Newsletter of the Oklahoma Floodplain Management Program





Flood Current

Vol. 23, No. 2
(Winter 2012)

Inside

Be Safe in 2013

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I recently took some time to look back at articles written during the past decade by the State Floodplain Coordinator. It has been both a challenge and an opportunity to publish words that make a difference to the floodplain administrators in our great State. One theme I noticed was the importance of being prepared even in times of drought.

November's Governor's Water Conference once again focused on the ongoing drought and how Oklahoma can better prepare itself for such disasters while ensuring water will always be there when our citizens need it. While it has been at least five years since our state experienced a wet period, it is only a matter of time before flooding—so often the exclamation point of drought episodes—once again takes center stage. I sincerely hope all floodplain managers in Oklahoma remain prepared. The next flood is coming and we must continue to plan for inevitable flooding disasters and fine-tune our response mechanisms.

My responsibilities include the oversight of nearly 400 communities in Oklahoma that participate in the National Flood Insurance Program (NFIP). My colleagues at the OWRB, Matt Rollins, Cathy Poage, and Kim Sullivan, provide critical support to the agency's ongoing floodplain management duties, and our responsibilities continue to increase. As a by-product of the drought, more and more landowners are eyeing normally flood-prone property or structures residing in designated floodplain. In many cases, the flooding history is murky. Occasionally, that history is deliberately concealed from prospective buyers. However, due to improved hydrologic knowledge and new planning tools, the truth is now available. The most recent Flood Insurance Rate Maps are now available on the OWRB's new interactive flood map viewer, which can be accessed via our website at www.owrb.ok.gov. While most Oklahomans reside outside floodplains, many live within the vicinity of one or more. The viewer can help anyone discover their proximity to a flood hazard. I urge all citizens to call the OWRB before purchasing any properties in or near the floodplain.

With the New Year approaching, please remember to take a look at FEMA's recent NFIP modifications as the agency attempts to implement reforms and improvements. With FEMA addressing the burden of a multibillion dollar deficit, exacerbated by the impacts of Hurricanes Isaac and Sandy, the new FEMA budget will undoubtedly come under more scrutiny than ever before. Please log on to: http://www.fema.gov/sites/default/files/orig/fema_pdfs/pdf/business/nfip/nfip_reform_phase_II_report.pdf for the most recent progress.

The OWRB and its staff encourage all of you to attend at least one of this year's 2013 accreditation workshops and work towards meeting this year's OWRB accreditation requirement. To register, please contact Cathy Poage at clpoage@owrb.ok.gov .

As the National Flood Insurance Program (NFIP) State Coordinator, the Oklahoma Water Resources Board (OWRB) partners with other state and federal agencies and local governments to prevent and mitigate the catastrophic effects of flooding disasters in Oklahoma. For more information, go to www.owrb.ok.gov/hazard/fp/floodplain.php or call (405) 530-8800.

The Biggert-Water Flood Insurance Reform Act of 2012

The Biggert-Water Flood Insurance Reform Act of 2012 was passed by the United States Congress on June 29 2012, and was signed by President Obama on July 6.

The Reform Act reauthorizes the National Flood Insurance Program (NFIP) until September 30, 2017 and includes several reforms that could assist state and local governments looking to implement policies to adapt to sea-level rise and other flood impacts from climate change. Key provisions of the bill include the following:

