



Flood Insurance Community Meeting

**Presented by Tom Heist IV
Heist Insurance Agency**

August 15, 2024 Avalon Community Flood Meeting

"Avalon's culture includes the protection of lives and property through flood mitigation efforts. The CRS program validates our continual commitment to coastal resiliency and our relentless pursuit of opportunities to lessen the impacts of storms and other natural threats"

- Mayor John McCorristin August 2023

Why This Meeting?

- Demonstrates our community partnership with FEMA
- Provide knowledge to the community to improve disaster recovery
- Community rating system (CRS) program allows our community to receive flood discounts for homes built in compliance.

Financial Benefits to the Community

Avalon is a Class 3 Community
with a **35% discount** for eligible
flood policyholders!

- \$1,600,000 in total community savings

Building must be in compliance to receive NFIP flood insurance CRS discount

- CRS flood insurance discount only available to homes built in compliance with the flood map in effect at the time of construction
- After Super Storm Sandy, inspectors found homes throughout the region not in compliance, and they lost their community discount

CRS Goals

Reduce and avoid flood damage to insurable property

Strengthen and support the insurance part of FEMA, which is the NFIP

Rewards towns by way of a discount on their NFIP policies

Avalon CRS Programs

Watershed
Management Plan and
Floodplain Management
Plan

Avalon Business District
Flood Study

Reconstruction of
Various Bulkheads

Bay Park Marina
Resiliency and Nature-
Based Shoreline
Stabilization Project

Model program for flood risk
communications, including a
standalone emergency
website, presence on social
media, Avalon weather
station, and municipal flood
risk map

Examples of flooding

1. **Overflow:** For example, during a tropical storm or hurricane, storm surge can cause an overflow of inland or tidal waters.



2. **Runoff:** When an area without sufficient drainage receives heavy rainfall in a short period of time.



3. **Mudflow:** For example, following a wildfire, heavy or sustained rainfall accumulates on the ground and forms a river of mud down a hillside.



4. **Erosion:** Along lakes, severe storms can produce waves and cause shoreline erosion.



What Is A Flood?

A *general and temporary* condition where two or more acres of normally dry land or two or more properties are inundated by *rising water or mudflow*.

The Flood Elevation Certificate (FEC)

The **FEC** shows you where your home falls on the map and provides specific height information about your home.

The Flood elevation certificate is not required, but can help to get the best flood rate!

