2017 ASFPM Annual Conference
Presenter: Phillip Dunn
National Flood Insurance Program

Since the formation of the NFIP in 1968, the Program has played a critical role in protecting Americans from flood risk and helping to reduce the need for federal disaster assistance.

As FEMA continues to make significant changes to the NFIP with a vision to protect more properties and enhance the customer experience, resulting regulatory and administrative adjustments may impact policyholders.
Topics to Cover

- Preferred Risk Rating Option for AR & A99 zoned properties
- Newly Mapped Rating
- Elimination of Pre-FIRM Subsidies for Lapsed Policies
- Types and Benefits of Grandfathering
- Rating Scenarios
- Clear Communication of Risk
Introducing the Preferred Risk Policy (PRP) rating option for AR and A99 zoned properties

- Preferred Risk rating is a lower-cost Standard Flood Insurance Policy (SFIP) that offers fixed combinations of building/contents coverage, or contents-only coverage, at flat premium amounts.

- Beginning October 1, 2016, FEMA is extending eligibility for PRP for buildings that are in an A99 or AR zone on the effective date of the policy, subject to the following criteria:
  - No more than two flood insurance claims or disaster relief payments as a result of flood damage that exceeds $1,000
  - No more than three flood claims or flood disaster relief payments (regardless of amount)

- A property will remain eligible for the PRP provided it continues to meet the loss eligibility requirements and remains located in flood zones B,C, X, A99 or AR.
Sample Rating – Preferred Risk (Effective 4/1/2017)

PREFERRED RISK POLICY, $1,250/$1,250 DEDUCTIBLE, ZONE A99, SLAB ON GRADE
BUILDING COVERAGE $200,000 CONTENTS COVERAGE $80,000

PREMIUM CALCULATION

- BASE PREMIUM $321
- MULTIPLIER 1.000
- ADJUSTED PREMIUM $321
- ICC PREMIUM $5
- PREMIUM SUBTOTAL $326
- 15% RESERVE FUND ASSESSMENT AMOUNT $49
- TOTAL PREMIUM LESS FEES AND SURCHARGES: $375

FEES AND SURCHARGES:

- HFIAA SURCHARGE $25 (if a Non-Primary Residence)
- PROBATION SURCHARGE $0
- FEDERAL POLICY FEE $25

TOTAL ANNUAL PREMIUM = $425 ($650 if a Non-Primary Residence)
Newly Mapped Rating

- Newly mapped rating is used for properties newly mapped into a special flood hazard area from a non-special flood hazard area where NFIP coverage is effective within one year of the map change.
  
- These properties will receive the favorable Preferred Risk rate for the first year and then each year will receive an increase to that Preferred Risk rate easing them into the full risk rating.
  
- Beginning January 1, 2017, the increase, known as a multiplier, will vary based on the year that mapped the structure into the Special Flood Hazard Area.
  
- FEMA is expected to provide what the percentage of increase will be in January of each year.
Newly Mapped Multiplier

For policies effective January 1, 2017 through December 31, 2017

<table>
<thead>
<tr>
<th>MAP EFFECTIVE DATE</th>
<th>MULTIPLIER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 2008 – Dec 2014</td>
<td>1.150</td>
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<tr>
<td>Jan 2015 – Dec 2015</td>
<td>1.150</td>
</tr>
<tr>
<td>Jan 2016 – Dec 2016</td>
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<tr>
<td>Jan 2017 – Dec 2017</td>
<td>1.000</td>
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</table>
## Newly Mapped Multiplier

For policies effective January 1, 2018 through December 31, 2018

<table>
<thead>
<tr>
<th>MAP EFFECTIVE DATE</th>
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<tbody>
<tr>
<td>Oct 2008 – Dec 2014</td>
<td>1.325</td>
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<tr>
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<tr>
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<td>1.000</td>
</tr>
<tr>
<td>Jan 2018 – Dec 2018</td>
<td>1.000</td>
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</tbody>
</table>
Sample Rating – Newly Mapped Policy (Renewal Effective 4/1/2017)

NEWLY MAPPED POLICY, $1,250/$1,250 DEDUCTIBLE, ZONE AE (6/1/2010), SLAB ON GRADE
BUILDING COVERAGE $200,000 CONTENTS COVERAGE $80,000

PREMIUM CALCULATION

- BASE PREMIUM $321
- MULTIPLIER 1.150
- ADJUSTED PREMIUM $369
- ICC PREMIUM $5
- PREMIUM SUBTOTAL $374
- 15% RESERVE FUND ASSESSMENT AMOUNT $56
- TOTAL PREMIUM LESS FEES AND SURCHARGES: $430

