

FLOOD MAP MODERNIZATION MAY AFFECT YOUR FLOOD RISK MANAGEMENT

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The Flood Insurance Reform and Modernization Act, approved by Congress on May 13, 2008, will allow the federal government to continue to make flood insurance available in participating locales through the NFIP. Over one trillion dollars in flood insurance is currently made available through this program that would not otherwise be available in the insurance marketplace.

Flood Insurance Rate Maps (FIRM) are developed and made available through FEMA. To participate in the program, local governments agree to adopt building standards aimed at reducing future flood risk in Special Flood Hazard Areas as shown on the FEMA maps.

FEMA is now well along in a new effort to update and remap flood zones in the U.S., with completion targeted for 2010 – the goal being to cover 92% of population centers. Revised flood maps can include changes in the flood risk represented. The most substantial changes will no doubt reflect the condition of levees that protect locales from flooding. The most dramatic examples could be found in New Orleans in the wake of Hurricane Katrina, but there are hundreds, perhaps thousands, of changes based on the deteriorated or unknown condition of levees around the

country. Modernization also includes a conversion to digital processing that incorporates satellite images with flood zone overlays.

KNOW YOUR ALPHABET!

NFIP: National Flood Insurance Program

FIRM: Flood Insurance Rate Maps


FEMA: Federal Emergency Management Agency

SFHA: Special Flood Hazard Area

The updating of flood maps can have insurability repercussions for your defined flood risk and how it may be marketed in commercial property markets. Locations in a SFHA may lead to revised flood loss projections, increased deductibles and sub-limits by commercial insurers. In the aggregate, commercial flood insurance in many areas is subject to management as a finite capacity in much the same fashion as is earthquake capacity for critical seismic zones. Also keep in mind that policy wording differs among property insurers, who may define US zones differently and treat uncertain global flood exposures by using local definitions or historical precedents.

This issue of *You Should Know* is one in a series of brief articles designed to keep our clients abreast of significant breaking news in the claim and loss control areas that could affect their operations or exposures. Additional information about this and other topics can be obtained from your Regional Strategic Outcomes Practice Associate.





To appeal and possibly change a flood zoning, one needs an official copy of the property deed or record, a property survey or plat map, a flood insurance declarations page and an elevation certificate. Willis HRH stands ready to assist you in identifying flood zones/exposures for your property portfolios.

For additional information on this subject, please see the following Willis publications: *Correcting a Flood Zone Determination*, December 2008 and *Elevation Certificates*, December 2008.

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