood insurance policy are referred to agents in the leads program. So, if you would like to sign up, fill out the form and fax it to 301-209-4904.

### Q: I'm told that my flood maps are out dated. How do I get newer ones?

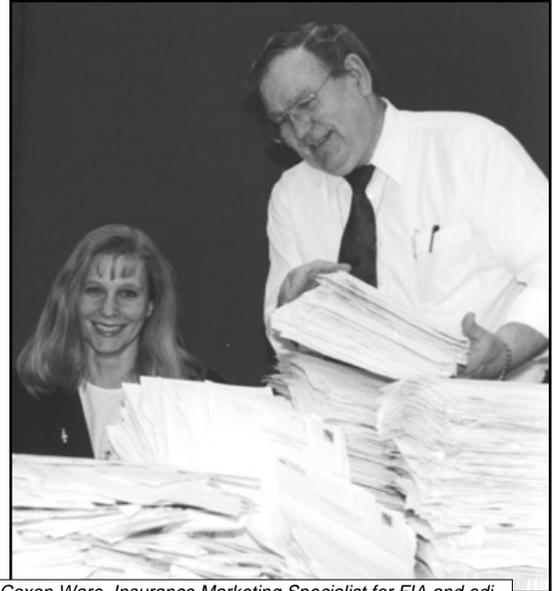
A: To determine the date of the most recent Flood Insurance Rate Map (FIRM), call the appropriate community official for your area. Communities participating in the NFIP are provided with copies of the FIRMs for that community. These maps are generally kept in community planning or building permit departments. You may also order individual maps by calling the FEMA Map Service Center at 1-800-358-9616.

### Q: I am currently an independent agent and I want to sell flood insurance. What do I need to do?

A: To start writing flood insurance, you can call any one of the Write Your Own companies, through which insurance agents write flood insurance, or if you would prefer to write directly with the NFIP, you can call NFIP Direct at 1-800-638-6620.

### Q: As a lender, where can I call to get flood zone and/or community numbers and status information?

A: Community status information is available through FEMA's website at <http://www.fema.gov>. You may also order copies of the Community Status Book by state or for the nation through FEMA's Map Service Center, 1-800-358-9616. There is a charge for these printed copies. Another source is Flood Zone Determination Companies. For a list of these companies, call the FEMA Fax at (202) 646-FEMA, and request document 23025. **W**



Amie Coxon Ware, Insurance Marketing Specialist for FIA and editor of *Watermark* with Roy Murdock Writer/Editor for the NFIP Bureau and Statistical Agent, sift through thousands of *Watermark* address returns.

# CONFLUENCE

## How to Bridge the Gap

The 1997 National Flood Conference was the largest ever with 738 attendees. The theme of the conference was “The Keystone Connection: Bridging the Gap.” To help the 738 conference attendees bridge the gap at the conference and in their own communities, we conducted two interactive sessions.

The first interactive session was designed to determine what all NFIP stakeholders: insurance companies and agents, lenders, state and local officials, and others, can tell consumers about flood insurance. In other words, what messages can all of these groups communicate about flood insurance to make sure we all communicate the same thing? The groups came up with the following messages:

- Be responsible—protect your family and your friends
- Disaster assistance doesn’t cover it all
- It can happen to you!
- Flood, like lightning, does strike twice

- Flood can effect anyone/anywhere; even though the need may be graduated
- 90 percent of all disasters are flood-related
- Between 25 and 30 percent of all flood losses are in light risk areas
- For your future happiness, buy flood insurance
- Just buy it—ask questions later
- Most property policies do not cover flood loss
- What does disaster aid really cover?
- It’s your responsibility to protect your property with flood insurance
- Mandatory state requirement: To educate, participate, regulate and be a clearinghouse or provider of information
- Flood is more than a rising river. We pay claims on mountain tops, in high risk apartments, in deserts, and in your neighborhood

The second interactive session focused on ways NFIP stakeholders can work together to spread these messages. Below are some of the ideas conference attendees determined to better work with other NFIP stakeholders to improve communication.

