

Residential Flood Insurance for the Louisiana Dweller, Student Material

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Slide 1: Louisiana, with Texas and Florida ranks very high for the greatest percentages of subsidized flood insurance policies. What does that mean?

Virtually every year Louisiana ranks in the top ten nationally for the list of states with the most flood insurance claims.

Slide 2: The Federal Emergency Management Agency (FEMA), ranks flooding as the number one occurring natural disaster in the United States.

"Over the past 40 years, Louisiana has accounted for about 10 percent of the program's flood policies but filed about 20 percent of the claims and received 34 percent of the total payouts by the flood program." Jul 17, 2017 Advocate Newspaper

FLOOD INSURANCE BY THE NUMBERS

SPANNING 40 YEARS OF FLOOD PROGRAM RECORDS:

2.2 MILLION: number of claims filed nationally

449,082: number filed by Louisiana policyholders

\$57 BILLION: amount paid out nationally

\$19.4 BILLION: amount paid in Louisiana leads the country

The NFIP currently provides \$1.3 trillion in coverage through more than 5 million policies in the U.S., but has been losing money for years and is currently \$20.5 billion in debt.

Slide 3: NFIP Claims in Louisiana

The figures show how expensive flood insurance in Louisiana is for the National Flood Insurance Program.

This map diagram shows that Louisiana is the highest risk in the U.S.

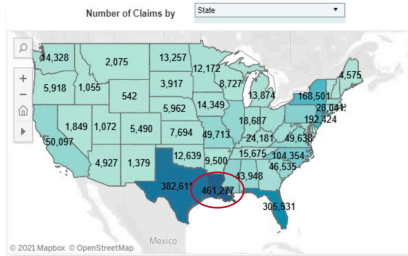
35% of the claims from the 2020 Louisiana hurricanes came from outside the high-risk areas.

The average claim in Louisiana in the last 5-years is \$76,000.

49% of properties outside a Special Flood Hazard Area (Zones A&V) in Louisiana are at high or moderate risk of flooding.

As of 2017 around 30,000 of the most frequently flooded homes in the country make up less than 1 percent of the total insured pool but pull down around 10 percent of total claim dollars. Almost a quarter of these severe repetitive loss properties are in Louisiana. FEMA has paid out \$1.22 billion on these 7,223 homes.

A 2017 Core Logic study found 49% of properties outside a Special Flood Hazard Area (SFHA) in Louisiana are at high or moderate risk of flooding.



From coastal erosion to river flooding from 2 of the nation's largest rivers, from drainage challenges associated with population expansion to decaying urban drainage structures, from rising sea levels to the dangers of the "levee effect", from hurricanes to major rain events, Louisiana realizes many causes of rising water damage, and the problems are not going away.

Slide 4: NFIP Policies in Louisiana

A higher percentage of Louisianians carry flood insurance compared to the rest of the U.S., but arguably not enough Louisianians carry flood insurance.

According to 2015-2019 US Census data, there are over 1.7 million households in Louisiana.

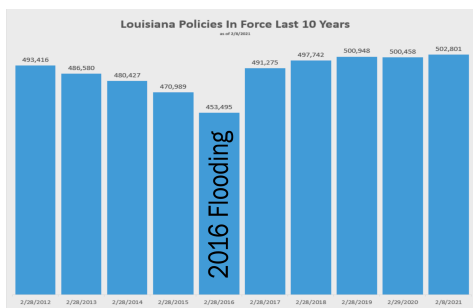
Less than 30% of households are covered by NFIP flood insurance.

1.2 million properties are not covered by NFIP policies.

Breakdown of NFIP policies in Louisiana:

- 53% in A Zones
- 46% in B,C, X Zones
- 1% in V Zones

The average cost to consumer policy premium was \$900.



Slide 5: Major Historical Flood Events in Louisiana

This list is not exhaustive, as the state has experienced many great flood events. Almost any hurricane or tropical storm that moves near Louisiana will cause some local flooding.

Year	Event
1927	The Great Mississippi Flood
1957	Hurricane Audrey
1965	Hurricane Betsy
1969	Hurricane Camille

1978	Greater New Orleans Flood
1983	Lower Mississippi Flood
1995	Greater New Orleans Flood
2005	Hurricane Katrina
2005	Hurricane Rita
2011	Great Mississippi Flood of 2011
2012	Hurricane Isaac
2016	Baton Rouge Flood
2021	Lake Charles Flood/Hurricane Ida

The reader, if he/she has spent a few years in Louisiana, can certainly add to the below list of historical flood events in Louisiana. Almost any resident of South Louisiana has been affected by a flood or has a close relation who has. Unfortunately, flooding is a part of life in Louisiana.

Slide 6: Slide: Residential Flood Insurance for the Louisiana Dweller

Slide 7: Learning Objectives

1. The real estate agent will display a general knowledge of the risk of flooding in Louisiana and the challenges for the National Flood Insurance Program to provide flood insurance in Louisiana.
2. The real estate agent will display a general knowledge of flood insurance coverages and the factors involved in pricing the policies.
3. The real estate agent will display a general knowledge of flood zones, mapping, and how to use an elevation certificate.
4. The real estate agent will display a general knowledge of changes in the National Flood Insurance Program.
5. The real estate agent will display a general knowledge of flood mitigation efforts and how they are being in Louisiana.

The instructional learning objectives for this class are designed to help you best assist your clients navigate the complex residential flood insurance landscape of South Louisiana. We all want our buyers to be able to get into the house they love and can afford. We also need to ensure home sellers are best informed as to what conditions concerning their properties might greatly affect their sales.

Slide 8: What is Flood Insurance

The National Flood Insurance Act of 1968 created the Federal Insurance Administration and made flood insurance available for the first time. Congress passed the National Flood Insurance Act in response to increasing concerns about flood preparation, the devastation of flood damage, and the rising cost of flood insurance.

FEMA manages the National Flood Insurance Program (NFIP) and a range of programs designed to reduce future losses to homes, businesses, schools, public buildings, and critical facilities from floods, earthquakes, tornadoes, and other natural disasters.

