

Post-Katrina Issues - Frequently Asked Questions

Louisiana

Q1: There is an MEC (Marketing Equalization Charge) cost that Louisiana Citizens Fair Plan puts on every policy that is in addition to their regular rates. Is it true that this will be refunded after the closing?

A: No. The state passed a new law in December that says basically that you can apply for a credit on your taxes for this amount. This does not mean that the entire MEC will be refunded after closing as some insurance agents are implying. The MEC charge from 10-05 to 7-07 when it ended could be on more than one term of your property insurance. Not all companies paid into this. Check your property policies both home and rental properties for the charge. It could read 3 different ways so you need to get the form and print it out as it is needed along with proof of paying it by providing a copy of your declaration pages for these terms. If you don't have them, call your agent. The request is sent to the La. Dept of Revenue for the refund.

Q2: Why should we be complaining to the Dept. of Insurance about post-Katrina issues involving insurance? Especially, Louisiana Citizens!

A: Because nothing will improve unless we all start complaining and Advocacy allows everyone to do just that. Let the Dept of Insurance and Citizens hear from you. Remember we are already paying for Katrina losses and if they don't have enough to operate then we will be assessed this in the future.

Q3: Are you disputing the amount of the claim payment with your property (home & dwelling) insurance companies?

A: Contact the Hurricane Mediation Program offered by the Louisiana Department of Insurance at 1-800-259-5300 or 1-800-426-8792.

Q4: We now have a new state law in Louisiana setting up a Complaint department inside of the Dept of Insurance. How do they operate?

A: They officially opened 10-01-2007 so I know little about them, yet. I intend to file plenty of complaints myself as I have a lot of complaining to do! They can no longer rubber-stamp our complaints as they did in the past so it will take some time to see if they have the authority and responsibility and will follow the law that was passed or will it be insurance as usual. If it is, please use Advocacy and let our state reps know as they put the law on the books in 20017! You can go to the Dept of Insurance website and file a complaint there or call them. 1-800-259-5300

Q5: I keep reading where Citizens is under investigation and that the prior CEO is being investigated for misusing our funds. Can we expect something good to come out of this?

A: I am many others have been complaining to Citizens and the dept of insurance for years about how Citizens was run under the CEO they had. I hear about his miss using funds or expenses that should not have been charged to Citizens but I don't hear about a bigger issue and that is that for nearly 25 years, checks going into Citizens and before them Audubon were not cashed for months and months so that they didn't have the chance to earn interest on them. I can't seem to find anyone to ask about this. I am asking all of you, USERS to use Advocacy and get this subject out in the open. We could be talking about millions in lost revenue under the CEO that was in position during these many years and any business owner knows that putting checks in the bank as fast as possible is only good business.

FEMA Issues

Q1: Why should I be asking the seller for their copy of the Flood Elevation Certificate instead of ordering a new one on the dwelling that I am buying?

A: Several very good reasons: 1) FEMA changed the benchmarks on how to determine the lowest floor and usually a new flood elevation certificate on an existing structure can triple the flood premiums!, 2) The cost of a new elevation could easily be over \$300 and the surveyor is now required to provide photos of the front and back of the dwelling to qualify the certificate. NOTE: AN OLDER ELEVATION CERTIFICATE CAN BE USED BUT ONLY IF THE DWELLING HAD NOT BEEN ALTERED FROM WHEN THE ELEVATION CERTIFICATE WAS LAST ORDERED.

Q2: Why should I be concerned about how ICC works when my dwelling has substantial damages caused by flooding?

A: Once the ICC claim is filed with the respective flood insurance company, the owner of the flood policy needs to be aware of several additional facts relating to their policy. When ICC claims are filed and the insurance company authorizes the amount to be paid out to raise the dwelling to the current base flood elevation under the ICC claim, the most ICC will pay is to bring it to base flood. However, consider raising the dwelling to 6 inches or more above that base flood for additional savings on the flood premiums. You are required to pay any additional cost but the main cost in ICC is the initial cost to prepare the dwelling to be raised. Once an ICC claim is paid, the insurance company now must re-rate the dwelling as new construction with a new elevation certificate and now reflect whatever premiums would apply. If the policy had been grandfathered into an old B, C, X or A99, raising the dwelling only to base flood elevation could cause the premium to increase. See our Talk it Up flyers under Publications & Links to see examples of savings for going 6 inches or more above base flood elevations.

Q3: Is flood insurance available for dwellings that were flooded by Katrina? I recently received a call that the seller didn't know that he could purchase flood insurance on his flooded home and was selling it very cheaply to an investor. The investor called me to find out if that was true or not.

A: Usually, yes. There are some conditions that must be met.

Was the damage caused by flooding equal to 50% or more of the market value of the dwelling?

Is the slab or lowest floor of the dwelling below the current base flood elevation?

If the answers are true to both of these questions, then a permit would not be available until the dwelling met the FEMA compliance requirements. Flood insurance would not be available.

If it is less than the 50% rule, then it would be eligible for flood insurance. If a contractor could verify that the repairs are less than the 50% rule and the house is below the current base flood, flood insurance could be obtained.

If the dwelling is under the 50% rule and the current owner has flood insurance and it is below base flood, the owner can apply for ICC coverage under his current flood policy, provided they haven't exhausted the \$250,000 dwelling limit, sell the property and turn over the proceeds from ICC to the buyer to bring the dwelling into compliance.