- Lenders and agents to discourage canceling policies when re-mapping occurs or when zones change

- Hold a community flood barbeque
- Conduct a “flood summit”
- All communities support CRS activities
- Public officials notification (newspaper, fairs, etc.)
- Work with a utility company
- Educate Realtors and agents together
- Coordinate town hall meetings
- Invite insurance commissioners to annual conference
- Get involved with Chambers of Commerce to get the word out
- Encourage real estate agents to mention risk of flood up front and provide potential buyers with flood brochures
- Mandate questions about flood insurance as part of state insurance agent licensing examination
- Encourage public speaking (about flood insurance) at community events
- Make flood insurance training part of any insurance agent or real estate agent continuing education requirement

We encourage you to use these ideas, and come up with your own. Work with other NFIP stakeholders in your community to help improve their understanding about flood insurance and to help get the word out to more consumers about why flood insurance is important to them. **W**

### Editor’s Note

*Watermark* is a publication intended primarily for insurance agents who write flood insurance, but it contains information about the NFIP that may be helpful to other groups involved with the program. We want to make sure that we are providing information that meets your needs. We welcome your comments and suggestions, as well as submissions for articles and departments. Additionally, we encourage you to reproduce articles and departments contained in the *Watermark* and include them in your own newsletter or other communication.

### Send your questions, comments, suggestions, and submissions to Amie Coxon Ware:

Federal Emergency Management Agency  
Federal Insurance Administration • Room 441  
500 C Street, SW  
Washington, D.C. 20472  
Fax (202) 646-3689

### Members of Congress with questions about the National Flood Insurance Program, please write to:

Federal Emergency Management Agency  
Office of Congressional Affairs • Room 820  
500 C Street, SW  
Washington, D.C. 20472

# BENCHMARKS

## Winners of the 1996 Agency of the Year Award

Each year, the Federal Insurance Administration honors three insurance agencies for their outstanding contribution to the National Flood Insurance Program.

Agencies are nominated for this award by WYO companies, vendors, insurance trade associations, and others. All nominations are reviewed by a committee made up of one member each from the Flood Insurance Producers National Committee, the WYO Marketing Committee, and the Insurance Institute for Property Loss Reduction's Flood Committee. The top three nominations are selected based on the agencies' steps to achieve superior policy growth, implement innovative marketing strategies, adhere to established underwriting guidelines, and participate in flood awareness activities.

Winners of the 1996 Agency of the Year Award are listed here along with a description of the activities each undertook to be selected for this award.

**Edward F. Cook Agency**, of East Hampton, New York posted a 20 percent growth in insurance policies in 1996. The agency has 50 employees, all of whom contribute to selling and/or promoting flood insurance. Marketing strategies include advertising in local newspapers and conducting mailing and telemarketing campaigns. A recent mailing included a special flyer to homeowners, notifying them that their homeowners policy does not cover flood losses. In addition to the campaigns, flood insurance is quoted with all

homeowners policies. A poster is displayed in the reception area for all clients to see and as a reminder to all employees to inform their clients of the importance of flood insurance.

Mr. Robert F. Denny, Chairman of the Cook Agency, also serves as Chairman of the Flood Insurance Producer's National Committee (FIPNC).

**G. Anderson Agency**, of Haven Beach, New Jersey currently has 12 commercial and personal lines employees directly involved with the sale and promotion of flood insurance.



1996 Agency of the Year Award acceptees (l to r) Andrew Anderson, G. Anderson Agency; John Pollock, Oswald Trippe and Company; and Tim Brenneman, Edward F. Cook Agency.

Customer Service Representatives and producers are required to attend annual training courses about flood insurance rating. With this up-to-date information, staff members are able to provide quotes on flood insurance with homeowners, dwelling, and commercial policies. Staff members also routinely process RCBAP rewrites well in advance of the expiration date. Other marketing strategies include sending special inserts and/or brochures with renewal notices and all correspondence mailed to insureds.

Last October, G. Anderson Agency organized and sponsored a "flood awareness" public meeting in Stafford Township, New Jersey. The previous year they organized and sponsored a "town meeting" about

emergency preparedness.

The G. Anderson Agency also offers full support of the Cover America campaign and has placed hundreds of ads on The Weather Channel. The agency has become recognized as the "expert" about flood insurance and is often called upon by local surveyors, engineers, business owners, and residents for advice. Two of the agency's principals are members of the local Land Use Board and Zoning Board of Adjustments.

