

BLOG

If You Live in Florida, You're in the Flood Zone

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When it comes to flood insurance in Florida, the question shouldn't be, "Am I in a flood zone?" – It should be, "Which flood zone am I in?" Despite how your property is designated on the [FEMA flood zone map](#), all of Florida is in a flood zone and all owners and investors face exposure from flooding.

According to [NOAA](#), 48 percent of all U.S. hurricanes hit Florida, and 88 percent of all major hurricane strikes have hit either Florida or Texas. With hurricanes, comes flooding.



However, given that flooding damage has historically been isolated to less populated, residential areas of Florida, and insurance property rates have remained relatively stable, it's easy to see how commercial real estate owners, investors and developers with properties in Florida's most populous cities might be lulled into a false sense of security.

As flood maps change every couple of years, owners and investors need to consistently assess the risk exposure of their real estate portfolios and stay up-to-date on schedules of commercial real estate insurance.

Ground Zero for Hurricanes, Ground Zero for Insurance Rates

Broward, Dade and Palm Beach Counties have some of the highest property insurance rates in the United States. A similar policy written on a high-rise office building in Wisconsin might cost 10 percent of what it costs in Ft. Lauderdale. Subsequently, this tri-county area is Ground Zero for insurance rate fluctuations.

Fortunately, we've seen only slight increases in rates in the last decade, despite an [overall increase in the number and severity of hurricanes](#) that have made landfall since 1995. This is due largely to where the storms have made landfall and the re-insurance markets having large sums of capital to deploy.

Hurricane Irma, for example, was a best worst-case scenario for the tri-county area. It was projected to make a direct hit on Miami, but six days out, shifted to the west and made landfall near Marco Island. While the devastation was significant, from an insurance standpoint, it would have been dramatically worse if it had hit the heavily populated cities on the east coast, where there is more overall insured value. In fact, the last two major storms made landfall in less populated, primarily residential areas, where insurance carriers had less exposure.

This could soon change. As carriers finalize any remaining claims lingering after Hurricanes Irma, Maria

and Michael it could affect renewal rates for third and fourth quarters of 2019.

Flood Zone Designation

A change in flood zone designation can have a dramatic effect on residential property owners, it could mean they're no longer required by a financial institution to buy flood insurance. The land area covered by the floodwaters of the base flood is the Special Flood Hazard Area (SFHA) on NFIP maps. The SFHA is the area where the National Flood Insurance Program's (NFIP's) floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies. The SFHA includes Zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, VO, V1-30, VE and V.

Whenever FEMA updates its Flood Zone Mapping, a property's zone designation can change. Properties that were once classified as high-risk hazard zones might be downgraded to moderate- or low-risk Zones B, C or X. Even though your building didn't move, and your chances of flooding haven't really changed, it might give you a false sense that you're safer than you used to be. But zoning changes are infrequent. For example, Broward County's last [Flood Insurance Rate Map](#) was updated in 2014, where Miami-Dade is expected to receive a flood map revision in 2019, and Palm Beach received a flood map change in October of 2017.

Managing risk for high-value real estate portfolios in Florida requires a broad knowledge base of the markets, rates and schedules. Connect with one of our experienced brokers to learn more.

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