ELEVATION CERTIFICATE

OMB No. 1660-0008
Expiration Date: November 30, 2022

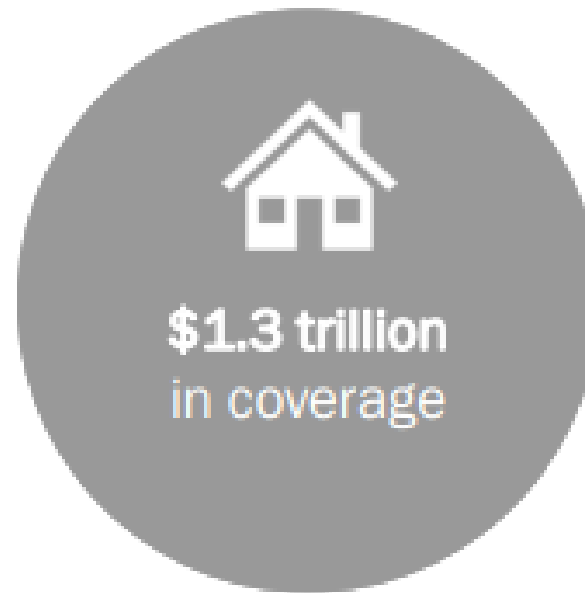
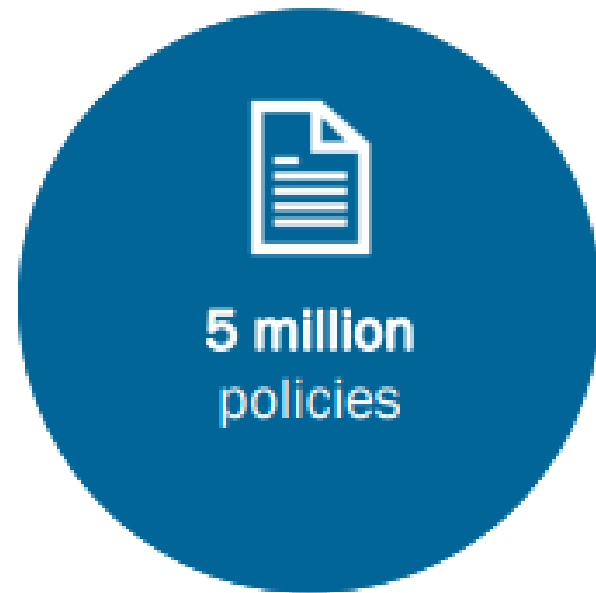
IMPORTANT: In these spaces, copy the corresponding information from Section A.			FOR INSURANCE COMPANY USE	
Building Street Address (including Apt., Unit, Suite, and/or Bldg. No.) or P.O. Route and Box No. 988 First Avenue			Policy Number:	
City Avalon	State New Jersey	ZIP Code 08202	Company NAIC Number	
SECTION C – BUILDING ELEVATION INFORMATION (SURVEY REQUIRED)				
C1. Building elevations are based on: <input type="checkbox"/> Construction Drawings* <input type="checkbox"/> Building Under Construction* <input checked="" type="checkbox"/> 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. Completes Items C2.a–h below according to the building diagram specified in Item A7. In Puerto Rico only, enter meters. Benchmark Utilized: AV-31 Vertical Datum: 1929				
Indicate elevation datum used for the elevations in items a) through h) below. <input type="checkbox"/> NGVD 1929 <input checked="" type="checkbox"/> NAVD 1988 <input type="checkbox"/> OtherSource: _____				
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)	9.5	<input checked="" type="checkbox"/> feet	<input type="checkbox"/> meters	
b) Top of the next higher floor	13.2	<input checked="" type="checkbox"/> feet	<input type="checkbox"/> meters	
c) Bottom of the lowest horizontal structural member (V Zones only)	N/A	<input checked="" type="checkbox"/> feet	<input type="checkbox"/> meters	
d) Attached garage (top of slab)	N/A	<input checked="" type="checkbox"/> feet	<input type="checkbox"/> meters	
e) Lowest elevation of machinery or equipment servicing the building (Describe type of equipment and location in Comments)	11.2	<input checked="" type="checkbox"/> feet	<input type="checkbox"/> meters	
f) Lowest adjacent (finished) grade next to building (LAG)	9.0	<input checked="" type="checkbox"/> feet	<input type="checkbox"/> meters	
g) Highest adjacent (finished) grade next to building (HAG)	9.3	<input checked="" type="checkbox"/> feet	<input type="checkbox"/> meters	
h) Lowest adjacent grade at lowest elevation of deck or stairs, including structural support	9.0	<input checked="" type="checkbox"/> feet	<input type="checkbox"/> meters	
SECTION D – SURVEYOR, ENGINEER, OR ARCHITECT CERTIFICATION				
This certification is to be signed and sealed by a land surveyor, engineer, or architect authorized by law to certify elevation information. I certify that the information on this Certificate represents my best efforts to interpret the data available. I understand that any false statement may be punishable by fine or imprisonment under 18 U.S. Code, Section 1001.				
Were latitude and longitude in Section A provided by a licensed land surveyor? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Check here if attachments.				
Certifier's Name Gary Lee Thomas	License Number 23921			
Title Professional Land Surveyor				
Company Name Thomas*Amey*Shaw, Inc.				
Address 2900 Dune Drive Ste 8				
City Avalon	State New Jersey	ZIP Code 08202		
Signature 	Date 02-18-2021	Telephone (609) 967-3999	Ext.	
Copy all pages of this Elevation Certificate and all attachments for (1) community official, (2) insurance agent/company, and (3) building owner.				
Comments (including type of equipment and location, per C2(e), if applicable)				
AB(c) 7 smartvents (model #1540-510) 3 smartvents (model #1540-520) C2(e) outlet 445 sf parking are below house (included in A8a) elevation = 9.3 32 sf elevator shaft elevation = 8.2				

Foundation Flood Openings

- Required in enclosures below the BFE
- Passive flood relief
- Equalize hydrostatic loads on enclosure walls
- Must allow the automatic entry and exit of floodwaters (bi-directional relief)
- Engineered & Non-engineered Options

NFIP BY THE NUMBERS

Currently, the NFIP has:



***5% or 1100 communities are CRS communities**

First major
rating change
since 1968,
implementation
of the program

FEMA has updated the NFIP risk rating methodology through the implementation **Risk Rating 2.0**.