Renovation needs to have building permits to keep the dwelling into compliance with FEMA requirements and FEMA sets the requirements that the building code departments must meet so that flood insurance is available through the National Flood Insurance Program. Renovations cannot be more than 50% of the market value that the building permit shows. If it is, the dwelling must now meet the current building codes, be considered a new structure with the date of construction being date done and meeting all the flood requirements such as higher base flood elevations for the dwelling. ALWAYS check with building permit department and get something in writing from the, when a permit is not needed. Protect your self and your dwelling from later being found out of compliance.

Q4: Why are insurance agents reluctant to allow assignment of the flood insurance to a new buyer?

A: 1) Usually the mortgage companies want a one-year prepaid policy. 2) If the policy was not rated correctly the first time, it will never get corrected. 3) It takes the insurance agent a lot more time to do an assumption than writing a new one-year policy.

Q5: Can an ICC claim be submitted if the policy is no longer in force but was at the time of the loss?

A: Yes, as long as the dwelling qualifies under the ICC regulations.

Q6: Even though my home was destroyed, but I had flood insurance at the time of the loss, can I still apply for it?

A: Yes, as long as 50% or more in flood damage AND below base flood AND the policy limits on dwelling has not been met of \$250,000 on residential and \$500,000 on commercial.

Q7: I own a commercial dwelling and it has to be torn down. Can I apply for ICC?

A: As long as the dwelling fits the regulations-50% or more damaged by flooding, is currently below base flood elevation, a flood policy was in effect at the time of the loss and the limit of \$500,000 on the dwelling coverage was not reached, then that dwelling is eligible.

Q8: My home is one of the old raised basement type houses. Is there a way to reduce my flood premiums if I do not use that area as part of the dwelling?

A: Yes, if there is nothing on this ground level that services the premises such as a water heater or furnace then the lower floor can be disregarded as long as the walls are properly vented. See [Technical Bulletin 1-93](#) for the FEMA compliance requirements in detail. However, if either of these items are there and they can be raised to above base flood elevation and the venting is done, the premium can also be less. It will require a new flood elevation certificate that verifies that the changes were made. I recommend Gilbert, Kelly & Courturie, Inc. (504-836-2121) These folks have been helping me for OVER 20 years help our citizens with the cost of flood insurance and they can also help you understand what needs to be done to bring the flood premiums down. Basically, there needs to be permanent openings on two sides of the dwelling within 1 foot of ground level that is one square inch for each one square foot. This must be approved by the surveyor and shown on the new elevation certificate that these openings are in compliance with FEMA requirements. This could easily save the owner between \$500 and a \$1000 or more a year depending on how much flood insurance is carried. If there our interior walls, they too must be properly vented. And, these opening must be kept open without any obstructions over then screening. For more information about vents, go to <http://www.smartvent.com/index.php>. Don't block them after you do this or home is out of compliance. REMEMBER NOTHING STORED BELOW THE BASE FLOOD ELEVATION THAT WAS USED FOR RATING PURPOSES NOW HAS ANY FLOOD INSURANCE COVERAGE.

Q9: Under what circumstances can I use my ICC (Increase Cost of Compliance) coverage under my flood policy?

A: Once the Permit office reviews your request and agrees that the structure is eligible for ICC usage, there our four situations for which the money (up to \$30,000) can be used: flood proofing the structure (not available for residential dwellings), re-locating the structure, elevating the structure or demolishing the structure. If the dwelling no longer

exist and the current owner of the dwelling covered by flood insurance at the time of the loss, they can use the proceeds of ICC of up to \$30,000 towards the new higher elevations that are now required.

Q10: What happens when ICC (Increase Cost of Compliance) is not available under the flood policy because the structure is at current base flood?

A: It is not eligible for ICC unless it is below base flood and 50% or more flood damaged. The next step is to talk to the Permit Office as to what happens now. It may be a case that the structure has to be demolished. That is up to local officials.

Q11: How do I apply for ICC (Increase Cost of Compliance)?

A: To qualify for this coverage there are certain steps that you must meet:

- 1) Is the dwelling 50% or more damaged from flood?
- 2) Did you not exhaust the \$250,000 limit on the dwelling side of your flood policy?
- 3) Is your dwelling below the current base flood elevation for the current map?

If the answers are YES, then you need to provide evidence of this and take it to your local permit office. They will begin the mitigation process and give you a letter to give to your insurance agent who will, in turn, send this to the flood company to set up the ICC claim. The flood company will then notify you directly once it is set up.

Q12: Why should I not try to get the substantial damage percentage reduced?

A: Before you go this route, first talk to FEMA and your local permit office to see what funding may be available to help you. Once you reduce to less than 50%, you lose some options, so you need to know what your options are before you do this. I don't know how to increase it after you decrease it by having a contractor prove the damage should be less.

Q13: How do I find out if my policy has an elevation certificate?

A: Call your insurance agent. If your policy is rated with one, they will know it and can provide you with a copy of it.

Q14: What is the definition of basement according to National Flood Insurance?

A: If you could step down on all sides when entering the room, that is a basement and is not covered under the flood policy in the same way that the remainder is. It is very restrictive on what is covered. Contents is never covered under a basement. A sunken room is considered a basement under this definition.

In Louisiana, we have what is known as a raised basement type house. See question #8. There are some specific measures that must be in place before the rate would be changed.

Q15: Why should I want to know if the damage to the dwelling is 50% or more of market value?

