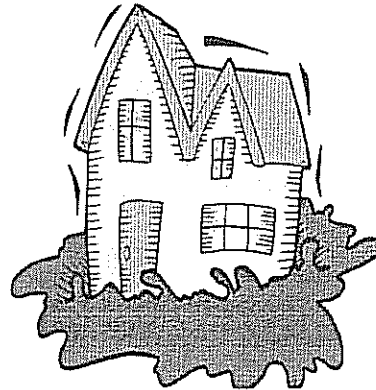


Flood Insurance

How it May Effect Fridrich & Clark
Realtors and Their

Customers - Now and in the Future.



Insurance Definition of “Flood”

“A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area OR of two or more properties (at least one of which is your property) from:

- A) Overflow of inland or tidal waters
- B) Unusual and rapid accumulation or runoff or surface waters from any source
- C) Mudflow

Collapse or subsidence of land along the shore of a lake or a similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above”

Problems and Issues with Flood Insurance in our Area

- ✓ People say they were never “offered” flood insurance by agent or mortgage company.
- ✓ People thought they could not buy flood insurance.
- ✓ People were confused as to what flood insurance actually covered and what it did not cover.
- ✓ Flood map zones have changed over the past 10 years. This was poorly communicated by FEMA.
- ✓ Flood Insurance is government regulated. Insurance companies just issue the policies.

What are Flood Insurance “Zones”?

- A flood zone is a geographical area shown on a Flood Hazard Boundary Map or a Flood Insurance Rate map that reflects the severity or type of flooding risk for an area.
- What is an elevation certificate? A document which identifies the exact elevations of a structure, as compared to the recorded base flood elevation (BFE).
- A property in a Special Flood Hazard Area has a 26 percent chance of experiencing a flood in the lifetime of a 30 year mortgage.

Zone A, A1-30, AE : An area inundated by 100 year flooding.

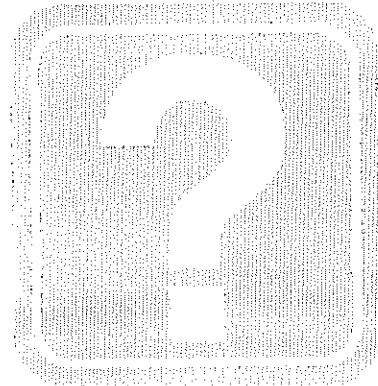
Zone A99: An area as above but no base flood elevation has been determined.

Zone AO: Area as above. Average flood depths of 1 to 3 feet. Lowest floor of residential structures must be elevated at least 2 feet.

Zones C and X : Areas determined to be outside the 100 and 500 year flood plain.

Other zones (V, VE, and V1-30) refer to coastal properties. Zone D refers to areas undetermined but have possible flood hazards.

Myths and Truths Regarding Flood Insurance



Myths

- ✓ You have to live in an actual designated “flood zone” to buy flood insurance. **FALSE**. ANYONE can purchase flood insurance.
- ✓ But.....Your community must participate with the NFIP for you to be eligible for coverage with them. All communities in our area participate. Belle Meade did not for a short period of time a few years ago. Participation is renewed every few years as maps are updated.
- ✓ “I don’t need flood insurance. I don’t live in a flood zone.” **FALSE**. 30% of all claims involve people who DO NOT live in a designated flood zone. Floods could occur as well from storms, melting snow, broken water mains, hurricanes, back up of storm water systems and new construction.
- ✓ Homeowners insurance covers flood. **FALSE**. (But why was my neighbors claim paid then?)
- ✓ All condos and apartments have flood insurance. **FALSE**. (Tenants CAN buy flood insurance).
- ✓ Flood Insurance is expensive. **FALSE**. Depending on your zone and amount of coverage it can range from \$225.00 annually to around \$2,500.00 annually in flood prone areas.
- ✓ Flood Insurance covers mudslides or earth movement as a result of flood. **FALSE**. Earthquake, landslides, land subsidence, sinkholes, or gradual erosion are NOT covered by a flood policy. A customer would need to add this coverage onto their homeowners policy. **NFIP policies will pay, however, for damage as a result of mudflow as a result of erosion that is specifically covered by the definition of flood.**

Truths

- ✓ You can buy flood insurance just on your home, just on your contents, or both. **TRUE**. Remember, all the mortgage company cares about is the structure.
- ✓ Flood insurance can be purchased immediately without a waiting period for a new home purchase. **TRUE**. If flood insurance is being purchased in connection with a mortgage loan then the 30 day waiting period is waived.
- ✓ The federal government controls flood insurance including the rules, pricing, and regulation. **TRUE**. Congress must fund the program. If they do not during any given term, new policies cannot be written. Pricing is the same across the board.
- ✓ Flood insurance can be transferred from one homeowner to another. **TRUE**. Certain guidelines apply.
- ✓ There are “caps” as to how much flood insurance one can buy. **TRUE**. Maximum \$250,000 for any structure and \$100,000 in contents coverage. **Excess coverage above these amounts can be purchased on the open market but are pricey.** (In some instances the excess is more than the primary). For businesses, these limits are \$500,000 for structures and \$500,000 for contents.

What is Needed to Prepare a Flood Insurance Quote ?

1. Building occupancy type
2. Is building Pre-FIRM or post FIRM construction?
(prior to 12/31/74 is pre FIRM)
3. Basement type (if any). If crawl space, is it
“vented” (minimum of 2 required)
4. Flood risk zone
5. Elevation of building
6. Construction type (brick/frame/etc)
7. Amount of insurance desired.

Future of Flood Insurance in Nashville

1. Updated flood maps are coming and a reality. Last time maps were updated in our area was 1992. Expected date of new maps and new zones is 2012.
2. Rate increases will be seen because of this.
3. Look for new requirements regarding the need for updated elevation certificates and additional underwriting.



How Does This Effect the Real Estate Industry

- ✓ Definite need for updated property disclosures on existing listings and truthful disclosure on future listings.
- ✓ Find out before closing if a flood zone has been changed. In some instances a current homeowner might be in the dark!
- ✓ Zone changes will alter the landscape of entire developments and areas of the city as far as possible “negative pricing”. How will government buyouts alter the landscape of neighborhoods and areas near these properties?

Questions about Flood Insurance ?

Call us anytime or come upstairs :

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