

Flood Insurance

The Federal Emergency Management Agency (FEMA) administers the National Flood Insurance Program (NFIP), which includes minimum national standards for flood insurance. In its section devoted to common interest developments, the language of the NFIP states that *“association board members have a fiduciary duty to unit owners to protect the common property by assuring that appropriate insurance coverage is in place.”*

Socher Insurance Agency provides a thorough professional review of coverage requirements for its clients. Call us today at 877.317.9300 or visit www.hoainsurance.net for more information.

It is crucial that the Association be aware of underwriting guidelines when purchasing or renewing a flood insurance policy. Facing the most expensive real estate and construction costs in the country, homeowners associations (HOAs) must be fully aware of the current costs involved with the replacement of their facilities. Merely meeting NFIP's minimum national standards for flood insurance coverage, and without a coverage review, a HOA might find itself well short of the true replacement cost of its facilities. Socher Insurance Agency routinely provides a thorough professional review of coverage requirements for its clients.

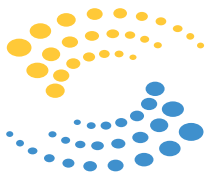
Flood Insurance Program

FEMA flood insurance requirements for condominiums:

- FEMA allows maximum coverage of the lesser of (a) the replacement cost value of the building or (b) the number of units in the building multiplied by \$250,000.
- Insurance must be at least 80% of the estimated replacement cost to avoid co-insurance penalty.
- Excess flood coverage may be needed if a building and/or Association is worth more than the total FEMA limits.

FEMA flood insurance requirements for planned unit development attached dwellings (townhouses):

- Policies must be written for each individual unit.
- Insurance must be at least 80% of the estimated replacement cost to avoid depreciation.
- Excess flood coverage may be required by a lending institution because FEMA only allows \$250,000 per building, regardless of the number of units in the building.



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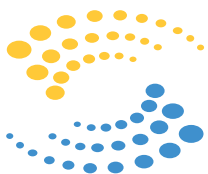




Flood insurance coverage is offered per-building only and is not blanketed.

Flood Insurance Rate Maps (FIRMs) are issued by FEMA to classify communities into various flood risk categories (A, B, V, X, etc.). Rates are based on the assigned Flood Zone and when the units were built.

- **Pre-FIRM:** If an Association is build and is subsequently added to a FIRM and/or FEMA changes the FIRM classification to Flood Zone "A" or "V," the Association can be grandfathered into a lower rate:
 - The building was built in compliance with the Map in effect at the time of construction.
 - The building has not been altered in any way that has resulted in a floor that is lower than the floor level when the building was built.
 - The building has not been substantially improved.
 - The Association has a policy already in force and or purchased a policy before the FIRM classification changes to a Flood Zone with higher rates.
- **Post-FIRM:** If an association is built after the area is added to Flood Zone "A" or "V," the Association must obtain an Elevation Certificate.



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