

# COASTAL AND INLAND FLOODING ARE WE ALL AT RISK?

By Robert J. Prah, CPCU

**W**ith hurricane season technically here, it seems appropriate to raise the awareness level

concerning the flood exposure associated with tropical storms, particularly after last year's devastation. Hurricanes are accompanied by torrential rains, which have quite literally inundated many unsuspecting communities. Communities along the Atlantic, Pacific, and Gulf coasts, including those miles inland, are all exposed.

In fact, the most severe damage from hurricanes often is not from wind, but rather from inland flooding brought on by prolonged and severe downpours. Witness last year's flooding in eastern North Carolina from Hurricane Floyd, which inundated communities four and five miles from the Tar River—counties classified as moderate to minimal flood hazard areas.

Much has been written about the need for flood insurance, but confusion still seems to linger concerning who is exposed to loss by this peril, and who is eligible for flood insurance. Standard homeowners policies specifically exclude damage caused by flooding.

## Does everyone live in a flood zone?

Flood zones are identified on the National Flood Insurance Program's (NFIP) Flood Insurance Rate Maps (FIRMs). Special flood hazard areas (those with the greatest risk) are designated A or V zones. Less hazardous areas (moderate to minimal risk) are designated B, C, or X. Unstudied areas where the flood hazard is undetermined (but possible) are designated as D zones. Flood maps can be purchased for a nominal fee from the FEMA service center by calling (800) 358-9616.

Remote rural areas that are very sparsely populated are about the only locations that may not be specifically classified with respect to flood hazards. It therefore can be said with a fair degree of accuracy that the great majority of us live in a flood zone, although the degree of risk will vary considerably from zone to zone.

For people who live in A or V zones, the need for flood insurance is obvious. But what about those who live in B, C, or X zones where the flood risk is moderate to minimal? Judging from weather-related events of recent years, people who live in these areas are exposed and need to be aware of their options with regard to obtaining flood insurance. In fact, according to Mark Stevens, a public affairs officer with FEMA, "Although

the vast majority of policies are written in high flood risk zones, nearly 30% of all flood claims emanate from the B, C, and X zones."

One option for people who live in the less risky areas is the Preferred Risk Policy (PRP), which can be obtained through the NFIP. The PRP is designed to cover one- to four- family residential dwellings that are located in zones B, C, or X. It is an easy-to-write, low-cost policy, because the exposure to flood is considerably less than in the A or V zones. (The PRP is not available for condominiums.)

A Write Your Own (WYO) program, jointly sponsored by the NFIP and private insurers, allows participating companies to write and service the standard flood insurance policy. Agents have the option of placing flood insurance through the NFIP or with one or more WYO companies.

The catch for those who live in flood zones, including those designated as B, C, or X, is that for insurance (PRP or WYO) to be available, the community must be participating in the national flood program. The National Flood Insurance Act allows the Federal Insurance Administration to make flood insurance available *only* in communities where suitable floodplain management controls have been adopted.

If the community is not participating in the national flood

# AN AGENT'S IDEAS FOR IMPROVING THE FLOOD PROGRAM

M. Rita Hollada, CPCU, CIC, CPIA, of the Insurance Professionals of Selbyville, Delaware, and chairman of the Flood Insurance Producers National Committee (FIPNC), says more effective utilization of tools provided by the flood insurance program would help mitigate the flood risk. "We have a 'neighborhood crime watch,' so why not a 'neighborhood flood watch?'" said Hollada. "The new 'Be Flood Alert' brand of the NFIP lends itself to so many opportunities. Subdivisions can stencil the 'Be Flood Alert' logo on streets and curbs near storm drains which could be blocked. Areas subject to flash flooding from storm runoff could be marked by a 'Be Flood Alert' road sign."

Hollada, who provided her suggestions at a recent meeting of the Floodplain Management Forum, also said the program should partner with insurance agencies to take flood education programs into the schools.

"One of the biggest stumbling blocks to awareness may simply be the use of the word 'flood,'" she continued. "It inspires images of a swollen river, not a swollen street. Flood evokes visions of a violent, storm driven sea, not the hillside gushing water from a violent downpour. Average people like you and me sit back smugly and say 'it can't happen to me' because I don't live on the river or near the ocean."

Hollada was critical of the complexity of the flood insurance program, noting that maps in use are outdated, with streets not



named and entire subdivisions not identified, and that obtaining an elevation certificate for each specific property is a costly and time-consuming endeavor. She said the flood policy itself is replete with language and concepts not found in the remainder of the insurance industry and obscure rules

that are incomprehensible by most agents, lenders and consumers.

"It is time for some creative thinking and simplification of the flood insurance mechanism," Hollada declared.

Another focus of possible reform, she said, is to reward those who take an active part in flood prevention and control by offering rating discounts and credits to individual property owners who employ flood mitigation techniques.

Hollada is a member of the National Association of Professional Insurance Agents, the organization that chairs the Flood Insurance Producers National Committee (FIPNC). PIA National has been an active participant in FIPNC since co-founding the committee in 1982. FIPNC is comprised of representatives of producer organizations dedicated to improving the National Flood Insurance Program through cooperation with the Federal Insurance Administration. The group provides expertise to federal policymakers in the areas of flood insurance product design and development, producer education and marketing.

## MEDIATION

(continued from page 95)

both parties which explains the situation so that, after a few questions, the mediator should have an excellent understanding of what is desired by both parties.

### Mediation may mean salvation

Mediation is not a guarantee that a dispute will be resolved. Mediations can break down, leaving the need to go to more adversarial methods. However, mediation does give a dispute a strong opportunity to be resolved when it involves parties who are motivated to seek a solution. Litigation and arbitration are methods for deciding arguments that will always have a place in the world of insurance. However, mediation offers an alternative that can reduce expenses and bad feelings among the disputing parties. This outcome is a critical advantage of mediation. If mediation is successful, it may also preserve a working relationship between two parties such as an insured and his/her insurance company (and, by extension, the insurance agent). Other methods, due to their increased cost and battleground atmosphere, often leave scorched earth. If you have a dispute, what result could possibly be better than to be able to continue working together after the issue is settled?

*Author's note:* I attended the 2000 American Association of Insurance Services (AAIS) Conference held in Arlington, Virginia, April 9-April 11, 2000, which included Mark Appel's session on mediation. AAIS creates insurance forms and programs for its subscribing companies and is located at 1735 S. Naperville Road, Wheaton, IL 60187. The AAIS Web site is [www.AAISonline.com](http://www.AAISonline.com) ■

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program, property owners can contact local agents and brokers who may have access to nonstandard or specialty insurers that write flood insurance. Some standard carriers also may be willing to insure prospects who live in these less risky areas.

To determine if a community is participating in the national flood program, individuals can contact their local officials, a local insurance agent, or the NFIP at (800) 638-6620.

The risk of flood is real, and people who live in moderate to minimal flood risk areas (who may believe it can't happen to them) need to be aware of the risks and their options. ■

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