Stakeholder Mapping Update & Insurance Workshop

Town of Estes Park

October 24, 2016

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Today’s Agenda

- Estes Valley Project Background
- Estes Park Mapping Project Timeline
- NFIP Reform and Program Changes
- Effects of Map Changes on Flood Insurance
- Risk Communication Resources and Tools
Estes Valley Project Background

- Flood Risk currently underestimated on Estes Valley FIRMs
- CDOT hydrology study post-flood
- New CO Hazard Mapping Program
- CDBG-DR grant through DOLA for new hydrology study of Fall R, Big T, Black Canyon, Dry Gulch
- Study currently in peer review process
- Public meeting tentatively set for Dec. 14, may be changed to January 11, 2017
- Acknowledgements – FEMA Region VIII, Colorado Water Conservation Board – Watershed & Flood Protection Section, Ogilvy Public Relations, Michael Baker International, Bruce Bender
Estes Valley Mapping Project Timeline

Dec 2016/Jan 2017 (Tentative)
- Public Open House for Hydrology Study

Spring 2017
- Completion of Estes Valley Mapping

Fall 2018 (est.)
- Release of new preliminary Flood Maps (FEMA)
- Public Open House

Spring 2019 (est.)
- 90-day Public Comment Period (Appeals)

Fall 2019 (est.)
- Issuance of Letter of Final Determination
- 6-month Compliance Period

Early 2020 (est.)
- New Flood Maps Become Effective
- Lender and Insurance Requirements Change
Impacts of Reform Legislation on Insurance

Biggert-Waters Flood Insurance Reform Act of 2012
&
Homeowners Flood Insurance Affordability Act of 2014
Special Flood Hazard Areas (SFHAs)

High-Risk Areas

- Zone V & A
- 1% annual chance
- “100-year”
- 26% chance in 30 years
- More likely to have a flood than a fire
- Federal requirement for lenders
Non-Special Flood Hazard Areas

Moderate-Risk Areas
- Zone B; Shaded X
- 0.2% annual chance
- “500-year”

Low-Risk Areas
- Zone C and X

Not Federally Required by lenders

Low-Cost Insurance Available – PRP
Preferred Risk Rates vs. Standard Rates

Preferred Risk Rates

• Must be in Zone B, C, or X at time of application AND each subsequent renewal*
  • Fixed premiums; fixed limits
  • Limited loss history

Standard Rates

• Rate Tables provided in Flood Insurance Manual
  • Risks not eligible for Preferred Risk Policy
  • Flexible limits

*NOTE:
Buildings newly mapped into a high-risk area may be able to be rated using Preferred Risk Policy (PRP) rates within the first 12 months after a new flood map becomes effective.

Total premiums are slightly higher than a standard PRP due to a higher Federal Policy Fee and Reserve Fund Assessment.
Pre- & Post-FIRM Rate Comparisons

Pre-FIRM
- Built before initial FIRM
- No NFIP Building Ordinance
- Subsidized Rates in Zone D, A & V

Post-FIRM
- Built on/after initial FIRM
- NFIP Building Ordinance
- Requires EC in Zones A & V
- Full-risk rates charged

Estes Park
First Flood Insurance Rate Map (FIRM)
01/01/1979

Larimer County
First Flood Insurance Rate Map (FIRM)
04/02/1979
Reform-Related Definitions

Subsidized Rates:
Rates for pre-FIRM buildings that are in Zone D or in Zones A* and V that are not rated with an elevation certificate.**

Full-risk Rates (FRR):
Rates for buildings that are elevation-rated and reflect the true flood risk.

Non-primary residence:
A building that will be lived in for less than 50% of the policy year by the policyholder.

