

P2R2 Committee Notes: Below are Ms. Moehring's notes from the FAIR Foundation Industry Conference on May 24, 2017. They may not be entirely accurate as they simply reflect what she thought she heard at a conference that is not related to her area of planning expertise. However, they were sufficient to identify "Pre-Flood Map Building Resilience" as a P2R2 Action for 17/18

Notes

Impacts of Uninsured Flood Risk

- Pre flood map buildings are not resilient and resale values are going down
- Trillions of dollars property value in US
- 600,000 buildings in Florida
- We have no more than 20 years to address this. After that, the buildings may be abandoned because insurance rates will not be affordable.
- Key to educate the population now.
- Consider flex wall systems, dry flood proofing, engineered flood vents
- Recommendation: if you have flood insurance, allow for \$60,000 to allow for elevation
- Elevation cost in NE \$200 psf 6-8'
- \$160-\$180 psf in FL except for Keys. Assume 90 days for construction.
- Communities must put requirements for contractors in place now
- New tool since Sandy- FHA Rehab Loan up to \$203,000. Appraise at post rehab 130%, then converts to loan.
- Banks are not loaning on elevations now, but they have \$ to loan
- Need a revolving fund in each community, banks all should participate. They are charging low interest anyway. Charge a little more and its worth it to a homeowner, especially as the usual model post disaster is move out, renovate, move out (2-3 years later), elevate.
- What about houses where elevation does not make sense- can they be made wash-through? Can insurance recognize this?

Future of NFIP/Private Market

- \$25B in the hole, so not actuarially sound.
- 25% of NFP debt is for repetitive loss properties. Need a policy change to stop doing this.
- Realtors are supportive of private market flood insurance
- Realtors are supportive of using LIDAR for flood maps
- National Association of Realtors did a study with Millman (actuary) to look at flood insurance rates and they are far off
- Reinsurers think private flood insurance is a less risky investment than cyber and terrorism
- Reinsurers trust storm surge models more than inland flood
- Reinsurers are modeling floodplain by floodplain. They will know what depth as well as what area.
- By 2018 they will have a vetted flood model.

- FL has 6M homeowners policies. 28% of homes have flood insurance. Prediction, within 10 years most homeowners policies will include flood.
- FL legislature is progressive in allowing private flood insurance. 13,000 private policies in FL so far.
- Reinsurers already price flood into wind policies because there is always a challenge figuring out causes. They include 5-10%.
- Insurance is not an open market insurance
- Flood insurance is not an open market, because private sector cannot compete with NFIP rates. Won't be reasonable for private insurance until NFIP ends subsidies.
- Private insurers are rethinking flood after Sandy, because people were not happy with results. Payouts were based on value of property, not replacement value.
- Prior to hurricane Andrew, wind insurers used to insure whole blocks or neighborhoods. This wiped some out. Insurers now say no to homeowners policies to mitigate risk.
- Some firms market private flood insurance based on the firm's expertise in knowing the system, say putting together renovation and elevation.
- Inherent unfairness. NFIP policy for \$200,000 is the same price regardless of home value. So for a \$200,000 house, you have to have a total loss to get full payout. For \$1M house, you only need a 20% loss.