FEES AND SURCHARGES:

- HFIAA SURCHARGE $25 ($250 if a Non-Primary Residence)
- PROBATION SURCHARGE $0
- FEDERAL POLICY FEE $50

- TOTAL ANNUAL PREMIUM = $505 ($730 if a Non-Primary Residence)
Sample Rating – Newly Mapped Policy (Renewal Effective 4/1/2018*)

*Presumes the only change is the multiplier

NEWLY MAPPED POLICY, $1,250/$1,250 DEDUCTIBLE, ZONE AE (6/1/2010), SLAB ON GRADE
BUILDING COVERAGE $200,000 CONTENTS COVERAGE $80,000

PREMIUM CALCULATION

▪ BASE PREMIUM $321
▪ MULTIPLIER 1.325
▪ ADJUSTED PREMIUM $425
▪ ICC PREMIUM $5
▪ PREMIUM SUBTOTAL $430
▪ 15% RESERVE FUND ASSESSMENT AMOUNT $65
▪ TOTAL PREMIUM LESS FEES AND SURCHARGES: $495

FEES AND SURCHARGES:

▪ HFIAA SURCHARGE $25  ($250 if a Non-Primary Residence)
▪ PROBATION SURCHARGE $0
▪ FEDERAL POLICY FEE $50
▪ TOTAL ANNUAL PREMIUM = $570* ($795* if a Non-Primary Residence)
Subsidized Rates – What are they?

- Defined as: “A rate charged to a group of policies that results in aggregate premiums insufficient to pay anticipated losses and expenses for that group”

- Examples include:
  - Pre-FIRM SFHA’s (built or substantially improved prior to December 31, 1974, or before the effective date of the community’s initial FIRM)
  - Pre ‘81 V zones
  - Group Flood Insurance Policies
  - Newly Mapped Policy

- Annual premium primarily based on:
  - Occupancy
  - Building type

- Pre-FIRM buildings can be rated using full-risk rates if more favorable to the insured. Subsidized rates will continue to be used until the full-risk rating is more favorable.
Subsidized Rates – What’s happening to them?

- **BW12** – Subsidized rates are being phased out over time through annual rate increases until they reach full-risk rates.
  - Most categories are required to increase between 5-15% per year.
  - Businesses, non-primary residential properties, Severe Repetitive Loss properties and substantially damaged/improved properties must be increased by 25% per year.

- **HFIAA** – Eliminates subsidized premiums for policies that have had multiple lapses in coverage or are expired for more than 90 days.
  - If the premium is received beyond the grace period but within 90 days of expiration, this is considered a lapse. The NFIP will allow a policy to retain the subsidized rates if there is only one lapse. However, if this happens again, the policy will be ineligible for subsidized rates.
  - If the premium is received 90 or more days past expiration, the policy cannot be reinstated. A new policy must be written, and will be ineligible for subsidized rates if coverage lapsed while under the mandatory purchase requirement.
  
  The new lapse policy rule also applies to the Newly Mapped rating procedure as well as Grandfathering for Continuous Coverage!!

- Regardless of whether the subsidized premium is phased out over time or immediate, policies issued through the NFIP will eventually be full-risk rated.
Grandfathering – Considered Full Risk Rate

Two Types of Grandfathering:
- Built in Compliance
- Continuous Coverage

Built in Compliance
Allows the usage of the zone and BFE in effect at the time the property was built, provided the building was built in compliance.

- If in an SFHA, the Lowest Floor Elevation must be at or above the BFE.
- If in a non-SFHA, a Post FIRM property is automatically considered built in compliance.
- Pre FIRM structures that did not have a FIRM in effect when built, cannot be grandfathered for Built in Compliance.
Grandfathering – Considered Full Risk Rate

**Continuous Coverage**
Allows the usage of the zone and BFE in effect at the time the insured obtained coverage, provided they maintain continuous coverage.

**Important Reminder!!**
Lapses in coverage, building alterations and/or substantial improvements can impact grandfathering eligibility.
Clear Communication of Risk

Section 28, Clear Communication of Risk, of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) requires FEMA to clearly communicate full flood risk determinations to individual property owners regardless of whether their premium rates are full-risk rates.

The WYO Carrier and the NFIP Direct Servicing Agent will report the current FIRM as well as the rated historic FIRM to FEMA, if applicable.