A: There is a FEMA regulation that has to do with code enforcement that says that if the damage is from any origin, wind and flood or all perils, then the dwelling must meet current code requirements before it can be renovated. If this regulation (Substantial Damage Rule) is triggered, the owner cannot get a building permit and must order a new flood elevation to be sure that the dwelling meets the current base flood elevations.

Q16: What happens if the dwelling does meet the Substantial Damage Rule?

A: If the 50% or more is from flooding, there is coverage under the flood policy called Increased Cost of Compliance. If the policy-holder has not used up the \$250,000 on dwelling coverage, there is up to \$30,000 of Mitigation coverage under the current flood policy. If it is not 50% or more from flooding, then the owner may have some Ordinance of Law coverage under their current homeowner's insurance policy that might help with code enforcement.

Q17: What happens when a structure is damaged, but not substantially, and during the repair the owner also makes an addition, rehabilitation or other improvement to the structure?

A: Any combination of repair, improvement, additions is equal to 50% or more of the pre-damage market value, regardless if the expenditures for the repairs are reduced below the 50% threshold due to discounted labor and materials this rule is triggered and the dwelling will be rated for flood insurance as if it was new construction and if it is below the base flood elevation, it will be rated as such. If dwelling is not in compliance with FEMA & building code requirements then flood insurance could be subject to much higher premiums or NOT AVAILABLE at all!

Q18: Why would I not want to transfer ownership of my flood policy to a new purchaser?

A: About 30% of the flood policies in the greater New Orleans area are rated incorrectly! Also, some mortgage lenders will not accept a partial term flood policy as they want it paid for a year. Insurance agents need to be sure that the dwelling they are offering flood insurance is in compliance at the time of the closing. Assuming someone else's policy should only be done when the insurance agent has made sure that the dwelling has not been altered without a permit. This is the number one reason why dwellings are not in compliance with FEMA regulations.

Q19: I am purchasing a damaged property for renovation. Why should I be concerned about how much renovation I do?

A: FEMA has a rule called Substantial Improvements. Go to [FEMA](#) for a more comprehensive definition. Basically, the improvement cannot be 50% or more of the pre-

damaged condition. When you are getting the permit, if you trigger this rule, the permit office will not issue the permit.

Q20: Why should I worry about the flood claim history on a dwelling?

A: In Jefferson Parish there is a rule called Cumulative Substantial Damage. If the dwelling has flood losses totaling 50% or more over a 10-year period, the Cumulative Substantial Damage rule will apply. In Orleans Parish the damage must be from one occurrence. Letters are now going out to Jefferson Parish residents advising them that their homes fit this rule.

Q21: Why should I not let anyone order a new flood elevation certificate on an existing dwelling?

A: The benchmarks were recently changed by FEMA from 2 to 8 inches lower than they were. This is triggering, what we call, a minus-one flood elevation which can triple a flood premium. Always have the seller obtain a copy of the elevation certificate from their insurance agent and/or company if they do not already have one. Make sure the dwelling has not been altered since the elevation certificate was last issued.

Q22: Why should I want to know where a water heater is located?

A: This is not a code enforcement issue, but a rating issue. The bottom of the hot water heater or floor furnace is the lowest floor for rating purposes. In raised construction, which could have much lower flood premiums, the bottom of these units (the hot water heater or floor furnace) can cause the flood insurance rates to be hundreds of dollars more a year. We cannot use an old flood elevation certificate if either of these units are below the top of the bottom floor. If your hot water heater or floor furnace are below the top of the bottom floor, your current policy may be mis-rated.

Q23: Why should I want to be sure that a dwelling is in compliance with current building codes?

A: If the buyer doesn't make sure the dwelling is in compliance and later has a flood loss, they will have to bear the expense of undoing the changes made without a permit in order to keep their flood premiums at the lowest price that is offered.

Q24: Why should I be concerned about the new FEMA Flood Maps that I keep hearing about?

A: We know the new maps are not out yet but the Advisory Base Flood is now known by the officials and any new construction must be at the new level which is 3 feet above the curb. Renovating a dwelling that is 50% or more damaged must meet the new requirements as it will now be considered new construction.

Q25: Why should I be concerned about building permits when buying a home that was damaged?

A: If the seller shows Yes on renovations and alterations and No on building permits on the disclosure, YOU need to know what they did. Permits keep property into what we call compliance. Without a permit, we do not know if the dwelling fit the substantial damage rule of FEMA and/or the Substantial improvement rule. Make sure you know what was done to the property.

Q26: I am buying a home that was damaged in the storm and using the seller's Elevation Certificate. Is that okay?

A: Depends. Again, I would want to see the permit to be sure it was not substantially damaged. A permit will not be issued if it is out of compliance. We can only use the old Elevations or originals when the dwelling is in compliance. If a dwelling did have substantial damage then the new owner could be charged extremely high flood insurance rates because the seller did not make sure it was in compliance. When dwelling is 50% or more damaged, the insurance agent has to treat the dwelling as NEW construction and change the date to the date repaired and what ever FEMA rules in place we are required to follow. The big one concerns whether the dwelling is below BASE FLOOD and needs to be raised to meet their compliance rules.

Q27: What is meant by Compliance?

A: In order for a community to be eligible for flood insurance they must meet minimum requirements that are required before FEMA will allow the National Flood Insurance Program to offer insurance. We call that keeping a dwelling into compliance because when it isn't in compliance it is subject to either much higher flood insurance or the possibility of being denied any flood insurance UNTIL it is in compliance. The use of building permits keeps FEMA away from the property owner and any complaints they have are not between them and the building permit department.