Flood insurance: is a type of property insurance that covers a dwelling and/or contents for losses sustained by water damage specifically due to flooding caused by heavy or prolonged rain, melting snow, coastal storm surges, blocked storm drainage systems, or levee dam failure.

Flooding is a peril not covered by home, condominium, landlords or renters policies in Louisiana and most, if not all states.

Originally, home insurance policies generally provided coverage for the peril of rising water. But over the years the home insurance companies decidedly opted to no longer provide that coverage, as they could not accurately predict the risk. Over time the need for this coverage was recognized, and Congress acted in the 1960s.

Slide 9: Flood Insurance Facts

- Again, homeowners insurance policies do not cover flooding.
- There can be a 30-day waiting period for flood insurance coverage to go into effect, depending on your situation.
- The lender will normally require flood insurance if you are in a high-risk flood zone (A or V zones).
- According to NFIP, “nearly 20-percent of flood insurance claims come from medium or low-risk flood areas (B, C or X zones).”

When you are purchasing flood insurance, if the initial purchase of flood insurance is in connection with the making, increasing, extending or renewing of a loan, there is no waiting period. Otherwise, it's 30-days. Lenders usually only require a homeowner to maintain flood insurance when the property is in an A or V zone. This is how so many people get themselves into trouble. They do not purchase flood insurance, when it is not required. And too often real estate agents tell their clients whose properties are in preferred zones, that they are in “no-flood” zones. Real estate agents can get themselves into trouble for advising clients incorrectly on this matter. Those clients are in lower risk zones, not “no-flood” zones.

Slide 10: Flood Coverage Includes

Building Coverage:

- The insured building and its foundation
- The electrical and plumbing systems
- Central air conditioning equipment, furnaces, and water heaters
- Refrigerators, cooking stoves, and built-in appliances such as dishwashers
- Permanently installed carpeting over unfinished flooring

Contents Coverage:

- Clothing, furniture, and electronic equipment
- Curtains
- Portable and window air conditioners
- Portable microwaves and dishwashers
- Carpeting that is not already included in property coverage
- Clothing washers and dryer

Flood Insurance is very basic, only covering the main structures and contents. Fences, swimming pools and sheds are not covered. 10% of the dwelling coverage can be applied to detached garages. Secondary houses on the same lot need their own policies. One can also purchase a separate flood policy for a detached garage if more coverage is needed.

Slide 11: Claim Reimbursement Methods

Replacement Cost Value (RCV)

RCV is used to replace the building damage if the building is insured to within 80% of the building's replacement cost. Replacement Cost Value (RCV) is the value of property as it costs today, regardless of the age of the property. So a properly insured building valued at \$200,000 would have \$200,000 coverage.

Actual Cash Value (ACV)

Applies to all other buildings and personal property (i.e. contents) are valued at ACV. ACV is computed by subtracting depreciation from replacement cost. The depreciation is usually calculated by establishing a useful life of the item determining what percentage of that life remains. This percentage multiplied by the replacement cost equals the ACV. For instance, a five-year-old television purchased for \$2,000 and estimated to have a useful life of ten years and with a current new value of \$2,500 would realize a claim of \$1,250.

As with home insurance, there are two reimbursement methods, replacement cost value or RCV and actual cash value, ACV. Unlike home insurance there are no choices as to what type of coverage a homeowner can get. As long as the home is properly insured the coverage for the structure is RCV; the contents, ACV.

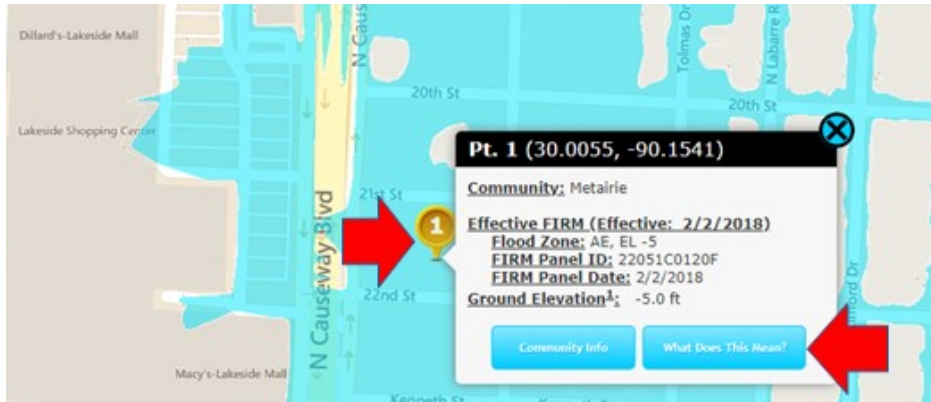
Slide 12: Buying Flood Insurance

- Most agents sell flood insurance through NFIP.
- The seller can assign his/her flood policy to the buyer.
 - May have elevation certificate
- Contact NFIP to get more information or to find an agent:
 - 1-800-638-6620
 - www.floodsmart.gov
- Private companies are starting to offer flood insurance.
- Companies also offer excess coverage, over the NFIP limits of \$250,000 for the property and \$100,000 for the contents.

There are several ways that a client can purchase flood insurance. As long as the client is purchasing the flood insurance through the NFIP, whether directly or through a company selling it for the NFIP and as long as the seller understands the product, the price should be the same no matter who the client uses.

Slide 13: Determining a Flood Zone with a Flood Map

- Contact an agent.
- Contact NFIP to get more information or to find an agent at 800.638.6620
- Go to <http://maps.lsuagcenter.com/floodmaps/?FIPS=22071>
- Policyholders can appeal to the NFIP about a zone determination via a letter of map amendment (LOMA)



Base Flood Elevation (BFE)

The Base Flood Elevation is **-5 ft**.