- Increasing the amount of flood insurance coverage for multi-family properties of 5 or more residences (previously limited to properties of 4 or less residences).
- Phasing out subsidies for severe repetitive loss properties, second homes, business properties, homes substantially damaged or improved (i.e., greater than a percentage of the market value of the home), and homes sold to new owners.
- Allowing insurance premium rates increases of 20 percent annually (previously capped at 10 percent), allow for deductibles, and require that premiums be calculated based upon "average historical loss year," including catastrophic loss years.
- Requiring the creation of a Reserve Fund.
- Requiring the development of a plan for repaying debt owed to the U.S. Treasury (FEMA had to borrow approximately $21 billion as a result of claims after hurricanes in 2005).
- Establishing a Technical Mapping Advisory Council (TMAC) to provide recommendations to FEMA about how to consider the impacts of sea-level rise in flood insurance rate maps (FIRMs), among other things.
- Allowing FEMA to update FIRMs to include "relevant information and data" on flood hazards caused by land-use changes, and "future changes in sea levels, precipitation, and intensity of hurricanes," among other things, and remove limitations on state and local financial contributions for updating FIRMs (previously capped at 50 percent).
- Amending the Mitigation Grant Assistance Program to allow FEMA to pay for 100 percent of eligible costs to fund the acquisition or relocation of severe repetitive loss structures, even where they do not meet cost-effectiveness requirements.
- Extending flood insurance coverage at lower rates to communities that "have made adequate progress" in reconstructing or building a flood control structure that will protect the community from a 100-year flood.
- Allowing for private insurance, consistent with NFIP policies, to satisfy insurance requirements needed to obtain federally-backed mortgages.
- Requiring several studies for additional reforms and improvements to the NFIP, including the following:
  - ❖ establishment of a Flood Protection Structure Accreditation Task Force to make recommendations on how to accredit the safety of flood control structures.
  - ❖ study on improving interagency and intergovernmental coordination on flood mapping and financing options for updating flood maps.
  - ❖ study of the solvency of the NFIP.
  - ❖ study of pre-FIRM structures and options for eliminating subsidies to these structures.
  - ❖ study on risks to residual risk areas and best practices for managing flood risks in these areas.
  - ❖ study on using reinsurance to manage financial risks associated with flooding and options for privatizing the NFIP.

How Does Flood Insurance Work?

Many homeowners go to sleep at night with a false sense of security. They have protected their investments in homes, cars, and personal belongings with insurance in case of a disaster. However, the very same homes and personal belongings they assume are protected by insurance remain vulnerable to flooding, the most common of all natural disasters, unless they also have flood insurance. Homeowner, condo, and business insurance policies normally do not cover flooding damage.

Fortunately, these same homeowners are eligible for a U.S. government-sponsored program known as NFIP—the National Flood Insurance Program. This FEMA program was officially renewed by Congress on June 29, 2012, and has been extended for five years. President Obama has already signed the Biggert-Waters Flood Insurance Reform and Modernization Act of 2012 into law, ensuring stability and confidence to the flood program and the U.S. housing market.

FEMA officials are concerned that there is a broad lack of knowledge and understanding about the risk and damages caused by flooding and that flood insurance is easily and inexpensively available to protect homeowners and small businesses. The average flood claim is $15,000, while an average flood insurance policy costs just a little more than $350 a year. Business owners are just as vulnerable as homeowners. Their routine business insurance policies generally will not protect them against flooding.

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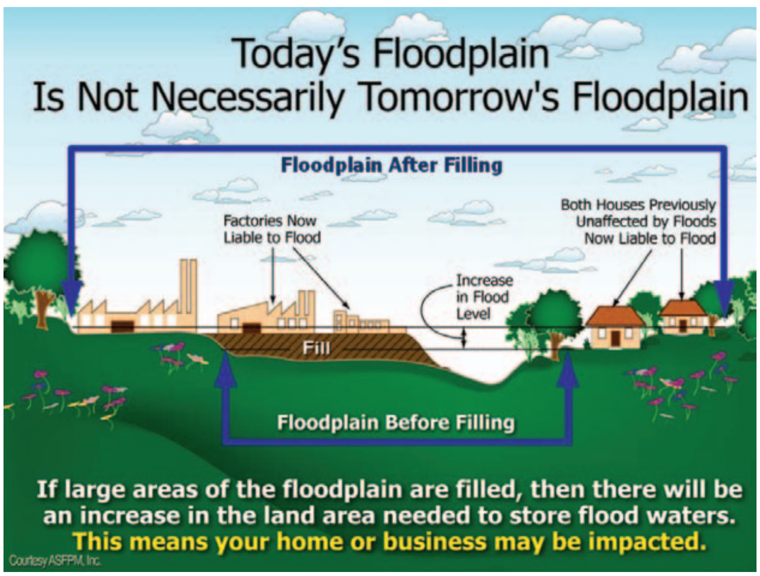
Individuals who are not in a high-hazard zone often have a false sense of security. However, there is no such thing as a non-risk zone. In fact, nearly 25 percent of all NFIP flood losses occur in areas that are not mapped as high-hazard zones.