Don't buy any dwelling that was damaged from Katrina/Rita or any flooding without either the proof of the building permit itself, or the owner applied for one or the as a last resort, getting a copy of the receipts and the cost of the renovations that were done and even better, send the owner to the permit department to have on issued AFTER the repairs had been done. They can do this, I have been told by FEMA.

Q28: Why should I apply for a permit when making renovations?

A: To keep the dwelling in compliance. Always ask and get proof if none was needed. The use of permits can vary for usage from community to community. FEMA has minimum requirements but the community could even have more stringent ones like Baton Rouge parish that requires all new construction to be a foot above the current base flood elevations.

Q29: Could I be paying a higher premium for my residential flood insurance than I should?

Answer: Yes. Several FEMA rules can affect the premiums. Understanding how the Grandfather rule works and using an accurate date of construction are a must when rating flood insurance premiums.

Q30: How could I find out if I am paying too much for my flood insurance?

A: We can provide you with the resources but an insurance agent is a must once you have that info. Accurate information is the key. FEMA requires proof to allow for a change in premiums due to rating errors. However, FEMA has another rule that encourages you to check this out. They allow for up to 6-years in refunds! Use your flood declaration page as a guide and use our website Publications & Links as the resource. Circle on your declaration the Flood Zone, the Community name and the date of construction. If you find info that isn't correct, write on your declaration page the corrected info. You will need the following:

The Community name where the home is located & the current map date
 The current flood zone
 The FIRM date
 The building construction date

If you find any other errors in construction info, circle them too such as number of floors as this can sometimes affect the premiums. 1 ½ stories is rated 2stories

Go to the [FEMA Map store](#) and type property address and search. The community name will appear along with current map date. Click the green button to find your flood zone. Another way to find the zone is to call your local Safety & Permits office. The lighter shades are B, C & X and the darker are the required zones of A and V.

Use [link #20](#) to find FIRM date. (FEMA Louisiana Status Book) Use the Community name from above and second column to the right is the FIRM date.

The hardest question to find an accurate answer is date of construction. **DON'T GUESS.** Try these sources: Local Safety & Permit office for original permit which is dated, check the abstract in closing papers for building history and original land survey if included, contact the local Recorder of Deeds (land surveys might be here, too) and/or contact the Tax Assessor's office.

FEMA is putting the old maps on their website so if you go back to [the FEMA Map store](#) and scroll down along the left side you will see the words HISTORIC maps. This is the Grandfather Rule. Remember the building must have been built after the FIRM date to use an older map. Look for the IND page among the panel page numbers as it will help you find the map panel where the building is located otherwise just start going through each map panel.

Review the following questions and then either contact us (to be your new flood agent) or contact your current insurance agent to re-quote using this new info that you are supplying. Make sure the agent understand the Grandfather rule and when it can be used. Under links [#9](#) & [10](#) we are showing the new flood rates effective 5-1-2008 and just maybe you can figure your own rates by the examples we are providing. It is our goal to help anyone understand FEMA and the National Flood Insurance Program and to be sure that the flood premiums they are paying are the lowest that are allowable.

- 1) Did the Community name change?
- 2) Are the Historic maps showing a zone different then the current flood zone?
- 3) Does your declaration page shows B, C or X and the words Preferred Policy are not shown? See question #31 for further clarification.
- 4) Is the date of construction different?
- 5) Is the construction date after the FIRM date but before 12-31-1974?
- 6) Is the word POST on your declaration page but your date of construction is before 12-31-1974? (Post means a flood elevation certificate is required to have flood insurance but not necessarily a new one!)
- 7) Did you find a land survey and is the flood zone a different flood zone then your declaration page?
- 8) Did your agent use a new flood elevation when you bought your home instead of trying to get the original from the Parish Permit office or the seller?

As we said before call us or call your insurance agent if any of these questions are answered YES. FEMA wants all of our citizens to have the lowest flood rates that are allowed as long as the buildings are in compliance with their requirements. Good Luck!

Q31: Just what is a Preferred Policy and how could it help me?

A: In 1989 FEMA introduced the Preferred Policy which only has 9 choices of dwelling and contents coverage and is available for all 1-4 family residential homes in the least likely to flood zones of B, C & X. This was done to encourage people to buy flood insurance. To qualify for a Preferred Policy two things must be in place. 1) The current zone is B, C or X and there is not a flood history on the house. (FEMA has been sending out letters showing flood claim history) Residential homes can purchase up to \$250,000 building & \$100,000 contents for a low as \$360 a year!

Q32: Could I be paying a higher premium for my residential flood insurance than I should?

A: Several FEMA rules are can affect the premiums you pay. The Grandfather rule deals with using an older map that was issued before the building was constructed and before the next map revision. And, is the date of construction accurate as it is one of the most important questions used in figuring premiums.

Q33: Can I find out if my residential building's flood insurance is higher than it should be without working with an insurance agent?

A: No. I have tried to figure a way to put it in writing but it is just too complicated. What I can do is help you get started so that when you do call an agent, the information is accurate to re-quote the premium based upon your documentation. FEMA requires proof to allow for a change in premiums due to rating errors. However, FEMA has another rule that encourages you to check this out. They allow for up to 6-years in refunds for these rating errors!

Q34: If I wanted to try to figure it out myself, how would I go about doing that?

A: If you can find the answers to the following and if the ones shown on your declaration page are not the same, then you could be miss-rated. The best way for us to help you is for you to use Publications & Links on this website. As you gather info, circle that area on your website then change it if your new info is different.