The methodology leverages industry *best practices* and *cutting-edge technology* to enable FEMA to deliver rates that are *actuarially sound, equitable, easier to understand* and better reflect a property's flood risk.

RISK RATING 2.0 WILL:



- **Reflect more types of flood risks** in the rates.
- **Provide logical rates** that use easier-to-understand rating characteristics for agents and policyholders.
- **Simplify and standardize** the quoting process for properties across the country.



Risk Rating 2.0: Equity in Action

FEMA's new rating methodology considers specific characteristics of a building- **where, how, and what-** to promote a more modern , individualized , and equitable flood insurance rate.

Understanding these characteristics helps to identify the buildings unique flood risk and associated premium.

What is “Equity in Action”?

Cost to rebuild is now a significant rating variable.

Think about it, what structure will have a higher claim payment?

A. \$100,000 house with 10” of water.

B. \$1,000,000 house with 10” of water.

HOW It Is Built (Building Characteristics)

Knowing the physical characteristics of a building provides a deeper understanding of the building's individual flood risk and how it may impact premium. Relevant variables include:

Building Occupancy

The type (and use) of the building being insured sets available coverage limits and determines what is covered as indicated in the policy form.

Foundation Type

The foundation type provides important insight as to where the flood risk is likely to begin. For instance, risk varies based on whether a building's foundation is underground, at ground, or above ground.

First Floor Height

Buildings whose first floor is higher off the ground have lower flood risk.

Number of Floors

Buildings with more floors spread their risk over a higher area.



Unit Location

Individual units on higher floors have lower flood risk than units on lower floors.

Construction Type

Masonry walls perform better in different flooding events than wood frame walls.

Flood Openings

Flood openings can lower a building's flood risk as they allow floodwaters to flow through a building's enclosure or crawlspace.

Machinery & Equipment

Elevating above the first floor lowers the risk of damage to machinery & equipment covered in the policy.



FEMA

WHERE It Is Built (Property Address)

FEMA uses the building's property address to determine flood risk for the property. The property address is used to determine:

- **A building's distance to flooding sources**, *including the distance to the coast, ocean, rivers, and Great Lakes.*
- **The ground elevation** *where the building is located relative to the elevation of the surrounding area and the elevation of nearby flooding sources.*
- **Other characteristics** *such as the community where the building is located and how that relates to the Community Rating System discount or whether the building is on a barrier island.*



WHAT Is Built and Covered (Replacement Cost and Coverage)

The building's replacement cost value, the amount of coverage requested, and the deductible choices influence the insurance premium.



Building Replacement Cost Value*

Buildings with higher costs to repair generally result in higher losses, resulting in higher premiums.



Building and Contents Coverage

Policies with higher coverage limits have higher potential loss costs, which lead to higher premiums. Building coverage and contents coverage amounts are selected separately.



RATING VARIABLES

NUMBER OF FLOORS

Will no longer include:

- Basements
- Enclosures
- Crawlspace
- Attics (if used for storage)

▣ ***Yay, basements are no longer a rating variable!!***

RATING VARIABLES

NUMBER OF FLOORS

A unit's floor will now be determined by the actual floor on which it is located.

This is an important change for condominiums and apartment renters.

- ☐ *Previously all owners paid the same rate, regardless of the floor they lived.*

6TH FLOOR

5TH FLOOR

4TH FLOOR

3RD FLOOR

2ND FLOOR

1ST FLOOR





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 included in their premium until they have their first loss under the new pricing methodology

COMMUNITY RATING SYSTEM DISCOUNTS

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



Diagram Showing Location	Guidance on Location
	<p>Slab on Grade (Non-Elevated)</p> <ul style="list-style-type: none"> • One floor: Elevated at least to the height of the attic. • More than one floor: Elevated to the height of the second floor or higher.
	<p>Basement (Non-Elevated)</p> <ul style="list-style-type: none"> • Elevated to the height of the floor above the basement or higher.
	<p>Elevated Without Enclosure on Posts, Piles or Piers</p> <ul style="list-style-type: none"> • Elevated to the height of the lowest elevated floor or higher.