Ground Elevation

Ground elevation (GE) at this point is about **-5.0 ft**. (NAVD88)

There are many different products available to help determine a property's flood zone and more information. Some maps can be difficult to use. Insurance agents have readily available programs provided by companies they use to sell flood insurance that usually help quickly determine flood zones. A LOMA must be submitted with surveyor or engineer support. Note here that the base flood elevation for the Flood 2.0 will no longer be relevant to rating a property. The only important information to be ascertained using this map will be for determining the flood zone.

Slide 14: Flood Insurance Zones / Hazard Areas

The Federal Emergency Management Agency determines the many different flood zones:

X, B, C: Preferred or 500-year flood zones, the flood insurance in these zones is inexpensive and not required under Federal Housing Authority (FHA) guidelines.

A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30: 100-year flood zones, the flood insurance price depends on the circumstances of the structure, required by FHA.

V1-V30, V: Velocity Zones, outside of the federal flood protection walls and near coastal waters, the flood insurance price depends on the circumstances of the structure, required by FHA.

D: Areas with possible but undetermined flood hazards. No flood hazard analysis has been conducted. Flood insurance rates are commensurate with the uncertainty of the flood risk.

Flood zones range from Preferred or (moderate flood hazards) to areas with an annual 1% chance of flooding (A Zones) to coastal areas with a 1% or greater chance of an annual flood.

Slide 15: Reading an Elevation Certificate

Elevation certificates will no longer be required for rating properties. However, they can still be used to possibly help lower a premium. We will no longer be using the base flood elevation on an elevation certificate anymore. Only the elevation will be used.

ELEVATION CERTIFICATE

Important: Read the instructions on pages 1-9.

OMB No. 1660-0008 Expiration Date: July 31, 2015

SECTION A – PROPERTY INFORMATION	FOR INSURANCE COMPANY USE
A1. Building Owner's Name Lamont Harry	Policy Number:
A2. Building Street Address (including Apt., Unit, Suite, and/or Bldg. No.) or P.O. Route and Box No. 19411 Harrytown Lane	Company NAIC Number:
City Vacherie State La ZIP Code 70090	

A3. Property Description (Lot and Block Numbers, Tax Parcel Number, Legal Description, etc.)

A4. Building Use (e.g., Residential, Non-Residential, Addition, Accessory, etc.) Residential

A5. Latitude/Longitude: Lat. N29d55'40" Long. W90d40'40" Horizontal Datum: NAD 1927 NAD 1983

A6. Attach at least 2 photographs of the building if the Certificate is being used to obtain flood insurance.

A7. Building Diagram Number 5

A8. For a building with a crawlspace or enclosure(s):

a) Square footage of crawlspace or enclosure(s) <u>N/A</u> sq ft	A9. For a building with an attached garage:
b) Number of permanent flood openings in the crawlspace or enclosure(s) within 1.0 foot above adjacent grade <u>0</u>	a) Square footage of attached garage <u>N/A</u> sq ft
c) Total net area of flood openings in A8.b <u>0</u> sq in	b) Number of permanent flood openings in the attached garage within 1.0 foot above adjacent grade <u>0</u>
d) Engineered flood openings? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	c) Total net area of flood openings in A9.b <u>0</u> sq in
	d) Engineered flood openings? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

SECTION B – FLOOD INSURANCE RATE MAP (FIRM) INFORMATION

B1. NFIP Community Name & Community Number St James Parish 220261		B2. County Name St James Parish		B3. State Louisiana	
B4. Map/Panel Number 22093C0200	B5. Suffix C	B6. FIRM Index Date 7/04/11	B7. FIRM Panel Effective/Revised Date 7/04/11	B8. Flood Zone(s) AE	B9. Base Flood Elevation(s) (Zone AO, use base flood depth) 6.0

B10. Indicate the source of the Base Flood Elevation (BFE) data or base flood depth entered in Item B9.
 FIS Profile FIRM Community Determined Other/Source: _____

B11. Indicate elevation datum used for BFE in Item B9: NGVD 1929 NAVD 1988 Other/Source: _____

B12. Is the building located in a Coastal Barrier Resources System (CBRS) area or Otherwise Protected Area (OPA)? Yes No
 Designation Date: _____ CBRS OPA

SECTION C – BUILDING ELEVATION INFORMATION (SURVEY REQUIRED)

C1. Building elevations are based on: Construction Drawings* Building Under Construction* Finished Construction
 *A new Elevation Certificate will be required when construction of the building is complete.

C2. Elevations – Zones A1-A30, AE, AH, A (with BFE), VE, V1-V30, V (with BFE), AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO. Complete Items C2.a-h below according to the building diagram specified in Item A7. In Puerto Rico only, enter meters.
 Benchmark Utilized: DF 5754 Vertical Datum: NAVD 1988

Indicate elevation datum used for the elevations in items a) through h) below. NGVD 1929 NAVD 1988 Other/Source: _____
 Datum used for building elevations must be the same as that used for the BFE.

Check the measurement used.

a) Top of bottom floor (including basement, crawlspace, or enclosure floor)	<u>7.6</u>	<input checked="" type="checkbox"/> feet <input type="checkbox"/> meters
b) Top of the next higher floor	<u>N/A</u>	<input type="checkbox"/> feet <input type="checkbox"/> meters
c) Bottom of the lowest horizontal structural member of the building		

Slide 16: Flood Map Changes

Residents and business owners may find that their current flood risk has changed and in some cases a property may be mapped into a lower-risk zone. For others, a property's risk may change from a moderate- or low-risk area to a high-risk area, making flood insurance mandatory by most lenders. Other changes could include a change in high-risk area designation (e.g., from a zone beginning with the letter "A" to a zone beginning with the letter "V") or a change in the Base Flood Elevation (BFE).

Flood hazards are dynamic and can change frequently because of a variety of factors, including weather patterns, erosion, and new development. FEMA, through the Risk Mapping, Assessment and Planning (MAP) program, works with communities to collect new or updated flood hazard data and periodically updates flood maps to reflect these changes.

Flood maps are supposed to be reviewed every 5 years. Generally, there are reviewed about every 25 years.

Slide 17: Learning Objective 1:

The real estate agent will display a general knowledge of the risk of flooding in Louisiana and the challenges for the National Flood Insurance Program to provide flood insurance in Louisiana.