We need you to be able to answer the following and we will show you where to get that info:

The Community name where the building is located

The current flood zone

The PRE-FIRM date

The building construction date

If you find any other errors in construction info, circle them too such as number of floors as this can sometimes affect the premiums. One and one-half stories is rated as two.

To find the Community name & the flood zone use link [#18 FEMA Map store](#). After typing in address and doing the search the community name will appear. Click the green button to find your flood zone. Another way to find the zone is to call your local Safety & Permits office. The lighter shades are B, C & X and the darker are the required zones of A and V.

To find PRE-FIRM date use link [#20 \(Louisiana FEMA Status Book\)](#) (Flood Insurance Rate Map) This is the date used when this particular community entered the National Flood Insurance Program. Find the Community name from above and the second column to the right is the FIRM date. Write FIRM date down (very important)

The hardest question to answer was what is date construction started, not finished! DON'T GUESS. Try these sources: Call local Safety & Permit office looking for original permit which will have date on it, check the abstract in your closing papers for building history and original land survey if included, contact the local Recorder of Deeds (land surveys might be here, too) and/or contact the Tax Assessor's office.

FEMA is putting the old maps on their website so if you go back to [Link #18 the FEMA Map store](#) and scroll down along the left side you will see the words HISTORIC maps. This is the Grandfather Rule. Remember the building must have been built after the FIRM date or map revision date. Look for the INDEX page among the panel page numbers as it will help you find the map panel where the building is located otherwise just start going through the panels.

Review the following questions and then either call us or your insurance agent to review your current insurance to see if it is correct. The wrong date of construction is a key reason why policies are miss rated as it affects which rating an insurance agent will use.

- 1) Did you correct the Community name?
- 2) Are the Historic maps showing a zone different then the current flood zone?
- 3) Does your declaration page shows B, C or X and the words Preferred Policy? See question # for further clarification.
- 4) Did you correct the date of construction? Is it before the PRE-FIRM date?
- 5) Is it after the PRE-FIRM date but before 12-31-1974?
- 6) Is the word POST on your declaration page? Post means a flood elevation certificate is required to have flood insurance and unfortunately this can cause much higher flood premiums then otherwise if the construction date was before the POST date. POST is after 12-31-1974 or the PRE-FIRM date if later!
- 7) Did you find a land survey and is the zone different then what the declaration page shows? Land surveys can be used in place of old maps so if the zone is shown and it is different and/or the elevation info is different then this can affect the premiums.
- 8) When you bought the flood insurance did they use a new flood elevation certificate? Good sources to find originals are local permit office or the seller or the seller's insurance agent. In 2005 the Benchmarks changed so if your elevation certificate was done after 2005 then you may want to try to find the original. To use an older elevation certificate the square footage cannot have been altered where there is now a lower floor such as an enclosed garage or patio.

Q35: I keep hearing about a Preferred Policy that is less than their regular flood policy. Can you help me?

A: Yes. In 1988-89 FEMA introduced the Preferred Policy to encourage more citizens purchasing flood insurance. To qualify for a Preferred Policy two things must be in place. 1) Your current flood zone is B, C or X and their has not been more than one flood loss since 1978. FEMA has been mailing out letters to anyone with flood insurance

providing the flood history. Call the local permit office and ask them or go to our [Link #18](#) under Publications and Links and find your location on the current flood map after following the directions. Click the green button to view the map panel. Residential homes can purchase up to \$250,000 building & \$100,000 contents for a low as \$360 a year!

Q36: If I am elevating my home or building a new one, why should I build it higher than the new base flood elevations?

A: Look at our Talk it up flyers to see the savings in the flood premiums and the other good reasons why to do it. Also, think about building a two-story home with the first floor being used to park the cars and for storage and venting to allow the water to pass through the lower level. We have a lot of this style home in the old sections of New Orleans and Jefferson Parish and they sure look nicer than just elevating the first floor with space underneath it!

Q37: I keep hearing about a new flood zone for the River Parishes. Can you tell me more about it?

A: It is called AR zone. See link below to read up on it at the FEMA site. We are recommending that everyone buy flood insurance if the dwelling is in a B, C or X zone as this is the zones that could be switched to AR. If you have flood insurance in place before the zone is changed then the flood premiums will be less than if you wait and buy it after the zone is changed. And, when the zone goes to AR, if you have a mortgage then flood insurance is mandatory as long as the zone remains AR. A home that is paying \$317 for \$250,000 dwelling and \$100,000 contents could be paying \$1000 or more if the zone changes. According to what we are learning if you have flood insurance in force BEFORE the zone changes, then you could be paying LESS than those that wait!

<http://msc.fema.gov/webapp/wcs/stores/servlet/info?storeId=10001&catalogId=10001&langId=-1&content=floodZones&title=FEMA%20Flood%20Zone%20Designations>

Mortgage Lenders Issues

Q1: Why should I try to find out what the land value is when trying to secure dwelling insurance?

A: Always ask lender if they will allow for land as insurer wants to only insure the property based upon the square footage and the appraisal done on the dwelling. If the insurer finds it is over-insured the new owner will be sent a request to show proof by way of an appraisal or sign to reduce the limits or they will immediately send termination letter. Some type loans cannot allow for land if the amount borrowed would include it.

Q2: Who is responsible for making sure that escrowed insurance payments are made?