Flood zone determinations are made on a property-by-property basis through a master data base of every U.S. home available to agents contracted to write NFIP insurance. Most home closing documents require that risk determination and most lenders require the determination as a condition to approving and funding a mortgage on homes.

Flood insurance is *required* on homes in high hazard zones that carry a mortgage provided by a federally insured bank. If flood insurance is "forced" into the mortgage by the lender, it is invariably at a much higher expense. Property owners also need to be aware that flood zones change as conditions in areas change. Today's low risk area could become tomorrow's high risk zone. High risk zones have a six times greater risk of flood than fire, and a one-in-four chance of flooding over the lifespan a 30-year mortgage.



Any residential or commercial building with two exterior walls and a roof are probably qualified for coverage, according to the NFIP manual. Another little known fact about flood insurance, is that there is no need to "shop" for this insurance since all rates are set by NFIP. Rates are quoted on a scale that ranges from a $20,000 building to a $250,000 building and whether the structure has a basement or enclosure.

Supplemental contents coverage can then be added at modest additional cost. The NFIP is a national program subsidized by FEMA and the rates are pre-set in the legislation, although the newly approved legislation allows for annual rate increases from 10 to 20 percent.

The overall goal in rate setting for NFIP is to establish "actuarial rates" and eliminate the subsidizing of structures other than a primary residence, such as second homes and vacation homes.

An actuarial rate is an estimate of the expected cost of future loss, which is predicted on the basis of historical loss experience and the consideration of the risk involved. FEMA has never failed to pay a covered loss to date since debts were first incurred.

There are clear delineations between disaster coverage and flood insurance, including the following:

- Disaster assistance requires a presidential declaration, while flood insurance pays claims regardless of a presidential declaration.
- Almost 25 percent of all claims paid by NFIP are outside of Special Flood Hazard areas in low- to moderate-risk areas.
- Typical forms of disaster assistance are loans that must be repaid with interest. Flood insurance does not have any payback requirements.
- Flood insurance policies are continuous, and are not cancelled or non-renewed for repeat losses.
- The average individual and household program award for presidential disaster declarations related to flooding in 2008 was less than $4,000. Flood insurance reimburses for all covered building losses up to $250,000 and $500,000 for businesses. Additional contents coverage is available up to $100,000 for homeowners and $500,000 for businesses.
- Repayment on a $50,000 Small Business Administration Disaster home loan is $240 a month or $2,880 annually at 4 percent interest. The entire cost of an NFIP policy is little more than $500 annually. A preferred risk policy will add under $200 cost annually, depending on where you live.

Excerpted from the Montgomery County Courier
July 18, 2012

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State of Oklahoma
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Flood Current, **Vol. 23, No. 2**

The 1980 Oklahoma Floodplain Management Act authorizes communities to develop floodplain regulations, designate flood hazard areas and establish floodplain boards. Community floodplain administrators must become accredited and receive training through the Oklahoma Water Resources Board (OWRB). Consistent with protecting the natural functions of the floodplain and reducing flood losses, the OWRB values the "No Adverse Impact" floodplain management approach, promoting responsible floodplain development through community-based decision making. For more information about Oklahoma's Floodplain Management Program, go to www.owrb.ok.gov/hazard/fp/floodplain.php or visit the Oklahoma Floodplain Managers Association's web site at www.okflood.org.