1. Name 3 of the historical major flood events in Louisiana.
2. The risk of property flooding in Louisiana is generally low compared to the rest of the country.
True / False

Slide 18: Learning Objective 2:

The real estate agent will display a general knowledge of flood insurance coverages and the factors involved in pricing the policies.

1. Home insurance policies cover the peril of rising water or flooding. True / False?
2. Contents are covered on the flood policy with replacement cost value or actual cash value?

Slide 19: Learning Objective 3:

The real estate agent will display a general knowledge of flood zones, mapping, and how to use an elevation certificate.

1. The V Zone is a high or low risk zone?
2. It is ok for the real estate agent to advise a client that a property is in a no-flood zone. True / False?

Slide 20: Class Break 10 Minutes**Slide 21: Flood Insurance Changes****Slide 22: Flood Insurance Historical Changes**

1. National Flood Insurance Act of 1968
2. Flood Disaster Protection Act of 1973
3. Coastal Barrier Resources Act of 1982
4. National Flood Insurance Reform Act of 1994
5. Flood Insurance Reform Act of 2004
6. The Biggert-Waters Flood Insurance Reform Act of 2012
7. Homeowner Flood Insurance Affordability Act of 2014
8. Flood 2.0 2021

Flood insurance is still relatively young at just over 50-years in existence. As you can see, many changes have occurred over the years. Generally speaking, the changes have gravitated to removing subsidies for properties, that is, charging what actuaries (mathematicians who determine policy risks and suggested premiums) say should be charged. Since the NFIP is a national program, flood insurance is a very political matter. States that do not have as many flood challenges do not want to pay as much for this program as states that do.

Slide 23: Changes to the NFIP

Biggert-Waters Flood Insurance Reform Act of 2012

Removed many of the subsidies that existed for homeowners in higher risks flood zones

1. Properties flooded many times
2. Second homes
3. Commercial Properties
4. "Grandfathered" flood policies

At the time the most austere reflection of the movement to higher rates for states such as Louisiana was realized with the Biggert-Waters Flood Insurance Reform Act of 2012. The premiums were targeted especially for increases for properties that were not primary, owner-occupied residences with low flood claim activity. These changes came relatively shortly after Hurricanes Katrina and Rita, and if it was not for Superstorm Sandy in the Northeast, then we would have probably not seen the Homeowner Flood Insurance Affordability Act of 2014.

Homeowner Flood Insurance Affordability Act of 2014

Delayed the increases in flood insurance premiums brought about by the Biggert-Waters Act. It generally only delayed the increases. But it did return the grandfathering allowance.

While the return of the Grandfather rating for older properties was a real help for those property owners, the rest of the act was just a delay of the new cost increases.

Slide 24: Flood 2.0, Phases of Implementation

October 1, 2021

- PHASE I: New policies beginning Oct. 1, 2021, will be subject to the new rating methodology. Also beginning Oct. 1, existing policyholders eligible for renewal will be able to take advantage of immediate decreases in their premiums.

April 1, 2022

- PHASE II: All remaining policies renewing on or after April 1, 2022, will be subject to the new rating methodology.

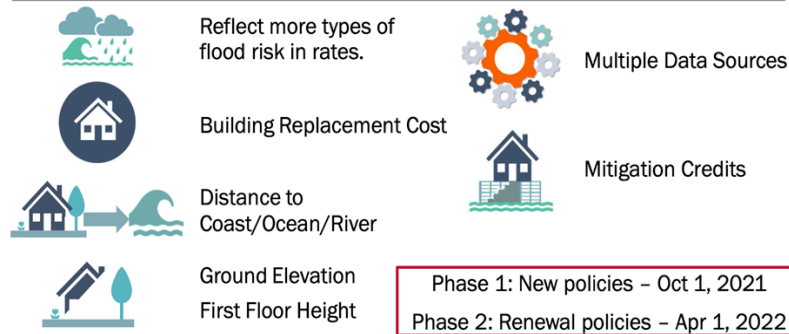
Statutory discounts, pre-firm, newly mapped rated and other, the discounts will phase out and the policy will transition towards its true risk rate.

The major takeaways are that if a property is not currently insured with NFIP flood insurance, it will realize the full Flood 2.0 rate upon purchase. Properties with current coverage that are set for rate increases will go up no more than 18% per year.

Slide 25: Flood 2.0 Changes Overview

NFIP risk rating reform: On March 18, 2019, the Trump administration announced plans to reform the NFIP with a shift to fully risk-based pricing of flood insurance. FEMA said the program would begin to assess properties individually, using several variables such as hurricane rainfall, coastal surges, and proximity to bodies of water, rather than applying a single formula for an entire flood zone. FEMA's current system calculates rates based on whether a home falls in a designated flood zone, and since higher-valued properties are more likely to hit the \$250,000 insurance cap, lower-value homes are paying proportionately more than higher-value homes. The reformed system would change that as well as potentially drive more flood risk into private reinsurance and risk markets. FEMA will implement the new system on October 1, 2021.

Risk Rating 2.0 Equity in Action

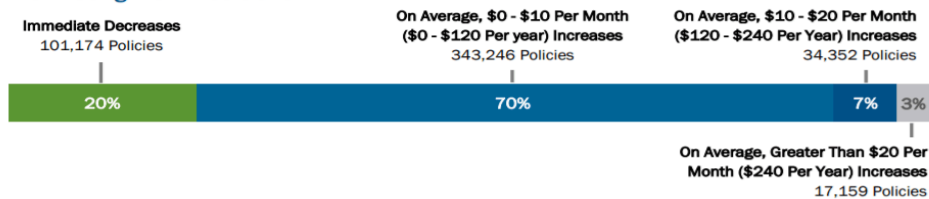


Flood 2.0 considers more types of flood risk and looks at nearby risks such as canals and streams. Each property has a designated elevation as determined by the NFIP. Data is gained from various sources. Mitigation credits are better identified.

