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Changes in FEMA's flood maps and the future of property owner's flood insurance

October 30, 2014 - Spotlights

Setting aside what the causes may be, it is an unavoidable fact that sea levels are rising. The National and Oceanographic and Atmospheric Administration (NOAA) predicts that sea levels could rise by more than six feet by the end of the century. Cities up and down the eastern seaboard including Boston, New York and Miami can expect to be flooded and seriously inundated by salt water during storms and unusually high tides further exacerbated by erosion and destruction from wave action.

Flooding is not a coastal phenomenon either. Major rain producing systems and severe thunder storms can cause regional or localized storm water flooding. Weather systems and snow melt can also cause river network runoff, discharge and overflow.

Catastrophic floods can cause widespread damage to property in the U.S. Floods account for more Presidential Disaster Declarations than any other events with over $5 billion in economic losses from flood on an annual basis.

New FEMA flood maps with revised base flood elevation levels may lead to changes in the availability of flood insurance including limits, deductibles, and premiums especially for properties that are located in high risk, special flood hazard zones. A property in a high hazard flood zone is 5-7 times more likely to experience a flood event causing $100,000 or more in damage than to suffer a fire or explosion of a similar magnitude according to property insurer FM Global.

Commercial property owners must be proactive about their risks and exposures to coastal, storm and river network floods. This starts first with understanding where your property is physically located- whether it is in a 100 year flood zone (High Risk Area Zones A, AE, A1-30, AH, AO, AR, A99 and High Risk-Coastal Area Zones V, VE, V1-30) where there is a 1.0% chance of a flood happening every year, or a 500 year flood zone (Moderate to Low Risk Areas Zone B and X), where there is a 0.2% chance of a flood happening every year. FEMA may include Base flood elevations within a particular Zone-for example, within Zone AH the average depth of a flood is estimated between 1 to 3 feet.

Knowing the ground elevation of the building in relation to the base flood elevation will help an owner understand the potential loss severity within a particular flood zone. Ground elevations can be determined and certified by a licensed land surveyor, a registered professional engineer or an architect who is certified by a state or local authority.

Other factors that need to be taken into consideration when determining the severity of loss include the type and size of the building, where assets are located within a building, and what the potential impact will be on operations if the building is shut down as a result of damages to property and machinery and equipment as a result of flood.

Armed with this information, a property owner can begin the process of deciding how to protect assets with risk control measures to prevent flood waters from entering a building or limiting resulting damage if flood waters do enter a structure. Among the things a property owner can do to prepare for flood are:

* protecting electrical, computer and telecommunications equipment
* providing backflow preventers and sump pumps for drains and sewers
* relocating high valued equipment and stock from exposed areas to higher floors or non- exposed buildings
* installing permanent or temporary barriers to hold back flood waters.

Following an evaluation and implementation of risk control measures, decisions can be made around how much flood exposure to retain through deductibles and how much coverage and limit to transfer and buy through the Federal Flood Insurance program and the private insurance sector. If a property owner has multiple buildings that could be exposed to a single flood event in a specific geographical area, then it is important to look at the aggregate exposure to all loss when making insurance decisions.

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