*Except certain zones like A99 & AR  **Except certain zones like unnumbered V
Definition of Business

A business property means a building where a commercial enterprise is carried out to generate income and coverage is for one of the following:

(a) non-habitational building;
(b) a mixed-use building-commercial uses exceeds 25 percent of the total floor area; OR
(c) a building designed for use as office or retail space, wholesale space, hospitality space, or for similar uses.
So...What Are The Changes

Premium Increase Caps

- **Average Rate Classes Limited to 15%**
- **Individuals Limited to 18%**
- **Mandatory Increases for Certain Subsidized Policy-holders (Pre-FIRM) 25%**
Pre-FIRM Homes in Zone A, D, V

- **Primary Residences**
  - Rates increase up to 15-18% a year
  - April 1, 2016 – average increase is 5%

- **Non-Primary (Secondary) Residences**
  - Increasing at 25% a year until full-risk rated

Policy and rate can be transferred at sale
Pre-FIRM Buildings in Zone A, D, V

- Receive 25% Annual Increase Until Full-Risk Rated
  - Repetitively Flooded Buildings
  - Substantially Damaged/Improved Buildings
  - Businesses
    - Became effective April 1, 2016
Determining Full-Risk Rate

- Obtain an Elevation Certificate (EC)
- Ask their insurance agent to rate using EC
- Estimate when 25% Phase-in = Full-Risk Premium

Example 1*: LFE-BFE = -3’ Full-Risk Premium ~ $8,900

<table>
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<tr>
<th>EXISTING</th>
<th>YEAR 1</th>
<th>YEAR 2</th>
<th>YEAR 3</th>
<th>YEAR 4</th>
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<td>$7,100</td>
<td>$8,800</td>
<td>$11,100</td>
<td>$13,900</td>
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</table>

Example 2*: LFE-BFE =0’ Full-Risk Premium = $2,136

RATE USING FULL-RISK RATES!

*Pre-FIRM Zone AE, Slab, Secondary Home, $200K/$80K (Building/Contents); April 2016; excludes HFIAA Surcharge
Annual surcharges applied:

- $25 for primary residences
- $250 for all other buildings
- Included on *ALL* policies until *ALL* pre-FIRM subsidies are eliminated
- Surcharge revenue goes into the NFIP Reserve Fund
- Surcharges are *not* subject to premium increase caps
Impacts on Map Changes

- Repealed BW-12’s “full-risk-rate-in-5-years” rule
- Grandfathering still alive
- Newly Mapped Procedure replaces Preferred Risk Policy Eligibility Extension
  - PRP Rates first year after effective map
  - No more than 18% annual increase
  - Additional savings if effective before new map effective date
April 2016 Changes

▸ **Federal Policy Fee**
  • PRP increases from $22 to $25; all other increase from $45 to $50

▸ **Newly Mapped Procedure and PRP Multiplier Added**
  • Changes each calendar year, starting January 2017

▸ **Lapsed Subsidized and Newly Mapped policies charged full-risk rates when re-written if:**
  • They lapse more than 90 days, or
  • They lapse ANY amount of time twice = written at full-risk rates

*Exception*

• There is no lender requirement, or
• Community is suspended and policy reinstated within 180 days of community’s reinstatement
April 2016 Changes

Clear communications – re-underwriting of policies to validate policy information

• Current flood zone and FIRM data reported to policyholder
• If grandfather-/Newly Mapped procedure-rated, zone and FIRM used also reported
• FEMA will include letter in current mailings
• All New Policies - April 1, 2016
• Renewals – October 1, 2016
  • Pre-FIRM subsidize-rated
  • Standard Zone X and PRP rated
  • Newly Mapped Procedure
Lender Implementation

October 1, 2015
Federal *mandatory* purchase requirement *not* triggered if detached structure is in SHFA and home is not

January 1, 2016
Regulated lending institutions must escrow flood insurance premiums and fees on new loans and give the option to existing ones
New Elevation and Floodproofing Certificates

- EC now available at www.fema.gov/media-library/assets/documents/160
- Fillable PDF form
- Both the 2012 and 2015 ECs can be accepted through 12/31/2016
  - Three-page, legal-sized form, released on January 1, 2016 should no longer be used.
- Added diagram 2B
- Rounding error in Sec 3 (2.06=2.6!)