Slide 26: NFIP in Louisiana

Many property owners are finding that their flood insurance rates will increase significantly under Risk Rating 2.0 while others are finding that their rates will remain relatively the same.

Risk Rating 2.0 in Louisiana



March 2021 1

Just looking at this diagram from FEMA, we would think that the changes to the premiums would not be that significant. However, when you realize that these modest monthly increases are slated to occur for multiple years for existing policies and the fact that properties without current coverage will see the full premium increase, immediately, then you will understand that this diagram is not showing us the full impact of the premium changes in Flood 2.0. FEMA is also anticipating that as many as 900,000 current policy holders will not maintain their policies as a result of the premium increases.

Slide 27: What's Not Changing Under Risk Rating 2.0

Maintaining Features:

We are maintaining features to simplify the transition to Risk Rating 2.0 by offering premium discounts to eligible policyholders. This means:

- FEMA will continue to offer premium discounts for pre-FIRM subsidized and newly mapped properties.
- Policyholders will still be able to transfer their discount to a new owner by assigning their flood insurance policy when their property changes ownership.
- And, discounts to policyholders in communities who participate in the Community Rating System will continue. Communities will continue to earn National Flood Insurance Program rate discounts of 5% - 45% based on the Community Rating System classification. However, since Risk Rating 2.0 does not use flood

zones to determine flood risk, the discount will be uniformly applied to all policies throughout the participating community, regardless of whether the structure is inside or outside of the Special Flood Hazard Area.

Agents should also have discussions with their clients about sellers assigning their flood insurance policies to buyers so buyers can take advantage of any premium discounts a seller currently has (currently known as grandfathering).

There's still a discount for houses built before Dec 31, 1974. People can still transfer a policy to a new property owner (a reason why real estate agents may want to encourage sellers to retain their flood policies), and communities in the flood program can receive discounts.

Slide 28: What's Not Changing Under Risk Rating 2.0, continued

The Mandatory Purchase requirement

- Still be required for properties in Special Flood Hazard Areas (SFHAs)
 - Flood Insurance Rate Maps
 - 30-day waiting period waived (loan exception)

Floodplain Management

- Community compliance
- LOMAs and LOMRs will still exist
 - Flood Insurance Rate Map

Statutory caps on annual individual rate increases

- Most premium rates may not increase by more than 18% per year

Building/Contents Limits and Increased Cost of Compliance (ICC)

- Coverage limits
- ICC coverage/%

Mandatory flood insurance purchase will still generally only apply to properties in the Special Flood Hazard Areas. Our parishes will still be able to determine if a property merits a letter of map amendment or a letter of map revision. Rate increase caps will generally be limited to 18% per year. The \$250,000 for property and \$100,000 for contents limits with a \$500,000 for commercial property limits are retained. Increased cost of compliance coverage remains at \$30,000.

Slide 29: New methodology for Flood 2.0

Rating Variables

- Standardized rating tables will no longer be used, rates will be calculated using an algorithm.
- The flood zone and Base Flood Elevation (BFE) will no longer be used in rating.
- Elevations will be considered for all properties. Elevation certificates can be used if they help lower the premium.
- Distance to Flooding Source & Flood Type

Rating Variables

- Prior Claims
 - FEMA will not include prior claims history in the initial rate calculation
 - The prior claims variable will be applied at renewal of the policy, after first loss under the new pricing methodology

- A rolling 20-year period
- Severe Repetitive Loss (SRL) surcharge not included in their premium until they have their first loss under the new pricing methodology

Clean slate. But once a claim occurs, then that new claim is not counted, but anything else within the past 20 years is counted

Properties now located in preferred zones (X,B,C) may now get better rated with an elevation certificate. One big matter will be the fact that properties in the Repetitive Loss Program will receive immediate lower rates but will be penalized for any claims in the previous 20 years once the next claim is made.

Slide 30: Private and Surplus Flood Insurance

The National Flood Insurance Program, now 50 years old, compensated for coverage not available in the private market. Private insurers did not have reliable ways of measuring flood risk, but technological advances now allow insurers to underwrite risk more accurately and make sounder actuarial decisions. In early 2019 federal regulators allowed mortgage lenders to accept private homeowners flood insurance if the policies abide by regulatory definitions. Also allowed are private insurance policies that do not meet regulations if insurers provide adequate protection according to general safety and soundness requirements. The effect is likely to impact homeowners in states where most of the nation's flood insurance policies are held. In 2019 net premiums written for private flood insurance plummeted to \$287 million, down 46.9 percent from \$541 million in 2018, according to S&P Global Market Intelligence. There were 140 private companies writing flood insurance in 2019, compared with 116 in 2018, according to NAIC data compiled by S&P Global Market Intelligence. [A.M. Best](#) says the increase in private carriers improves competition and helps spread the economic risk that comes from flooding. Private carriers can also offer higher coverage than FEMA's National Flood Insurance Program policies, currently capped at \$250,000 for residential buildings and \$500,000 for non-residential buildings.

<https://www.insurancejournal.com/news/southcentral/2021/05/25/615635.htm>

Gulf States home insurance is possibly planning to include flooding as an included peril in its home insurance policy.

It should be noted that dwellers can also purchase surplus flood insurance to extend beyond the limits of NFIP policies.

With improved underwriting technical capabilities there is an increased interest from private insurance companies to enter the flood insurance arena, and over 100 companies have done so. For Louisiana property owners a possible concern could be that the private companies will generally operate in areas with lower flood risks, attract those clients, and leave the NFIP pool with a larger percentage of riskier business. The result would be more pressure to raise rates on those policies.

Slide 31: Learning Objective 4:

The real estate agent will display a general knowledge of changes in the National Flood Insurance Program.

1. Flood 2.0 will generally result in increased / decreased premiums for policies in Louisiana?
2. The National Flood Insurance Program is a federal / state-run system?

Slide 32: Class Break 10 Minutes

Slide 33: Flood Mitigation Efforts in Louisiana

Slide 34: Flood Mitigation

Mitigation focuses on breaking the cycle of disaster damage, reconstruction, and repeated damage. Mitigation efforts provide value to the American people by creating safer communities and reducing loss of life and property.