A: There are two parties that have legal obligations for insurance payments. The owner signs a contract with the lender that states that the owner must make sure the premiums are paid. However, the lender has a contract on federally backed loans that require the lender to make sure that dwelling coverage and or flood insurance, where mandatory, is also paid. When the lender does not have proof of current insurance, they are required to notify the borrower that they need proof of insurance or they are required to force-place insurance for the amount of the loan.

Q3: Why do I never want the lender to force place insurance for me?

A: Usually force place insurance is more expensive. Also, force place insurance is a policy with far less coverage. It is usually for the amount of the loan and has no contents or liability or any of the other coverage that you usually would have through an insurance agent. One of the main reasons that they force place is that the lender is changed and the insurance company or insurance agent is never notified to change the mortgage/payer.

Q4: Why should I be careful about bond money?

A: Usually bond money doesn't allow for land and it is sometimes hard to get the right amount of insurance. Shop early for insurance for this type of loan. Be careful about this being in an AE flood zone. Don't let anyone except an insurance agent tell you to purchase a flood elevation certificate. We find that often lenders are requiring flood elevation certificates even when the insurance agent is not going to use one.

Q5: Why should I ask my lender for my current credit scores?

A: Some insurance companies use credit scoring in determining the eligibility of the new owner. So, if the insurance agent ask for the scores, they are trying to keep the premiums low so that they can provide their companies with this info. And, when working with a real estate agent, make sure they know the scores or over or under 700 as that is the usual break in preferred clients versus standard. Learn how to increase scores over time. Check out FICO on the internet to learn more. The easiest way is to electronic debiting of house payments and car payments to avoid every being one day late due to mail or other actions.

Insurance Issues

Q1: How can I use your website?

A: This website could be called Insurance 101 and is designed to assist not only the general public but mostly lenders and real estate agents understand basic insurance that can help our citizens with real estate financial decisions. We have added a new service called Quick-Quote. Link #3 under Publications and Links will show you how to use our website to find what a quote for both property and flood insurance could cost in 11 parishes. The property rates are for Louisiana Citizens Fair Plan and when the new rates are out, we will add them to the site along with the new flood rate increase for 5/1/2007.

Q2: Why should I be concerned if my insurance company is removing the wind and hail and causing me to purchase it from the state of Louisiana?

A: I can understand why they are doing this and the importance of a national wind policy that you can read about under Publications and Links and I also recommend you voice your opinion to our elected officials under Advocacy, BUT our Insurance Commissioner and these companies that are doing this also need to be telling you what the new policy from the State of Louisiana does not have that you might have had. The Louisiana Citizens wind and hail only policy does not have Replacement cost on the dwelling and Loss of use. Loss of use is the coverage that we used when we couldn't return to our homes because of the wind damages. And, the loss of Replacement cost on dwelling means that your dwelling will be depreciated based upon its age. Now, the most expensive asset you own is now subject to losing two very important coverage's and no one seems to be saying anything about it or how to get them back.

Q3: Why should I ask my lender about the site value of the property I am purchasing?

A: Not all lenders can allow for the land but where they can, you need to find out. With the high cost of insurance now, taking off the land value could reduce the premiums easily \$500 a year on Property and several hundred on Flood Insurance. So, when you are using quick-quote or working with an insurance agency, be sure to tell them the amount the lender is allowing for the land. And, when it comes to Flood Insurance be sure to have the Elevation Certificate from the seller available or the information on it so that you can tell the insurance agent what base flood is compared to the lowest floor. A FIRM QUOTE to us means that you have done your homework and now you are ready to know what this home is actually going to cost for property and flood insurance.

Q4: Is there anything special about Condos that I should know about?

A: See our new section below called Condo Coverage Insurance.

Q5: Why is it important that Louisiana Citizens Fair Plan actively offer dwelling insurance in the effected parishes?

A: Without them openly writing insurance and giving the insurance agents immediate binding authority, there will be many buyers unable to purchase insurance in time for their closings. Currently it takes about 15 days to get a binder to close, so anyone who doesn't make sure the insurance is bound on their closing date, not only doesn't close, but will lose their good faith deposit along with all the lost time and money for the lender, real estate agents, title personnel and the buyer.

Q6: Why is it so difficult for a buyer to purchase any type dwelling insurance right now?

A: This was a problem before Katrina, but since Katrina, it has gotten progressively worse. Far too many claims for wind losses and the thought that more major hurricanes

are in our future are causing insurers to stop offering insurance or putting high wind deductibles on to reduce their risks.

Q7: Why should I be contacting my state and federal elected officials to voice my insurance concerns?

A: Insurance issues are affecting our daily lives and our ability to recover from Hurricane Katrina. Florida has already addressed some of these same issues following Hurricane Andrew in 1992. No longer can our Louisiana citizens not get involved in these issues. Go to our [Advocacy](#) webpage to learn how to help address these concerns.

Q8: I need dwelling insurance on a damaged dwelling. Why am I having problems getting any insurance?

A: Since Katrina the insurance companies want a signed statement that says that the dwelling has no damage to it by the time of the closing. They don't want their new client submitting claims for damages that might have occurred before their policy went into effect. When the owner cannot provide this signed statement the only insurance available is some type of renovation insurance. Once the repairs are made, then permanent insurance can be purchased.

Q9: What is Renovation Insurance? How do I purchase it?

A: Read our latest information about [Renovation and Builders Risk Insurance](#)

Q10: Why should I be concerned about the type of dwelling insurance that I buy?