**Oswald Trippe and Company, Inc.**, based in Fort Myers, Florida, is a general lines agency specializing in

community association related programs. Oswald Trippe and Company has two areas of expertise, flood insurance and community associations. The combination of the two together result in a high volume RCBAP agency. Established in 1981, they now serve more than 9,000 individuals and families as well as 2,500 business concerns. The agency's policies in force, as of Dec. 31, 1996, was just over 4,000 while premium increased by 61 percent from 1995 to 1996.

Seminars and group meetings represent the marketing thrust. John Pollock and his team are very knowledgeable. They instill confidence by explaining flood insurance clearly and accurately to their consumers. Regular group meetings are held with all local regulator associations, educating them about flood insurance guidelines, construction issues and purchase requirements based on zones in their areas.

Additionally, all new business package quotes include flood insurance regardless of the flood zone.

Congratulations to all three Agencies of the Year! Make sure you nominate your agency for this award next year. ■

# JUST AROUND THE BEND...

MONTH/YEAR	WORKSHOP/MEETING	DATE	LOCATION	
AUG 1997	Agent	8/5	Houston, TX	
	Agent & Lender	8/5	Dubuque, IA	
	Agent & Lender	8/6	Bittendorf, IA	
	Agent & Lender	8/7	Ottumwa, IA	
	Agent (ISOP)	8/7	Philadelphia, PA	
	Agent & Lender	8/13	Denver, CO	
	Agent & Lender	8/13	Santa Monica, CA	
	PIA Annual Conference	8/17-19	Nashville, TN	
	Agent & Lender	8/19	Beatrice, NE	
	Agent & Lender	8/20	Lincoln, NE	
	Lender	8/20	Burlington, VT	
	Agent & Lender	8/21	Omaha, NE	
	Lender	8/21	Bedford, NH	
	Agent & Lender	8/27	Denver, CO	
	Lender	8/28	Danvers, MA	
	Lender	8/29	South Portland, MA	
	SEP 1997	Agent & Lender	9/9	Kennett, MO
		Lender	9/10	W. Springfield, MA
Agent & Lender		9/10	Poplar Bluff, MO	
Agent & Lender		9/10	Denver, CO	
Lender		9/11	Framingham, MA	
Agent & Lender		9/11	Houston, MO	
Lender		9/12	Providence, RI	
IIAA Annual Conference		9/13-17	Hawaii, HI	
NAMIC Annual Conference		9/14-9/17	Denver, CO	
Lender		9/16	Farmington, CT	
Agent & Lender		9/16	Springfield, MO	
Lender		9/17	Norwalk, CT	
Agent & Lender		9/17	Galena, MO	
Lender		9/19	Hyannis, MA	
NAIC Quarterly Meeting		9/21-24	Washington, DC	
Agent & Lender		9/24	Denver, CO	
Lender		9/25	Boston, MA	
OCT 1997		Agents (PIIA/ISU)	9/26	Bloomington, IL
	MBA Annual Conference	10/5-8	New York, NY	
	Agent (PIIA)	10/15	Springfield, IL	
	IIPLR Meeting	10/20-21	Arlington, VA	
	WYO Standards Meeting	10/22	Alexandria, VA	
NOV 1997	FIPNC Meeting	11/4-5	Alexandria, VA	
	NAII Annual Conference	11/9-12	San Antonio, TX	
	Agent (ISOP)	11/12	Philadelphia, PA	
DEC 1997	NAIC Quarterly Meeting	12/7-10	Seattle, WA	

The following acronyms are used in the above calendar of events.