MACHINERY & EQUIPMENT (M&E)

- The rating engine will apply a discount for policyholders with M&E Elevated to at least the elevation of the floor above the building's 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.

RETIRED POLICY TYPES/RATING METHODS

U.S. DEPARTMENT OF HOMELAND SECURITY
FEDERAL EMERGENCY MANAGEMENT AGENCY
National Flood Insurance Program
PREFERRED RISK POLICY
IMPORTANT—PLEASE PRINT OR TYPE. ENTER DATES AS MM/DD/YYYY

FOR RENEWAL, BILL:

<input type="checkbox"/> INSURED	<input type="checkbox"/> LOSS FREE
<input type="checkbox"/> FIRST MORTGAGE	<input type="checkbox"/> OTHER (AS SPECIFIED BY MORTGAGEE/OTHER P.P.)
<input type="checkbox"/> SECOND MORTGAGE	

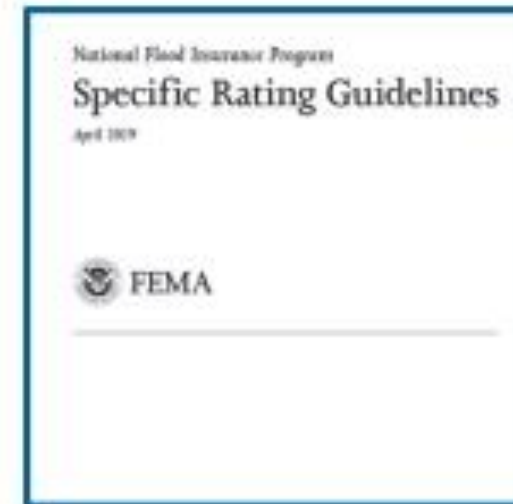
NAME AND MAILING ADDRESS OF AGENT/PRODUCER:

AGENCY NO.: _____ AGENT'S NO.: _____
PHONE NO.: _____ FAX NO.: _____

**Preferred Risk Policies
(PRPs)**



**Mortgage Portfolio
Protection Program
(MPPP)**



Submit-for-Rates (SFRs)

WHAT HAS NOT CHANGED

- The Mandatory Purchase requirement
- Floodplain Management
- Statutory caps on annual individual rate increases
- Building/Contents Eligibility and Increased Cost of Compliance (ICC)
- Underwriting Forms
- Assignment of a policy to a new building owner



Homeowner options for new and renewal policies

- If the new 2.0 rate is less, the lower premium becomes effective immediately at renewal.
- If the new 2.0 new rate is higher, then the rate will increase not to exceed 18% at each renewal (glidepath).
- Ask your agent to shop Private Market Flood Programs which seem to be better for post-FIRM policies with no prior losses.

Another Option: Private Market Flood Insurance

- NFIP was the only market until the last few years
- Lloyds of London and other companies are now competing with the NFIP
- Private Market Insurance can have lower premiums and shorter waiting periods for coverage
- Rates are not regulated by the NJ Department of Banking and Insurance
- Generally, homeowners with previous flood losses less than \$5,000 are eligible

In summary: Role of Community

- Participate in the community rating system.
- Prioritized mitigation grants for owners of severe repetitive loss properties.
- Apply for hazard mitigation assistance grants through the state.
- Adopt and enforce building codes and zoning regulations.

In Summary: Role of Property Owners

- Buy flood insurance.
- Install flood openings or elevate the home, and elevate all machinery and equipment to the base flood elevation.
- After a flood, NFIP policyholders should consider using increased cost of compliance ICC coverage to access up to 30,000 to help recover the cost of ***elevating, relocating, or demolishing substantially damaged structures.***
- Severe repetitive loss homeowners should contact their local flood manager and state hazard mitigation officer to learn how up to 100% of mitigation project costs may be covered.

Questions?