A: Insurance on dwellings can be purchased that reflect different type perils (causes of loss) and other endorsements and exclusions. Since Katrina we are seeing our insurance rates soar and it will be this way for years to come as we pay for all the losses of 2005. Many insurance agents only offer a standard policy which might make the insurance premium so high that you can't afford to buy the dwelling. Ask the insurance agent how they can help you lower those premiums. Ask them to explain the different types of dwelling coverage available.

Q11: Is there a difference between homeowners insurance and dwelling insurance?

A: YES. There is a big difference in coverage and a big difference in premiums. Homeowners insurance is usually HO-2 or HO-3 with endorsements. The HO-3 is the standard policy that we have always tried to use for the average home, but with the high cost of insurance, we can offer DWG-1, DWG-2 and DWG-3 which is dwelling insurance, not homeowners. A DWG-1 is the least insurance that can be purchased with the lower premiums. The dwelling insurance does not have contents coverage unless it is needed, has no loss of use coverage or other structure coverage, no replacement cost coverage on contents or dwelling, no theft coverage on contents and a lot of other exclusions and restrictions.

Q12: Why should I be concerned if a dwelling does not have circuit breakers?

A: Because without circuit breakers just about the only insurance company that offers insurance is Louisiana Citizens Fair Plan. If you are purchasing a dwelling that has fuses, ask the seller to change it out to circuit breakers prior to the closing. The increased cost of insurance for a dwelling with fuses could easily cover the cost to switch to circuit breakers.

Q13: Why is the age of the roof and the type of roof so important?

A: Many insurance companies will not offer insurance on asbestos shingle, slate or tile or roofs that are over a certain age. Insurance companies do not want roofs that lack maintenance that could cause leaks and interior damage. Many insurance companies now use a separate roof deductible or other restrictions to limit their amount of coverage. It is important to know when a roof was replaced and to share that information with the insurance agent. The current owner would know when they replaced the roof. If there was a building permit, then you could find out from the local Safety and Permits office when it was done.

Q14: Why should I want to know about updates to the dwelling?

A: As insurance becomes harder and harder to find, the more the insurance agent knows about updates, the better they can help the buyer. Our applications ask about when wiring, plumbing, heating, and roofs were updated especially on dwellings over 25 years old. The less the agent knows the more they are limited on where to offer insurance. It just makes good sense to know as much about a dwelling as you can so that you can plan for future dwelling expenses to allow for this lack of updates.

Q15: Why is it important to know the construction type of a dwelling?

A: More and more companies are asking for a copy of the current appraisal so that they will know more about the dwelling than the application allows. When it comes to construction type, brick dwelling insurance is less than frame dwelling insurance. When an insurance agent is told it is both brick and frame, they usually rate it as frame. I have asked several appraisal companies to put the percentage on their appraisals to help clarify this.

Q16: Why should I buy flood insurance now even though my property is in a B, C or X zone the least likely to flood?

A: If the new maps come out and the zone changes to AE or VE then flood insurance is mandatory. If the dwelling construction date is Pre-Firm (In Orleans, Jefferson and St. Tammany the Pre-Firm date is 1974) and you do not purchase flood insurance, then you are penalized by FEMA for not buying it when it was available. If you have it when the zone changes, the owner can use whichever zone is less for them!

Q17: My home is up for sale but I am required to carry liability insurance on my home. Why is this required? I don't currently have any insurance on it.

A: Liability Insurance is what you carry should you someone be injured on the property. Once you list it for sale, there will be hopefully a lot of people looking at it. Your real estate agent is trying to advise you to protect yourself against possibly being sued. Without Liability insurance you are self-insuring for this exposure.

Q18: Why should I make sure that the seller has a building permit or that I have a building permit if I am doing renovations?

A: COMPLIANCE This is a term that FEMA has and if you learn nothing else from Alpha Insurance, you will learn how important this term is for your dwelling property. Don't do renovations without first applying for a permit. Learn when you are required to ask for them as community can differ in when they are required. HOWEVER, never buy a house where the seller listed Yes under renovations and NO under permit. Be sure the current owner goes to have a permit issued for the repairs that they did. AND, when you are doing renovations or requesting renovation insurance MAKE sure you have a permit and give it to your insurance agent so that, if later, dwelling has compliance issues, that is between FEMA and the building permit department not YOU!

Q19: What is meant by escrow window?

A: This is a mortgage/lender term and it is the amount of money that you are able to use to purchase the insurance required by the lender. Often it is both property and flood insurance and they set the limit based upon your credit record. Make sure that your real estate agent knows this amount as there is no reason to look at property that you can not meet the escrow and thereby not being able to purchase it.

Q20: Could I buy less insurance to meet the escrow window if what I was offered went over this limit?

A: YES. There are different type homeowner policies and dwelling policies that can be purchased to lower the premiums. However, they also lower the different perils that cover the dwelling so be aware of this. I often suggest that first time borrower purchase a dwelling policy then use some of their tax refund to trade up later on and send the mortgage company additional premiums to fund this policy each year coming off the tax refund. Talk to the lender about this and see what can be done.

Small Business Association Issues

Q1: When I got my SBA loan papers, it broke down the amounts into building and contents. Can I change how I will be using the proceeds?

A: I talked to the SBA and they said that you need to contact them and review the loan. They can change the breakdown. You do need to provide written estimates to do

this. Also, the building plans are considered indirect expenses and can be included in the loan.

Q2: Is it true that SBA will loan someone money to renovate their homes even though the contractors doing the work have no insurance on themselves or their crew?

