

# INSURANCE REPORT

INSURANCE NEWS FOR REAL ESTATE, LENDING & TITLE PROFESSIONALS

## FLOOD INSURANCE PREMIUMS INCREASE

INCREASED FLOOD LIMITS AND DEDUCTIBLES PROMPT FLOOD PRICE INCREASE

### FLOOD CHANGES

Effective October 1, 2009, changes to the National Flood Insurance Program will result in premium rate increases for various risk zones, coverage limits for building & contents as well as standard deductibles offered for pre- and post-FIRM properties.

Pre-FIRM Buildings are buildings for which construction or substantial improvement occurred on or before December 31, 1974, or before the effective date of an initial Flood Insurance Rate Map (FIRM). Pre-FIRM structures receive a subsidized rate because they were built before flood plan standards were established. Post-Firm are buildings for which construction or substantial improvement occurred after December 31, 1974,

Regular program basic insurance limits will increase for all categories of building & contents. Insurance coverage amounts in the flood program are split into basic coverage at a specified rate and additional coverage at a different specified rate based on underwriting criteria. The basic coverages will increase while the **maximum coverage amounts remain \$250,000 for building; \$100,000 for contents for residential and \$500,000 building and \$500,000 contents for commercial properties.**

Overall, **premiums will increase an average of 8%** for policies written or renewed on or after October 1, 2009, however, individual properties will/must be rated specifically to determine the exact percentage of increase.



### BASIC COVERAGE

Coverage and deductible changes include:

- 1 to 4 Family Dwelling Basic Building Coverage: \$50,000 to \$60,000
- Other Residential and Non-Residential Basic Building Coverage limit increases from \$150,000 to \$175,000
- Residential Basic Contents: \$20,000 to \$25,000
- Non-Residential Basic Contents Coverage: \$130,000 to \$150,000
- **The total amount of insurance allowed in the National Flood Insurance Program will not change.**

### BASIC COVERAGE ( % )

Below are the basic coverage increase by percentages:

- V zones in V zones in Pre-FIRM and Post-FIRM will increase 10%
- AE and A1-A30 in Pre-FIRM and Post-FIRM will increase 10%
- AO, AH, AOB, and AHB will increase 8%

- Unnumbered A zones will increase 8%
- X zones on the Standard Application will increase 8%
- **Preferred Risk Policy premiums will remain unchanged**
- Mortgage Portfolio Protection premiums will increase about 10%

### STANDARD DEDUCTIBLES

Standard Deductibles will be affected as follows:

- **The NFIP is discontinuing the \$500 deductible for all properties**
- Post-FIRM Properties: The standard deductible increases from \$500 to \$1,000.
- Pre-FIRM Properties: The standard deductible increases from \$1,000 to \$2,000

### KEY FLOOD FACTS

Below is a summary of the flood changes and key facts:

- Affected flood policies will be changed automatically upon renewal, for the next full year
- Regular Policies as they renew for change #1 and #2 (on page 2).
- Preferred Risk Policies as they renew for change # 3.
- Regular Renewal billing for affected policies will be accompanied by a Notice to Policyholders as required by NFIP.

*Continued on next page...*



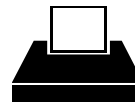
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**KEY FLOOD FACTS CONT'D**

An NFIP change means that this increase will affect all NFIP flood insurance carriers, so switching insurance companies will not bring about a reduction.

Here is a summary the three changes:

**1. Change in Insurance Limits:** The breakdown between basic limits and additional limits has been changed to raise the basic limit resulting in more premiums charged for the basic coverage at a higher rate. More info below.

- **Remember:** Regular Program Regular Program flood coverages are broken into "basic" and "additional" each with different premium rates for both building and contents. Basic is charged at one rate and additional is at a different rate.

- **The overall amount of coverage offered has not been raised, just the split between charges for basic and additional have .**

**2. Annual premium rate increases:** Premiums will increase an average of 8%--individual properties should be examined specifically to determine the exact amount of increase.

**3. Standard Deductibles May be Increased:** \$500 deductible is discontinued and other raised based on rating.

If the deductible increases to \$2,000, lower deductibles may be available for additional premium .

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**Bob Reynolds** is at Extension 116 or at bob@morrisandreynolds.com.

**Lori Dones** is at Ext. 136 or at lori@morrisandreynolds.com.

**Kyle Mackendree** is at Ext. 112 or at kyle@morrisandreynolds.com.

**Annete Herman** is at Ext. 127 or at annete@morrisandreynolds.com.

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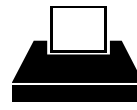
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