CRS Elevation Certificate Checklist at www.CRSresources.org/300
Options & Actions

- Identify what full-risk rate is; get an EC
- Look into effect of higher deductibles
- Encourage better CRS rating
- Consider risk and rate-reducing mitigation actions:
Impact of Map Changes on Flood Insurance
Effective Dates

- 30-days
- 1-day
- 0 days
Effects of Map Changes on Insurance

1. Properties newly *move into a high-risk zone* (A or V) from a moderate- or low-risk zone (B, C, X)

2. There is a *change in Base Flood Elevation* (BFE)

3. Properties *move into a moderate- or low-risk zone* (B, C, X) from a high-risk zone (A)

4. There is *no change*….but are they fully insured?
Rating Options

- **Newly Mapped Procedure**
  - Newly mapped into high-risk area (e.g., Zone X to A)
  - Based on PRP rates if purchased within first 12 months of new map
  - Must qualify for PRP (e.g., minimal claims)

- **Grandfathering**
  - Increase in risk (newly mapped, increase in BFE)
  - Two Types
    - Continuous Coverage – available for pre- and post-FIRM buildings
    - Built in Compliance – available ONLY for post-FIRM buildings

- **Conversion**
  - Newly mapped into moderate- or low-risk area (e.g., Zone A to X)
Newly Mapped Into High-Risk Area

High-Risk (Zone A, AO, AH, AE)

Moderate- or Low-Risk (Zone B, C, X )

- Federal Mandatory Purchase Requirement
- Risk increases = premium increases
- FEMA provides cost-saving options: Newly Mapped Procedure
  - Lower-cost preferred risk rates available for 12 months after effective date

DON’T WAIT!
Buy PRP now as risk is higher than previously identified
Newly Mapped Procedure

2016 Standard Zone X = $2,033

$200K/$80K Building/Contents – April 2016; excludes HFIAA Surcharge

*Current PRP Rates (assumes 3% increase) plus higher RFA and FPF

**Guesstimates – Actual planned rate increases unknown
What You Should Say

• “The area your building is in has been newly identified as a high-risk area for flooding.”

• “Most lenders require flood insurance in these areas.”

• “If you don’t carry a mortgage, you should still protect your investment with flood insurance. National statistics show that you are more likely to experience a flood than a fire.”

• “The NFIP offers options to help you save on flood insurance.”

• “Purchase and have a PRP in effect before the new maps become effective to maximize your savings and reduce your financial risk now.”
Increase in Base Flood Elevation

Higher BFE (Zone AE)

Lower BFE (Zone AE)

- Federal Mandatory Purchase Requirement
- Risk increases = premium increases
- **FEMA provides cost-saving option:**
  - Eligible properties can *grandfather the lower BFE* for future rating
  - Pre-FIRM Buildings must purchase coverage BEFORE the new maps become effective
What You Should Say

• “Your building is now at an even higher risk of flooding.”

• “Rates are higher for higher-risk areas.”

• “Purchasing a policy before the map revision allows you to lock in the lower-risk zone or BFE for future rating, and therefore save on insurance.”

• “Renew the policy each year to stay financially protected and save money.”

• “In high-risk areas, there is at least a 1 in 4 chance of flooding over the life of a 30-year loan and a greater chance of a flood than a fire.”
High-risk to Moderate-Low Risk

High-risk (A, AE, AO, AH)

Moderate (shaded X)- or Low-Risk (X)

- No longer the Federal Mandatory Purchase Requirement
  - Lenders, however, can still require

- AND…the Risk is still there
  - It is reduced…NOT REMOVED

- Convert policy to lower-cost Preferred Risk Policy

KEEP YOUR HOME AND CONTENTS PROTECTED

THERE IS STILL A RISK
Conversion

Procedure:

- Ensure property is eligible for PRP (e.g. losses, zone)
- Chose proper PRP building limit (note: contents are included)
- Rewrite existing SFIP as a PRP, using last renewal date before map change

Results:

- No gaps in coverage (no 30-day wait)
- A refund to the policyholder ("Stay covered and get money back")
- Strengthened customer loyalty for the agent
- Agent keeps commission on old and new policy
One More Option with High-Risk to Moderate-Low Risk

- High-risk (A, AE, AO, AH)
- Moderate (shaded X)- or Low-Risk (X)
  but NOT ELIGIBLE for PRP (due to claims history), and...
  Standard Zone X premium is higher than Zone A

- Continue to rate using flood zone on previous effective map if it is cheaper.
- Inform client about limited coverage for elevated buildings in SFHAs vs NSFHAs.
- Always check to find the best option for your customer.
High-risk to Moderate-Low Risk

What You Should Say

• “Your risk is reduced, not removed.”