Mitigation includes such activities as:

- Complying with or exceeding NFIP floodplain management regulations.
 - https://www.theadvocate.com/baton_rouge/news/article_2f55d6b4-a846-11eb-9ae0-9bcb8df1c1ff.html
- Enforcing stringent building codes, flood-proofing requirements, seismic design
- standards and wind-bracing requirements for new construction or repairing existing
- buildings.
- Adopting zoning ordinances that steer development away from areas subject to
- flooding, storm surge or coastal erosion.
- Acquiring damaged homes or businesses in flood-prone areas, relocating the
- structures and returning the property to open space, wetlands, or recreational uses.

The increases in premiums that we will realize with Flood 2.0 will probably move communities and individuals to seek more mitigation measures to better protect property and lower premiums.

Slide 35: Statutory NFIP Discounts & Mitigation Credits

Statutory Discounts

- Includes pre-FIRM, Newly Mapped Rated, and Other
- The policy will transition towards its true risk rate
- In general, a policyholder loses their discount if they allow the policy to lapse.

Community Rating System Discounts

- The new pricing methodology will apply the CRS discount uniformly in qualifying communities - regardless of whether the structure is inside or outside the Special Flood Hazard Area (SFHA).
- The discount will be a flat percentage based on the CRS class, with no difference for flood zone.

Machinery & Equipment (M&E)

- The rating engine will apply a discount for policyholders with M&E elevated above their first floor.
- Agents will self-certify the position of the M&E by answering a "Yes/No" question on the application.
- The list of eligible M&E will be listed in the Flood Insurance Manual.

Flood Vents

- The rating engine will apply a discount to the policy for buildings in any flood zone with proper openings in the enclosure.
- The flood insurance application will need to reflect the proper information in order to receive the discount.

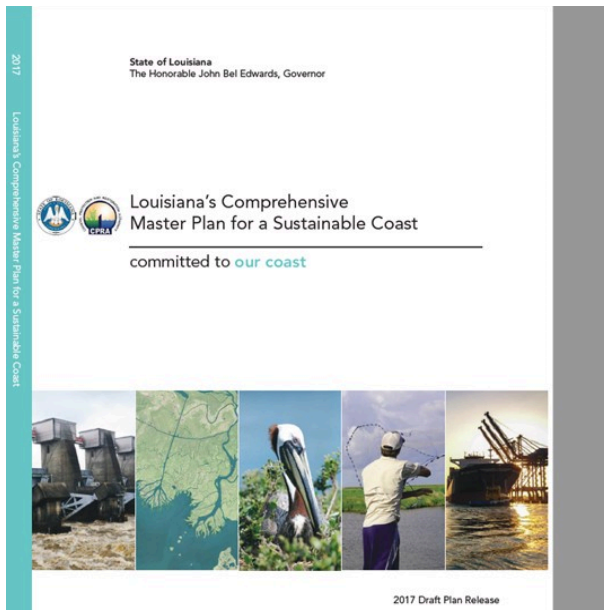
Floodproofing

- An alternative to elevating a building at or above the Base Flood Elevation
- The insurer must submit proper documentation
- Meet eligibility requirements

Most of the discounts are pretty much the same. The NFIP is now better identifying the means by which we can get discounts for machinery & equipment (i.e. elevating air conditioners).

In Louisiana we are seeking multiple means to mitigate flooding concerns including improving levees, drainage systems, raising housing elevation standards, raising houses, even studying the country of Holland's mitigation efforts.

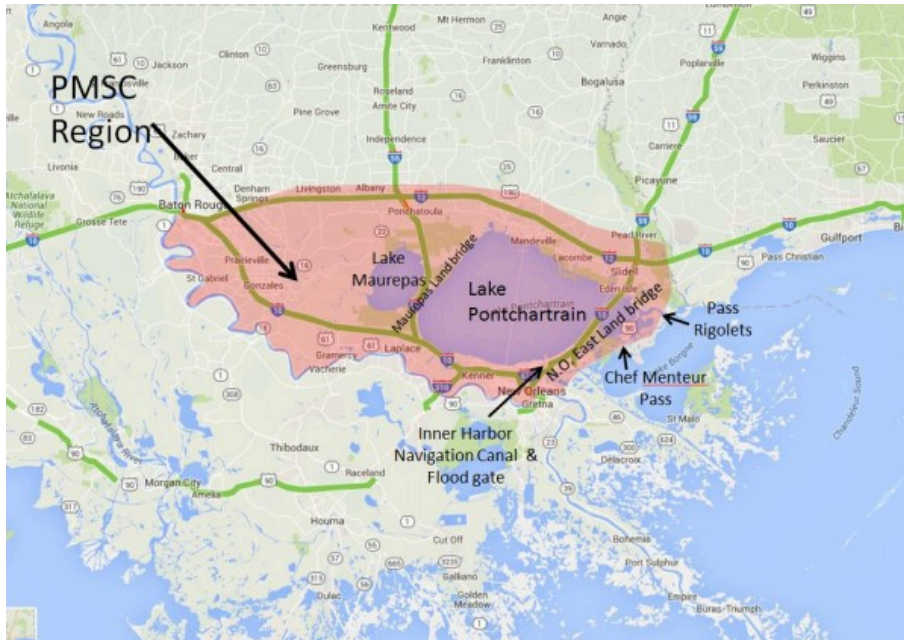
Slide 36: Louisiana has a master mitigation plan that is supposed to nest with a regional plan for the states along the Gulf of Mexico



Louisiana has a master mitigation plan sustaining our coastline that is supposed to nest with a regional plan for the states along the Gulf of Mexico. Understandably, this plan aligns with flood prevention.