<b>FIPNC</b>	Flood Insurance Producers National Committee	<b>NAIC</b>	National Association of Insurance Commissioners
<b>IIAA</b>	Independent Insurance Agents of America	<b>NAII</b>	National Association of Independent Insurers
<b>IIPLR</b>	Insurance Institute for Property Loss Reduction	<b>NAMIC</b>	National Association of Mutual Insurance Companies
<b>ISOP</b>	Insurance Society of Philadelphia	<b>PIA</b>	National Association of Professional Insurance Agents
<b>ISU</b>	Illinois State University	<b>PIIA</b>	Professional Independent Insurance Agents Association
<b>MBA</b>	Mortgage Bankers Association		

# WYO NEWS

## Where Can You Find Flood Insurance Prospects?

Larry Moser  
Senior Marketing Manager and  
Principal Coordinator  
Allstate Insurance Company

The most successful method is to educate your customers. More than 90 percent of all communities throughout the country participate in the National Flood Insurance Program. Most buildings located in a participating community are eligible for flood insurance. Examples of buildings not eligible are those that have been disqualified as a Title 1316; a boathouse; or a building located entirely in, on, or over water and was newly constructed or substantially improved on or after October 1, 1982.

As you can see, we need to educate our customers so that they know that there is a risk of flooding and they can purchase coverage to protect their property. Make sure to mention the television ads that are sponsored by the National Flood Insurance Program while you are describing examples of flooding events.

Looking at a flood map, one can easily identify the Special Flood Hazard Areas because they are colored dark gray. Properties located outside of these areas are not risk free, but rather are properties located in low to moderate risk areas. The 100-year floodplain terminology confuses people and gives them a false sense of security. A 100-year floodplain is an area where the risk of water rising above the base flood elevation is 1 percent a year. This does not mean that flooding will only occur once every 100 years. Therefore, customers need to be aware of the fact that flooding can occur and extend past the Special Flood Hazard

Area zone boundaries shown on a Flood Insurance Rate Map (FIRM).

Some people describe the area outside the Special Flood Hazard Area as the 500-year floodplain. This really gives people a false sense of security. It makes more sense to change the terms and call the areas on a flood map, high, moderate, and low risk areas. Doesn't this make more sense than trying to explain the meaning of 100-year and 500-year floodplains?

Now that you understand this terminology, you can educate your customers so that they understand that

flooding can happen to them and that you are going to offer them flood coverage: either a Standard Flood Policy or a Preferred Risk Policy. Remember, write a standard flood policy if their property is located in any FIRM zone that begins with A or V. Write a Preferred Risk Policy if their property is single family residential or residential with less than 5 units, and is located in FIRM zones B, C, or X, and has a favorable loss history. Since between 25 and 30 percent of flood losses occur in zones B, C, and X, there is a very large market potential for the Preferred Risk Policy.

Writing flood insurance will improve customer retention in other lines, increase customer satisfaction, reduce your Errors and Omissions exposure, and increase revenue for your agency. Remember, if the community participates in the National Flood Insurance Program, all properties in the community are located in flood zones, either high, moderate, or low risk flood zones.

Now it's time to start thinking about the best way to contact your customers so that you can discuss their risk of flood loss. Once you have closed the sale, don't forget to ask the customer for referrals. ☑

---

We can't replace your memories,  
but we can help you build new ones.

---

## Save Money When You Advertise That You Sell Flood Insurance

*continued from page 2*

- Or, design your own ad slick and have us approve it before it runs.
- Tell us your anticipated advertising costs, and we'll set aside 50 percent of those costs so we can reimburse you after the approved ad has run.
- Run your ads, send in the appropriate tear sheets and invoices, and receive your 50 percent reimbursement check in about four weeks.

Between February and May 1997, the NFIP approved more than 1,120 flood insurance print ads to appear in qualified print publications. That translates into \$171,000 in funds that we have set aside to reimburse agents. We have already surpassed our numbers for all of 1996, showing that co-operative advertising for flood insurance is catching on.

This year's offer extends to ads scheduled to appear no later than September 15, 1997. Funds are available on a first come, first served basis, so it's in your best interest to act quickly if you wish to participate.

Many of your colleagues have already benefited from the NFIP co-op program. They save money on flood insurance advertising, provide more comprehensive ser-

vice for their clients and community, and often generate additional income from writing new flood insurance policies. Below are testimonials from two agents who have benefited from the program.