A: I have been trying for months to get them to respond to this question. I have emailed and called SBA offices all over the country and no one wants to give me a Yes or No. One of my clients was told by the SBA that the contractor did not need to carry any type insurance. The problem with this is that this now makes the owner of the property liable for the damages done by the contractor to his property or any injuries done to the contractor and their crew. We had a recent case where an uninsured roofer fell off the roof and was in the hospital for 2 months and sued and won \$300,000 from our client. You should never let anyone work on your property without providing written proof of insurance.

Q3: When the SBA tells me to buy Builders Risk or Renovation Insurance for my loan, what should I do?

A: Call your current insurance agent who has your property insured. If the policy is still in effect, they can check with the insurer to see if that policy can act as your Builders Risk policy to satisfy the SBA. And, they can be added onto it as a lender. If you don't have current insurance in place, then there are specific steps you must take to qualify for this type of insurance and it is not inexpensive!

Q4: What should I do if the SBA tells me to buy a new flood elevation certificate?

A: Call your insurance agent before doing so. The date the dwelling was built can affect the need for one. You may have one currently on the policy. Where you get it can also affect the cost. If the parish permit office has one that is for the maps that are in current use, then there is no reason to order a new one that cost in excess of \$200.

Q5: Is a builder's risk policy needed when renovating a home and trying to get an SBA loan?

A: If they currently have an insurance policy in force with a company, they need to contact their insurance agent. We are trying to get the Dept. of Insurance to issue a directive that says that the existing policy in effect is their builder's risk policy.

Q6: When the SBA wants an assignment on an insurance policy proceeds what should I do?

A: I am trying to get someone at SBA to change their rules and when this is needed, they, not the client, send direct to the insurance companies for the assignments. Insurance agents cannot assign proceeds, only insurers.

Q7: Why must I buy property and flood insurance on contents when I am living with my son or daughter or parent when applying for an SBA loan?

A: If your son or daughter or parent has a homeowner's policy with a company, then notify the insurance agent to discuss this further. Usually, you are a temporary insured under their policy and they could increase their limits, if needed, and add the SBA to your policy. This way you don't have to buy separate insurance. The definition of an insured under property and flood insurance is spelled out in the policy form.

Q8: When I apply for a SBA loan, am I required to purchase insurance to cover the loan?

A: YES. Flood insurance is required and often property insurance. I am not sure if this is true in all cases though. Also, as insurance agents we are required to add them on your insurance policies as a lender.

Q9: Once I borrow money from the SBA, am I required to keep the insurance in force after the loan is repaid?

A: Usually, yes. The loan is based upon the property location so that if you sell the property to someone else and they do not maintain flood insurance and they suffer a flood loss, they are not entitled to SBA assistance.

Q10: Is Flood Insurance always required for an SBA loan?

A: If it is a special flood hazard zone, then it is required. If the dwelling was damaged from flooding, then flood insurance is required regardless of the zone. If the flood is not mandatory and the dwelling did not flood, then flood insurance is not required. However, if it is a second mortgage, SBA or not, flood insurance is usually required by the lender for the amount of the second mortgage loan.

Q11: Where can I get more information about SBA loans?

A: The US Small Business Administration has a "FREQUENTLY ASKED QUESTIONS - Disaster Assistance" website at <http://app1.sba.gov/faqs/faqindex.cfm?areaID=3> [back to top](#)

Condo Coverage Insurance Issues

Q1: Should I treat buying a condo different from buying a one or two family home?

A: Yes. Buying a condo is buying a business. You are in partnership with all the other owners and if you do not make sure the insurance is in order than any losses that are not covered by insurance, you are self-insuring. Both Under-insurance and No-insurance should concern you if you are buying a condo since you will be an owner.

Q2: If I buy Flood Insurance and the Association does not carry it because it is not required, can I purchase a policy on my individual unit.

A: Yes. It can be purchase not only for your contents but the inside walls and anything in your unit such a cabinets, flooring, walls, etc. What you are legally liable for in accordance with the agreement that you are provided with.

Q3: The Association does carry flood insurance, should I buy it on my unit?

A: Yes & No. National Flood Insurance requires that the Association Policy be 80% of the Replacement cost of the building OR the maximum available of \$250,000 on every unit whichever. If it is not 80% replacement cost then buying flood insurance on the dwelling portion of your unit, will not apply if a flood loss occurs. The main policy MUST be insured to Replacement value. You could collect under the contents portion. You are an owner and it is up to you to make sure the building is insured to its 80% or you share in the losses. If they are insured properly and their limits are exhausted, your individual policy will now be able to pay for your damages as your policy is excess over theirs.

Q4: What should I do when buying a condo?

A: Make sure you see the insurance papers that show what the building is insured for both for flood and property. Even Property policies have Co-Insurance clauses in them. Some require a 100% of replacement coverage or everyone shares in the loss. Make sure you understand these serious insurance conditions BEFORE you buy into this business. You do get a copy of the Association agreement spelling out what you are legally liable for. READ IT. It is okay to self-insure but understand what you are self-insuring for BEFORE the loss occurs.

Q5: Should I volunteer to be on a board for a Condo Association?

A: They should carry Directors and Officers Insurance but most of those policies exclude insurance issues where they do not purchase the right coverage or adequate limits. Each of the board members can be sued individually so that if you are on a board, you want to make sure all the owners sign that they accept the insurance as is and do this every year or when an ownership is changed. It still might not keep you from being sued as a board member but it should reduce your chances.