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A Rising Need for Flood Insurance Is in the Forecast

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The 2011 Mississippi River flood could potentially be one of the costliest U.S. river floods, resulting in billions of dollars in damages. A Risk Management Solutions study, published on the 80th anniversary of the 1927 Mississippi River flood, estimated that a repeat of the same flood would cause up to \$160 billion in damages in modern times.

According to Jeff Masters, meteorological director, intense rainfall and the melting of heavy winter snows in Minnesota and the Dakotas contributed to this year's floods. As the snow begins to melt and the ground is still frozen, there is little absorption or drainage. With no place for the snow to go, flooding ensues.

All it takes is a few inches of water from a flood to cause devastating financial loss. Since standard homeowners insurance does not cover flooding, Congress created the National Flood Insurance Program (NFIP) in 1968 to help provide a means for property owners to financially protect themselves. According to the NFIP, over the past 10 years, the average flood claim has amounted to over \$33,000. Homes and businesses with mortgages from federally regulated or insured lenders and that are located in high-risk flood areas are required to have flood insurance.

Floods are the most common natural disaster in the U.S. Contrary to popular belief, floods are not limited to coastal areas; they can happen almost anywhere. Nearly one-quarter of all the NFIP's paid insurance claims are in low- to moderate flood-risk areas, according to the NFIP Web site.

Flood insurance can be purchased only through an insurance agent; therefore, insurance professionals will need technical and practical knowledge and skills to confidently and accurately handle all aspects of flood insurance coverage. Two excellent resources are the *National Flood Insurance Program Flood Insurance Manual* and the *Mandatory Purchase of Flood Insurance Guidelines* booklet. The flood insurance manual is primarily used by insurance companies and agents who write national flood insurance. It provides in-depth information about the NFIP and flood insurance, including eligibility, coverage, premium rates, and policy types. The guidelines booklet provides guidance to key legislation that governs the NFIP.

Because the NFIP is part of the Federal Emergency Management Agency (FEMA), insurance professionals involved in writing, selling, or providing flood coverage must comply with Homeland Security and FEMA requirements. The NFIP has created guidelines and tools to assist insurers and agents in providing broader access to flood insurance to the public. Recent guidelines require producers of flood coverage to receive certified flood insurance training in order to maintain licensing.

In response to the increasing need for flood insurance, The Institutes have teamed up with FEMA to create the Associate in National Flood Insurance (ANFI™) designation, which is among The Institutes' numerous educational offerings.

Visit www.TheInstitutes.org/anfi to learn more.