Steve Fusco, an agent from Arlington, Texas. Said, *"If I bring people in with flood insurance, maybe I'll be able to get additional business from them. I love the fact that the NFIP reimburses 50 percent of my flood ad costs. That helps so much because Yellow Pages prices can be steep, and to be able to cut that cost in half, I'm able to advertise elsewhere. I just get so much more exposure."*

Craig Hanson of the Security State Agency in Aitkin, Minnesota comments, *"Flood ads work great for us. Since floods get so much coverage in the media, our ads tie in perfectly. We have written at least 30 policies because of our advertisements. We ran ads 4 consecutive weeks and it created a lot of interest in the community. I definitely plan to continue with the NFIP program."*

How about you? For more information about how you can save money on your flood insurance advertising costs and possibly generate new revenues, call an NFIP co-op advertising manager today at 1-800-564-8236. ☑

# MAJOR FLOODS AND FIELD NOTES

## NFIP and North Dakota Insurance Department Work Together to Respond to Flood Victims

Even as the water was still rising, the NFIP opened a Flood Response Office in Fargo, North Dakota to help insured flood victims with insurance claims and to answer questions. Working together, the North Dakota Insurance Department and NFIP representatives were available to answer flood-related questions about insurance coverage pertaining to sewer backup, sump pumps, and a variety of other flood insurance questions. The following are some of the questions asked by flood victims and the responses provided by insurance representatives.

**Q: The power failed off my premises and caused my refrigerator/freezer to fail resulting in food spoilage. Is there any coverage?**

**A: Homeowner Policy (HO)**- The standard HO policy does not cover food spoilage as a result of power failure off premises. Some comprehensive policies, however, have added a limited amount of coverage, i.e., \$500, while other companies endorse the policy to cover food spoilage.

**Commercial Property Policy (CP)**- The standard CP policy does not cover food spoilage due to power failure. Most companies offer coverage through the use of an endorsement.

**National Flood Policy** - The National Flood Insurance policy does not cover food spoilage as a result of power failure off the premises. If the power failure occurs on the premises, it does cover loss of refrigerated products but only if caused by flood. Power failure for other reasons would not trigger coverage under this policy.

**Q: I had to leave my home because of a mandatory flood evacuation. Are my additional living expenses covered?**

**A: Homeowner Policy** - The standard HO policy provides loss of use and additional living expenses for any covered peril. Flood is not a covered peril; therefore, there is no coverage under the policy.

**National Flood Policy** - The National Flood Insurance policy does not provide coverage for loss of use or additional living expenses.

**Q: When the flood waters receded, it left a large amount of debris on my property. Is there coverage for removal of this debris?**

**A: Homeowner Policy** - The standard HO policy covers debris removal if a covered peril causes the loss. Since flood is not a covered peril, there would be no coverage. Debris removal is subject to a specific limit.

**Commercial Property Policy** - The standard CP policy provides coverage for debris removal if a covered peril causes the loss. If the standard CP policy provides coverage for flood, then debris removal would be covered.

**National Flood Policy** - The National Flood Insurance policy does cover debris removal within the limits of coverage. Debris not part of the insured property (building or contents if insured) must be on or in the insured building itself. Removal of parts of the insured property (building or contents if insured) is covered even if off your premises.

**Q: At one time I purchased "special coverage" for some of my personal property which was added to my homeowners policy (or tenants policy). Are these items covered for flood?**

**A: Homeowner/Tenants Policy** - The following types of personal property can be scheduled to be covered in a specific endorsement to the standard HO/tenants policy: jewelry, furs, computer, cameras, musical instruments, silverware, golf equipment, fine arts, postage stamps, rare and current coins. This endorsement does not exclude flood; therefore, those items would have coverage for flood damage.

**Q: I had to close my business because of the flood. Will insurance cover my lost income?**

**A: Commercial Property Policy** - The standard CP policy may provide business income protection within the policy or by endorsement. The coverage only applies to a covered cause of loss. Therefore, if the policy provides flood coverage, the coverage also applies to business income.

**National Flood Policy** - The National Flood Insurance policy does not provide coverage for loss of use, loss of access, business interruption, loss of profits, or living expenses or other expenses while the building is being repaired or is uninhabitable.

**Q: My vehicle was covered by the flood water. Will the damage be covered by my auto policy?**

**A:** If the "comprehensive" coverage is purchased under the automobile policy, then it provides coverage for damages due to flood.