• “People in moderate- and low-risk areas file more than 40% of all Colorado NFIP flood insurance claims.”

• “You may be eligible for a lower-cost PRP, which includes contents.”

• “Stay financially protected and get money back once the map is effective.”

• “There will be no gaps in coverage and no additional money up front.”
Summary: Changes in BFE or Zone

1) Zone stays the same, BFE increases – Grandfather
2) Zone stays the same, BFE decreases – Rerate policy
3) Zone changes from X/B/C to A – Newly Mapped Procedure (or Grandfathering)
4) Zone Changes from A to X - Conversion
No Change in BFE or Zone

- Still at risk; know the level of risk
  - If currently has flood insurance:
    - Is it at current replacement cost?
    - Are the contents fully covered?
  - If not currently covered for flood:
    - Do they qualify for a PRP?
    - If they don’t want coverage, have them decline in writing to the agent!
What You Need To Do…

- Understand where and why these changes are occurring and when
- Become the expert in your area on explaining changes and rating options available
- Know what resources are available and where
TOP 3 QUESTIONS

•The most often asked questions about map changes are around flood insurance:
  • How am I affected?
  • How do I get out of it
  • What’s the cheapest cost

•Review the changes in Flood Insurance and options
  • Be ready to help guide customers to find the best and least expensive option.
What *NOT* to Say

• You don’t live in a *flood zone*.
• You are mapped out of (or into) a *flood zone*.
• You don’t *need* flood insurance.
Resources and Tools for Communicating Risk
Estes Park – Flood Mitigation

PROTECT
OUR TOWN & YOUR PROPERTY

Help Protect the Estes Park Community From Future Floods

Unfortunately, many homes and businesses that previously thought they were safe are now found to be at risk of property damage and economic loss from future flood events. The 2013 flood taught us that the 30-plus-year-old flood data significantly underestimated flood risk, highlighting the need for new floodplain mapping. These new maps are currently being produced as part of the CO Flood Mappers Project for flood-affected areas including Estes Valley.

The Estes Park community must act now to reduce flood risk

Mitigation efforts made by the Town of Estes Park, business owners and residents can help: Reduce property damage and economic loss, reduce the number of properties placed in new regulatory floodplains, and reduce flood insurance premiums.

Residents and businesses can help with flood mitigation by engaging in educational opportunities, providing feedback and supporting the community's needs. They can also order new flood insurance and consulting services on their own properties. See below for more information on ways to participate in community flood mitigation and techniques for floodproofing property.

Estes.org/FloodMitigation
Public & Stakeholder Resources
Agent Resources – FloodSmart for Agents

- Interactive Tools to download to communicate flood risk
- Advertising and marketing templates
- Map Change Resource
FloodSmart’s Cost of Flooding Tool

The Cost Of Flooding

- Computer Accessories: $80
- Washer/Dryer: $130
- Accent Furniture & Accessories: $130
- Loss of Personal Items: $500

Total Losses: $21,000

2,000 Square Foot Home

2 inch flood

FIND AN AGENT

See 1,000 Square Feet

Estimates are for illustrative purposes only and should not be used to estimate any actual flood loss. A flood certified insurance adjuster making a room-by-room item-by-item, detailed estimate of covered flood damage is the only estimating method approved by and acceptable to the National Flood Insurance Program. These estimated costs are based on an average U.S. home of 1,000 and 2,000 square feet, built on a slab and with typical household items. Costs vary from State to State and home to home.
Other Flood Insurance Resources

www.FEMA.gov/Flood-Insurance-Reform
Other Flood Insurance Resources
PUBLIC MEETING

Hydrology Study Results Public Meeting

Wednesday, December 14 or January 11 (both tentative)
8-10 a.m.
Town Board Room
170 MacGregor Avenue
Estes Park
QUESTIONS?

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