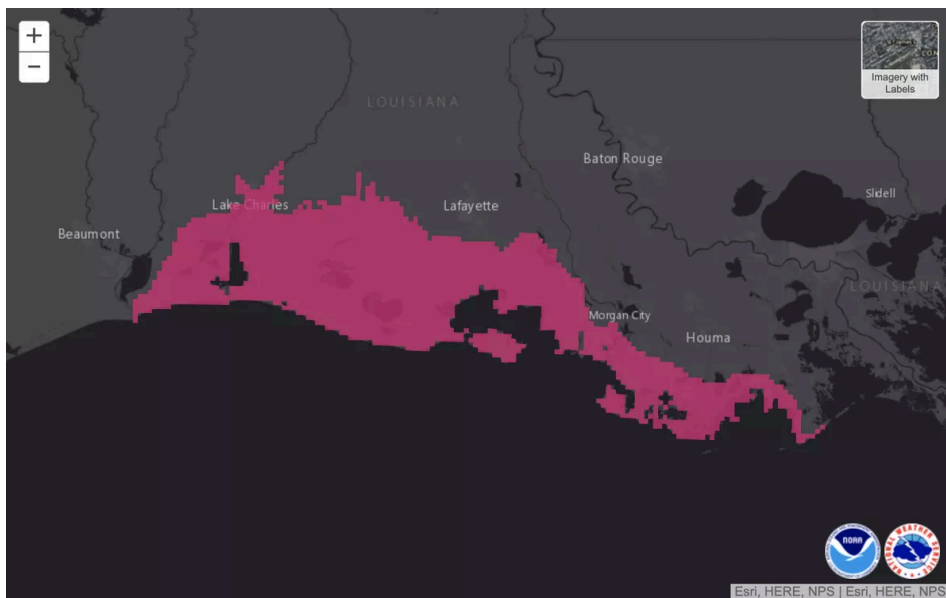
Each coastal parish or regional area in the state are also supposed to mesh with Louisiana's overall plan.

Slide 37: Lake Pontchartrain Hurricane Flood Surge Potential



We have seen the predicted flood surges for different regions of the state if certain sized hurricanes strike those areas. Looking at the greater New Orleans map, we see an Isaac-type strike that comes up the Chef Menteur Pass and causes a surge all the way to the north side of the Mississippi River, up to Baton Rouge and north of I-12.

Slide 38: Hurricane Laura Flood Surge Potential



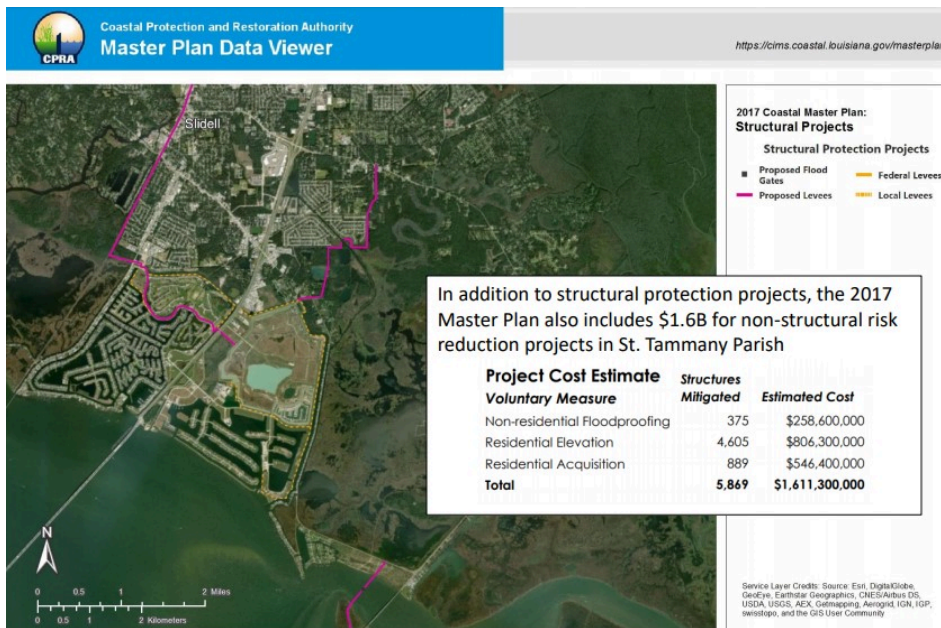
Here we see the possible surge threat of Hurricane Laura to the Southwest and South-Central Louisiana Coast. The surge did not get this deep, as the storm moved through rather fast.

Slide 39: Federal Levee System with Upgrades, Greater New Orleans Southshore



Here you will see the proposed federal levee additions for the Greater New Orleans Southshore mitigation with an extension to protect much of St. Charles and St. John Parishes (blue) and efforts west of Lake Maurepas.

Slide 40: Coastal Protection and Restoration Authority, St. Tammany Parish proposal



St. Tammany is looking to extend existing protection around more of Slidell. However, the rest of St. Tammany has very little coastal support against a storm surge. Other areas of the parish are expected to mitigate flooding means more in common with Lake Charles.

Slide 41: STLD - Proposed Slidell FP System



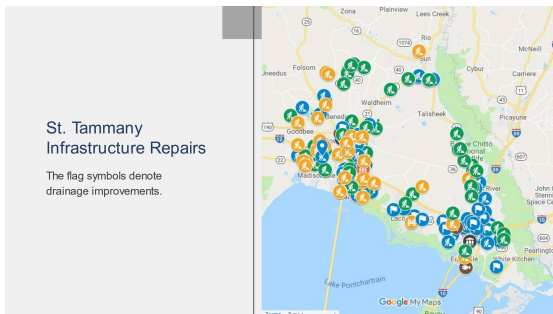
This proposed wall would go right in the middle of Highway 11 in Slidell. This image illustrates the difficulty with erecting levees in existing communities.

Slide 42: Proposed Water Break, Madisonville, Mandeville



This diagram represents breakwaters designed to protect the wetlands in Mandeville and Madisonville.

Slide 43: St Tammany Infrastructure Repairs



You can find sites like this on the internet for many parish governments. Here the flag symbols represent drainage projects.

