



NATIONAL FLOOD INSURANCE PROGRAM

Bureau and Statistical Agent

W-01047
3017-01

MEMORANDUM TO: Write Your Own (WYO) Principal Coordinators and
NFIP Servicing Agent

FROM: WYO Clearinghouse

DATE: July 10, 2001

SUBJECT: Flood Insurance in Eastern Pennsylvania

Attached is an article that appeared in the *Eastern Pennsylvania Business Journal* discussing the public perception of the need for flood insurance. Please share this article with others in your organization.

Enclosure

cc: Vendors, IBHS, WYO Standards, FIPNC, WYO Marketing Committee,
Government Technical Monitor

Suggested Routing: Marketing, Underwriting

Too Few Pennsylvania Property Owners Have Flood Insurance

Eastern Pennsylvania Business Journal

May 28, 2001

Good news: There hasn't been a significant loss from a flood in Eastern Pennsylvania in over a quarter century

Not so good news: Insurers say that doesn't mean there won't be a flood this year.

Or any future year for that matter. Insurance experts say Mother Nature is fickle that way, and man-made alterations to the earth affect water flow occur naturally every day in construction areas all over the world. Other than geographical regions that are well out of range of anything short of a flood of Biblical proportions, no area is truly immune from flooding.

According to the U.S. Geological Survey, "Floods were the number one natural disaster in the United States in the 20th century in terms of the number of lives lost and property damage."

Pennsylvania Insurance Commissioner Diane Koken says, "Flooding isn't restricted to those who live near water. Floods can be caused by storms, water backup from an inadequate drainage system or dam failure, so it's important for homeowners and business owners to discuss flood insurance with their agent."

Though no one would confuse the Commonwealth with Florida, Pennsylvania actually leads the nation in "waterfront property," with more than 50,000 miles of rivers, streams and creeks. The president of one of eastern Pennsylvania's largest independent commercial insurance brokerages says that's one reason flood insurance is available to anyone.

Bill Kreitz, of Hampson Mowrer Kreitz Agency, Bethlehem, believes flood insurance is "undersold and under-purchased" by Eastern Pennsylvanians. Kreitz says he can't recall a major flood claim since he moved to the Lehigh Valley in 1973, but vividly recalls the flood that ravaged Pottstown in the early 70s.

"Entire sides of buildings were peeled off and swept away by the rising Schuylkill River, and helicopters were picking people off rooftops," he remembers.

Agencies like HMK act only as middlemen on primary flood insurance, which is sold by the National Flood Insurance Program (NFIP), part of the Federal Emergency Management Agency (FEMA).

Standard homeowner policies do not include coverage for flood damage.

The state Insurance Commission says the average cost of a flood insurance policy is \$300 per year for approximately \$100,000 coverage. Kreitz says a limit of \$500,000 of coverage on

building and property applies, and his agency often buttresses that relatively low limit with an additional flood insurance policy.

“Flood insurance does not, for example, include business interruption insurance,” Kreitz says.

Flood zone insurance rates are based on the “100 year flood plain” or the “500 year flood plain” standards used by FEMA and NFIP. The 100-year zone means that the area’s elevation has a 1 percent chance of being equaled or exceeded by flooding each year, or a 26 percent chance of suffering flood damage during the term of a 30-year mortgage. The 500-year zone naturally has lower odds of flooding, but Nationwide Insurance Company’s FloodZone.net page notes 25 percent of all flood claims are from these areas.

Flood insurance is available throughout the state for any insurable property. There is a 30-day waiting period before a new policy takes effect, and Koken says property owners shouldn’t “wait until the flood waters come in your front door.”

It doesn’t take a natural disaster like the one in Pottstown to cause flood damage covered by the NFIP policies. Unusual and rapid accumulation of runoff of surface water, mudslides or beach erosion can all contribute to flooding conditions capable of damaging or destroying property.

Koken, in a recent press release, points out a common misconception about federal disaster assistance, which is often confused with flood insurance sold by the NFIP.

“Depending on federal disaster assistance is a dangerous gamble. That type of assistance is available if the president declares a disaster, which happens in only about 10 percent of the cases,” Koken says.

Penny Groff, a customer service agent at Sterner Insurance in Coopersburg, Lehigh County, says fewer than 10 percent of the agency’s commercial clients purchase flood insurance for their business properties.

“More often than not, when it is purchased it’s because the financial institution holding the mortgage requires it,” Groff says.

Kreitz concurs, adding, “It’s a difficult sell because major floods occur so infrequently in Eastern Pennsylvania. I think we’ve been lulled into a false sense of security as a result.”