EVENT/ DATE	STATES AFFECTED	POLICIES IN FORCE (Statewide)	POLICIES IN FORCE (Affected Area)	LOSSES PAID	DOLLARS PAID IN LOSSES	% OF LOSSES CLOSED
GENERAL FLOODING Dec. 28, 1996 - Jan. 4, 1997	California	238,654	131,538	1,661	33,139,098	92.2
GENERAL FLOODING Dec. 30, 1996 - Jan. 4, 1997	Idaho Nevada	4,315 10,966	422 2,539	18 330	895,429 17,821,440	88.5 96.3
GENERAL FLOODING Dec. 30, 1996 - Jan. 10, 1997	Oregon Washington	16,547 20,345	3,985 5,812	175 76	1,944,936 971,692	97.1 87.9
GENERAL FLOODING Feb. 28, 1997 - Mar. 6, 1997	Arkansas Indiana Tennessee West Virginia	11,926 23,327 11,881 16,813	4,730 2,480 2,700 8,510	19 379 79 483	191,397 7,928,892 973,451 6,232,281	71.4 92.6 91.7 90.1
GENERAL FLOODING Feb. 28, 1997 - Mar. 7, 1997	Ohio	28,986	5,054	726	12,580,320	92.8
GENERAL FLOODING Feb. 28, 1997 - Mar. 10, 1997	Kentucky	16,930	13,944	2,799	60,796,494	80.5
GENERAL FLOODING Mar. 21, 1997 - Apr. 26, 1997	South Dakota	4,209	4,209	227	3,773,182	56.1
GENERAL FLOODING Mar. 21, 1997 - May 27, 1997	Minnesota	12,382	6,233	738	9,346,874	32.3
GENERAL FLOODING Apr. 2, 1997 - May 27, 1997	North Dakota	10,231	10,231	642	10,199,136	20.0

**Q: Are there any other types of losses and insurance coverage I should be aware of?**

- A: **Boats** - Boats may be covered by a separate endorsement to a homeowners policy or by a separate boat owners policy.
- Livestock Losses** - The farm owners policy may provide coverage for livestock on a blanket or schedule basis. Also, animal mortality policies provide coverage for drowning.
- Farm Equipment** - Farm equipment is usually not covered, although some farmowners policies may provide some specific coverage.

**Q: What kind of coverage is available for water damage to my home or building and its contents as a direct result of seepage in the basement?**

- A: **Homeowner Policy** - The standard HO policy does not cover water damage due to the seepage of water through the walls or floor of a basement. There is no endorsement available for this exposure.

**Commercial Property Policy** - The standard CP policy does not cover water damage due to seepage. A few companies provide coverage by endorsement.

**National Flood Policy** - The National Flood Insurance policy provides coverage for seepage even if the flood water has not touched the house if there is a general condition of flooding in the area, the flood was the proximate cause of the seepage, it occurs within 72 hours after the flood recedes, and the property is insured to 80 percent of its value.

**Q: Does my renters policy cover water damage caused by flood?**

- A: No. The renters or tenants policy is a named peril policy and does not cover loss due to flood. Renters may purchase coverage through the National Flood Insurance Program.

**Q: I recently sustained fire damage on property that was flooded. Is there any coverage?**

A: **Homeowner Policy** - The standard HO policy excludes flood as a covered cause of loss; however, it specifically gives back coverage for fire, explosion, and theft in the event of flood.

**Commercial Property Policy** - The standard CP policy excludes flood as a covered cause of loss; however, it specifically gives back fire and explosion and in some cases theft or sprinkler leakage in the event of flood.

**National Flood Policy** - The National Flood Insurance policy does not provide coverage for fire or other named perils.

**Q: During the course of fighting the flood, someone drove their vehicle across my lawn causing damage. Is there any coverage?**

- A: The standard homeowner policy provides an additional coverage for damage to the lawn caused by vehicles not owned or operated by a resident of the premises. The amount of coverage is generally five percent of the dwelling limits. ☐☐

---

## Recent Rate and Rule Changes

*continued from page 4*

- Flood Insurance Application, General Change Endorsement, and the Preferred Risk Policy Application have been revised to reflect new ICC premiums.
- The rate tables in the Flood Insurance Manual for the Standard Flood Insurance Policy have also been revised, incorporating the ICC premiums.

