

Getting Proper Insurance Coverage in Place Is a Critical Part of Preparing for Hurricane Season

June 1 through November 30 is the official hurricane season in Florida. As unpredictable as natural disasters tend to be, there still are precautionary measures you should take that will make the aftermath of a storm much easier to manage. The most common hazards associated with hurricanes are storm surges, inland flooding, high winds and tornadoes. Purchasing insurance to protect your municipality from these damages is not only prudent, but necessary.

A widespread misconception is that the Federal Emergency Management Agency (FEMA) and/or the National Flood Insurance Program (NFIP) will cover all losses incurred from a major hurricane. In truth, both of these programs use extensive guidelines to determine who is eligible for assistance and how much assistance will be provided. In addition, the guidelines are continuously amended to incorporate “lessons learned” from previous active seasons.

This article will highlight a few recent changes made and recommend the next steps you should take to ensure protection for your municipality during this hurricane season.

In May 2008, FEMA published an overview of considerations for PA (Public Assistance) applicants that included three key provisions in the Stafford Act (the Stafford Act is how FEMA originated), applicant responsibilities, insurance requirements and frequently asked questions.

Three Key Provisions

1. *Disaster assistance provided by FEMA is intended to supplement financial assistance from other sources. Disaster assistance will not be provided for damage or losses covered by insurance. Insurance coverage must be subtracted from all applicable PA grants in order to avoid duplication of financial assistance. If PA funds are obligated for work that is subsequently determined to be covered by insurance, FEMA must de-obligate the funds. (Stafford Act, Sections 101(b)(4) and 312(c)).*
2. *The Applicant must obtain insurance on damaged insurable facilities (buildings, equipment, contents, and vehicles) as a condition of receiving PA grant funding.*

In addition, the Applicant must maintain insurance on those facilities in order to be eligible for PA funding in future disasters. (Stafford Act, Section 311).

3. *FEMA will reduce the amount of eligible PA funding for flood losses in the Special Flood Hazard Area (SFHA) (Stafford Act, Section 406(d)). If an eligible insurable facility damaged by flooding is located in a SFHA that has been identified for more than one year by the Administrator, and the facility is not covered by flood insurance (or is underinsured) on the date of such flooding, FEMA will reduce PA funding by the maximum amount of insurance proceeds that would have been received had the buildings and contents been fully covered under a National Flood Insurance Program (NFIP) standard flood insurance policy.*

Applicant Responsibilities

1. *Identify all damaged facilities that were covered by insurance at the time of the disaster and the type and amount of coverage (including deductibles and policy limits) for each.*
2. *Identify all damaged facilities for which PA funding was received previously and for which you were required to purchase insurance. Failure to maintain the required insurance for the hazard that caused the disaster will render the facility ineligible for PA funding.*
3. *Provide all pertinent insurance information (policies, declarations, insuring agreements, conditions, exclusions, and "Statements of Loss") for each insured damaged facility to the State Public Assistance Officer (PAO) as soon as possible.*
4. *Pursue payment under your insurance policies to maximize potential benefits, thereby avoiding risk of delays or loss of Federal assistance.*
5. *Identify all facilities (buildings, equipment, contents, and vehicles) located in the SFHA. If an eligible insurable facility and contents damaged by flooding are located in a SFHA that has been identified for more than one year by the Administrator and the facility is*

not covered by flood insurance (or is underinsured) on the date of such flooding, FEMA will reduce PA funding by the maximum amount of insurance proceeds that would have been received had the facility and its contents been fully covered under a National Flood Insurance Program (NFIP) standard flood insurance policy.

Insurance Requirements

1. Must purchase and maintain insurance coverage on facilities – buildings, equipment, contents, and vehicles – for the type of hazard that caused the damage in order to receive future PA funding. Such coverage must, at a minimum, be in the amount of the eligible project costs. FEMA will not provide assistance for that facility in future disasters if the requirement to purchase and maintain insurance is not met (44 CFR §§206.252(d), 206.253(b)(1)).
2. Must document insurance coverage by an insurance policy or binder and submit it to FEMA before project approval (44 CFR §§206.252(c), 206.253(a)).
3. Are exempt from this requirement for projects where the total eligible damage is less than \$5,000 (44 CFR §§206.252(d); 206.253(d)).

Prior to a disaster, state and local governments are not required to purchase insurance if they have not had any prior disaster assistance at a particular facility. However, if facilities within a public entity have previously utilized federal disaster assistance, and then failed to acquire insurance coverage afterward, those facilities will be *ineligible* for federal disaster assistance under the PA program in future disasters.

There are certain zoning areas determined by FEMA that must have precautionary measures in place regardless of their disaster history, referred to as Special Flood Hazard Areas (SFHA). The SFHA is the area where the NFIP's floodplain management regulations must be enforced and the area where the *mandatory purchase of flood insurance applies*. For a list of these zones, refer to www.fema.gov/plan/prevent/floodplain/nfipkeywords/sfha.shtm. FEMA expects a community to pull its own weight, and that includes insurance coverage and better land management.

Coverage with the FMIT

The Florida Municipal Insurance Trust (FMIT) can assist you if you are interested in placing primary flood coverage. A few things to note:

- ▶ Each building will have a separate policy and deductible. (Contact your account executive for assistance with this.)
- ▶ Building eligibility is determined by NFIP standards. As an example, gazebos, pavilions and docks are not eligible for flood insurance.
- ▶ The FMIT places primary flood coverage with an A-rated insurer.

- ▶ There is a 30-day waiting period once the premium payment and application are received. Therefore, the sooner you place coverage, the sooner your entity will be protected from imminent damage.
- ▶ The FMIT provides wind coverage (including hurricane, tornado and tropical storm) in the member's property program.

Land Management and Outsourcing

Once insurance coverage is in place, you may want to explore organizations that can help with disaster recovery services for your municipality. These services include:

- ▶ Disaster preparedness services
- ▶ FEMA public-assistance consulting services
- ▶ Disaster debris monitoring services
- ▶ Disaster program management

The FMIT works with companies such as Mordecai and Synergy to assist members and provide resources to prepare for disaster recovery. These companies are not only current on FEMA regulations and policies, they are also proficient in restoring basic services to your municipality following a disaster. Further benefits of outsourcing include reimbursable administrative costs, quick deployment with prepositioned contracts, and the ability to focus on rebuilding instead of managing programs your staff may not be familiar with.

Time to Act

Hurricanes strike with little warning and inevitably cause panic. Peace of mind in knowing that you have done everything you can to prepare is the best way to handle these situations. The Florida Municipal Insurance Trust is your partner and will guide you through every step of preparation. Holding proper insurance coverage and having a disaster recovery plan in place are two of the most important steps of preparation. Please contact the Florida Municipal Insurance Trust for insurance coverage information and outsourcing assistance.

Florida Municipal Insurance Trust

Insurance: David Murray, (407) 367-1733, dmurray@flcities.com

Outsourcing: David Cominsky, (407) 367-1753, dcominsky@flcities.com

Mordecai Claims Service

www.publicadjustersworldwide.com/commercial

Synergy Recovery Resources

<http://synergyrecoveryresources.com>

FEMA/NFIP

www.fema.gov

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