



Don't Find Yourself Underwater

Many people who are not in a flood plain think they are safe from floods and don't consider obtaining flood insurance. Safe, that is, until they find themselves victims of a hurricane or heavy rains that cause flooding.

Many agents feel the same way, and consequently, there are some property owners who are unaware that flood insurance is available to protect them. But from an errors & omissions perspective, property owners need to know that coverage may be available—and possibly advisable—even when the property is not in an area at risk for flooding or there is no requirement by the lender to have a flood policy.

Hurricane Irene affected many properties that had not previously been damaged by high winds and flooding that result from hurricanes. Several states on the East Coast received damages of nearly \$16 billion.

Some areas, such as Virginia, Washington D.C., Delaware, Maryland, New Jersey, New York and Vermont, experienced flooding and power outages for several days after the initial impact of Hurricane Irene. In Vermont, one of the hardest-hit states, communities were without power and isolated because of the flooding that damaged bridges, roads and residential and commercial properties.

Many residents in these states did not have flood insurance, which may have assisted them in repairing or replacing the damage resulting from the flooding.

Flood insurance is provided through the National Flood Insurance Program, which Congress created in 1968 to help provide a way for property owners to financially protect themselves.

The NFIP offers flood insurance to homeowners, renters and business owners. It is administered by the Federal Emergency Management Agency, which works with several private property-casualty insurance companies to offer flood insurance to property owners and renters.

The coverages offered from carriers working with FEMA are the same, as are the available limits. The only differences from carrier to carrier are the rates, which are based upon many factors.

Insurance agents should be knowledgeable of the major types of flood policies offered through the NFIP. They should also be aware that NFIP policies have maximum limits for property and contents.

Because many properties today exceed the maximum limits of the NFIP policy, it may not be enough to just offer the NFIP policy. In some cases, a customer might need an excess flood policy, which can be available through the standard markets.

While the duty to recommend is not the standard of care in many states, it is important to note that, if it does become a factual question at trial, the jury deciding the outcome of the case will be comprised of citizens from the community that was devastated by the flood. Many will have had flood damage to their properties, or they will at least have friends and family who suffered losses. That means they are generally going to have a sympathetic ear for the plaintiff.

Unfortunately, once the flood loss has occurred and a homeowner or commercial property policy denies coverage, the property owner will look to the agent or broker and allege that flood insurance was not offered.

Too often, flood insurance is not offered by the agent or broker, unless the property is located in a flood plain and the lender has such a requirement. The agent or broker often does not offer every coverage to every client available in the marketplace.

But being proactive and using a checklist of coverages for homeowners, renters, condo owners or commercial clients with a place for the client to initial their acceptance or understanding that they are rejecting the coverage may assist in decreasing the number of these types of claims. ☐

Tracy Hopkins Shead is an assistant vice president, claims and liability management, with Swiss Re Corporate Solutions. She handles claims against insurance professionals as a teleworker through the Overland Park, Kan., office.

Types of NFIP Policies

The major types of policies offered through the NFIP include the dwelling form, general property form, residential condominium association policy and preferred risk policy.

These policies provide coverage for most types of residential and nonresidential buildings, and provide coverage for building and personal property.

The **dwelling form**, written either at a standard or preferred rate, provides coverage for non-condominium residential buildings that are occupied by one to four families. The limits available are \$250,000 for building coverage and \$100,000 for personal property.

While the **general property form** covers residential buildings with five or more units, it may also be used for non-residential buildings at either standard or preferred rates. The general property form limits for residential are \$250,000 for building and \$100,000 for personal property. For non-residential buildings, the coverage limits are \$500,000 for building and \$500,000 for contents.

The **residential condominium association policy** (RCBAP) covers residential condominium buildings. It provides \$250,000 per unit times the number of units in the building. The personal property coverage limit is up to \$100,000.

Limits are per the NFIP guidelines, and each policy limit is determined by the NFIP.

Big "I" members have access to Selective Insurance, an association-endorsed provider of NFIP flood coverage. Contact Linda Mackey, director of disaster markets, at 800-221-7917 ext. 5380, for more information on how Big "I" Flood can help with coverage in, above and outside the NFIP.

—T.S.

For more information on the NHAIA and IABA endorsed Flood program with Selective Insurance Company, or on our National E&O program, contact Joan Pageau at Joan@nhaia.com or 1-800-559-3373.