Slide 44: Southwest Louisiana Flood Plan

No levees in Corps' \$1.8 billion flood plan for southwest Louisiana

Mark SchleiStein, NOLA.com | The Times-Picayune, Published MAR 21, 2015 AT 4:38 AM | Updated JUL 17, 2019 AT 3:19 PM

The new draft plan, revised from a first version released in December 2013, rejected proposals to build new levees around Lake Charles and other communities to protect them from storm surges caused by hurricanes with a 1 percent chance of occurring in any year, the so-called 100-year storm. The costs of the levee proposals outweighed their benefits, the report said.

Instead, it focuses \$824 million on raising or removing buildings that will be in areas subject to 25-year floods in 2025, those that have a 4 percent chance of occurring in any year.

Ecosystem restoration features would cost another \$988 million.

The program includes an "involuntary participation" requirement for homes designated as "severe repetitive loss" properties by FEMA

"Buyouts offered to residents of continually flooded neighborhood"

https://www.americanpress.com/news/local/buyouts-offered-to-residents-of-continually-flooded-neighborhood/article_31b80630-bbb9-11eb-83b6-0fde710f120e.html

The Southwest Louisiana and Lake Charles areas flood mitigation plan has changed drastically from the original 2012 model. Gone are the levee systems designed to protect the city. In its place are plans much more like West St. Tammany and the Mississippi Gulf Coast with plans to encourage higher elevation standards and even buyouts of properties.

Slide 45: Future Flood Mitigation Goals

- Flood Resilience
- Disaster resilience refers to the ability of communities to prepare for, recover from, and adapt to adverse events.
- Some of the best practices for community flood resilience recommended by the Environmental Protection Agency include: a comprehensive disaster recovery plan; green infrastructure techniques; land conservation in river corridors; restoring wetland vegetation; discouraging development in frequent flood areas; adapting flood resistant building codes; and coordinating with neighboring jurisdictions to implement a watershed-wide approach to stormwater management.
- Urban planners and engineers around the world are developing innovative flood solutions such as amphibious housing, porous roads, and sidewalks, and use of satellite data for more frequent flood alarms.
- A 2017 National Institute of Building Sciences study found that for every dollar invested in riverine flood mitigation the return was \$7 in cost savings.

The NFIP in concert with other federal departments and state and local governments are studying further mitigation efforts, especially areas of flood resilience. The general idea is developing a working relationship with water.



Porous Parking at Morning Call

Slide 46: The Downsides of Levees and the Levee Effect

- High cost to construct
- Difficulties with blending with the environment
- High cost to maintain
- Unexpected consequences
 - Flooding in adjacent areas
 - Environmental damage

- Unwarranted sense of security for expanded building in flood plains

Which brings up the topic of the levee effect. We understand the benefits of levees for flood protection. But there are downsides.

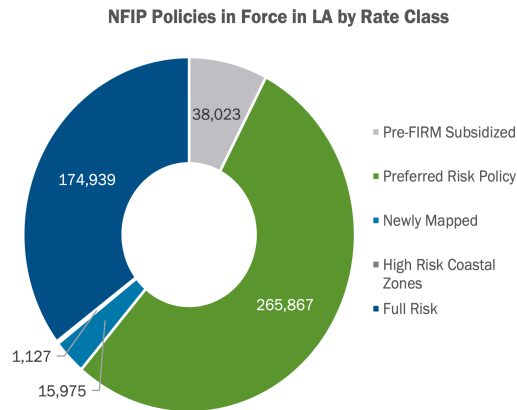
Slide 47: Hurricane Harvey Federally Owned Flood Control Reservoirs



The reservoirs behind Addicks and Barker dams are dry most of the time, dotted with parks and sports fields. But during Hurricane Harvey, they filled to unprecedented levels with floodwater that crept into thousands of homes and businesses behind them, lingering for days. Within weeks, hundreds of impacted property owners had sued the U.S. Army Corps of Engineers — the federal agency that owns and operates the dams — alleging that it is liable for the flooding and must compensate them for the resulting damages.

And then there was Hurricane Harvey and the flood control levees, where thousands of flooded-out Houstonians learned that their homes and businesses were located inside federally-owned flood control reservoirs. Unlike most levees such as the ones surrounding New Orleans, which are designed to keep water out. These reservoirs were designed to keep water in. Unfortunately, all levees can have this effect when things go really wrong.

Slide 48: Flood Mitigation Need Forecast



The chart above identifies policyholders in Louisiana who may need the most help to reduce flood insurance rates. They will be paying their true flood risk rate under Risk Rating 2.0, and by implementing mitigation measures while on a glidepath to their full risk rate, they can help reduce their costs.

The state plays a key role in leading those mitigation efforts through coordination and collaboration with communities. States, local communities, tribes, territories, and individuals should prioritize mitigation projects, mitigation planning, and the adoption or strengthening of building codes and zoning regulations to improve resilience and reduce flood insurance rates.

Currently, government-supported mitigation efforts such as elevating properties are relatively rare when we consider that this chart is suggesting nearly 175,000 properties will be needing financial support to thwart the incoming rates.

Slide 49: Learning Objective 5:

The real estate agent will display a general knowledge of flood mitigation efforts and how they are being used in areas of Louisiana.

1. Name different types of flood mitigation that Louisiana is adapting to protect residences.
2. St. Tammany Parish and the city of Lake Charles will be fortifying the coast flood protection by building federal levees around most of their residences. True / False

Slide 50: Real estate agent takeaways & final thoughts

For properties in preferred flood zones where flood insurance is generally not required, I would anticipate that higher rates may dampen sales a bit.

For properties in zones requiring flood insurance for loans, some properties could become much less attractive for owner occupancy and may transition to investment property.

The National Flood Insurance Program is relatively young, just over 50-years old.

Louisiana's efforts with flooding will be an ongoing story.

The real estate agent can greatly assist the home buyer/seller/owner in this business environment by recognizing important flood matters and assisting the customer with basic knowledge.

Real estate agents can stay current on residential property matters by maintaining relationships with several engaged insurance agents. Avoid using the term, "No Flood Zone."

Comments / Questions?

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