### October 1, 1997 Changes

Changes that will be effective October 1, 1997 are listed below.

- NFIP Bureau and Statistical Agent will compare the property address of PRPs to the repetitive loss database to help verify PRP eligibility.
- 1975-1981 Post-FIRM V zone optional rating will be available for new and renewed policies with effective dates on or after October 1, 1997.

- Submit-for-rate policies renewing on or after October 1, 1997 must be re-rated using the rates effective May 1, 1997 that were published in the Specific Rating Guidelines.
- The certified lowest adjacent grade and diagram number (found on the Elevation Certificate) must be provided on or with the application for coverage on policies that meet the following conditions:
  - new business effective on or after October 1, 1997
  - elevation rated, but not based on floodproofing
  - elevation certificate is certified on or after October 1, 1997
- The Elevation Certification Date will need to be recorded for new business, renewals, and endorsements for policies effective on or after October 1, 1997 that are elevation rated.

Make sure to check your Flood Insurance Manual updates for the details, and watch your mail for the October 1997 manual changes. **W**

## NFIP Leads Generation Program

Since we introduced our Cover America campaign in October of 1995, we have received thousands of inquiries from people who want to purchase flood insurance. As a result of these many requests the NFIP developed the NFIP Leads Generation Program which puts people in contact with insurance agents who write flood insurance.

In our 1996 Spring/Summer issue of the *Watermark*, department titled Perspectives, we printed a section on the Leads Generation Program where we listed a series of questions and answers. We explained how the program works, who may participate, and how to sign up for the program. If you have not signed up, we strongly encourage you to do so.

For your convenience we have included an application on the following page. Complete the application and fax it to the NFIP at 301-209-4904 or 301-209-4905. If you choose to mail it, send it to: National Flood Insurance Leads Program, FEMA, 500 C Street, S.W. Washington, D.C. 20472. **w**

# We'd like to send you some flood business.

Sign up now for the free National Flood Insurance Leads Program.

Since October 1995, the NFIP (National Flood Insurance Program) has been running dramatic and compelling TV and radio commercials and print advertisements to alert people to the risk they run from floods.

Each commercial and print ad carries a toll-free number, so interested prospects can call for more flood insurance information. More than 100,000 people have called the NFIP already—and every day hundreds more call for information about flood insurance.

Who best to convert these leads into customers? You! That's why you should sign up for our free lead generation program today.

First, here are some highlights of the program.

## How will these leads be assigned to me?

The name, address and phone number of each caller to the NFIP toll-free number is entered into a system that matches the caller's zip code to agents in that zip code.

## What happens when other agents cover my zip codes?

The system automatically rotates leads equally among agents who service the same zip code.

## Will callers be referred to their servicing agent or company?

The Service Representative (SR) asks callers the name of their insurance company and agent. If callers identify one or both, SRs suggest that they contact their company or agent. If not, we offer to provide the name of an agent from our list.

## How will I receive my leads?

On the lead generation application form below, you are given a choice of having your leads given to you by fax or phone. Please let us know your preference.

## Is there any cost to participate?

The leads produced through the toll-free number are absolutely free!

## What about follow-up?

The sooner you contact an interested prospect, the greater your chances of closing the sale. Just remember, when you meet the flood insurance needs of your new customers, we'd like to know about it! So share your results with us when we call you.

## How do I sign up?

O.M.B. No 3067-0267,  
expires June 30, 1998

Just fill in the application below and fax it to: (301) 209-4905 or (301) 209-4904.

National Flood Insurance Leads Program, Federal Emergency Management Agency, 500 C Street, S.W. Washington, D.C. 20472.

And if you have any questions, give us a call at 1-800-720-1093.

## Free National Flood Insurance Leads Program Application

Yes, I want to receive free leads from NFIP's advertising campaign.

Agent signature	
Name (Please print clearly)	
Agency name	
Address	
City	
State	
Zip	
Phone#	
Fax#	

Agent Tax ID#	
How you want to receive leads. Circle choice.	Phone or fax
Leads should go to this #	
Zip codes prospected (within immediate area)	
NFIP flood insurance written through the following companies:	



We can't replace your memories, but we can help you build new ones.

Thank you for participating.