FEMA will mail a letter providing current policy rating and whether or not additional information, such as elevation date from an Elevation Certificate, could result in a different rate or a clearer understanding of the property's flood risk.
Rating Scenarios
Single Family residence built in 1988, located in flood zone AE

- Slab on grade – Primary Residence
- Machinery & Equipment (M&E) in the garage elevated above BFE.
- The Lowest Floor Elevation (LFE) is the top of habitable floor.
- Requested coverage limit of:
  - $250,000 Building ($2,000 Deductible)
  - $100,000 Contents ($2,000 Deductible)

Annual Premium if the LFE is:
- 4 feet above BFE: $591
- 3 feet above BFE: $610
- 2 feet above BFE: $681
- 1 foot above BFE: $879
- Same as the BFE: $1,506

Lowest Floor Elevation (LFE)
Base Flood Elevation (BFE)
Rating Scenarios

Single Family residence built in 1988, located in flood zone AE

- Slab on grade – Primary Residence
- Machinery & Equipment (M&E) in the garage elevated above BFE.
- The Lowest Floor Elevation (LFE) is the top of habitable floor.
- Requested coverage limit of:
  - $250,000 Building ($2,000 Deductible)
  - $100,000 Contents ($2,000 Deductible)

Annual Premium if the LFE is:
- Same as the BFE: $1,506
- 1’ below BFE: $3,273
- 2’ below BFE: $4,942
- 3’ below BFE: $6,420
- 4’ below BFE: $8,043
Rating Scenarios
Single Family residence

- Slab on grade – Primary Residence
- Requested coverage limit of:
  - $250,000 Building ($2,000 Deductible)
  - $100,000 Contents ($2,000 Deductible)

Annual Premium if:
- Pre FIRM AE: $4,551*
  *If there is an EC, then the EC rates will be used if it results in a lower premium.
- 4 feet above BFE: $591
- 2 feet above BFE: $681
- Same as the BFE: $1,506
- 2 feet below BFE: $4,942
- 4 feet below BFE: $8,043
- X zone (GF or Current – No PRP): $2,191
- Current X zone (PRP): $450
- Newly Mapped into SFHA 1st year: $475
- Newly Mapped into SFHA 2nd year: $530
Rating Scenarios

Single Family Residence – Diagram 5 – VE Zone

- Building is elevated pilings. There is no enclosure or M&E below the elevated floor. (“Free of Obstruction”)
- An elevator (chairlift) **OR** a <300 sq ft breakaway wall enclosure is added that extends below the BFE.
- The “With Obstruction” rates apply.
- $250,000 Building / $100,000 Contents (Primary Residence)
- Insured to at least 75% of its replacement value.

**FULL RISK RATES**

<table>
<thead>
<tr>
<th>LFE is:</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 feet above BFE</td>
<td>$3,947</td>
<td>$6,458 - $6,801</td>
</tr>
<tr>
<td>3 feet above BFE</td>
<td>$4,415</td>
<td>$7,426 - $7,769</td>
</tr>
<tr>
<td>2 feet above BFE</td>
<td>$6,048</td>
<td>$8,692 - $9,035</td>
</tr>
<tr>
<td>1 foot above BFE</td>
<td>$7,963</td>
<td>$10,064 - $10,407</td>
</tr>
<tr>
<td>Same as BFE</td>
<td>$9,649</td>
<td>$12,122 - $12,455</td>
</tr>
<tr>
<td>1 foot below BFE</td>
<td>$11,883</td>
<td>$14,226 - $14,545</td>
</tr>
<tr>
<td>2 feet below BFE</td>
<td>$14,478</td>
<td>$17,124 - $17,442</td>
</tr>
<tr>
<td>Pre-FIRM rates*</td>
<td>$9,788</td>
<td>$9,788 - $13,563</td>
</tr>
</tbody>
</table>

*When applicable, the Pre-FIRM subsidized rate would be used if less than the full risk rate.
Clear Communication of Risk Renewal Timeline (Phase 1)

- NFIP insurers must ensure the current FIRM is captured for the following policy types with renewals effective on or after October 1, 2016:
  - All policies receiving pre-FIRM subsidized premium rates;
  - All standard X-zone-rated policies
  - All Preferred Risk Policies; and
  - All policies rated under the Newly Mapped rating procedure.

- Once renewed, FEMA will mail an insured one of the following letters:
  A. Newly Mapped Rated Policies
  B. Standard Rated Policies In A Low-Moderate Flood Area
  C. Grandfather Rated Policies And Currently In A High-Risk Flood Area
  D. Primary Residential Policies In A High-Risk Flood Area, Paying A Pre-FIRM Rate
  E. Non-Primary Policies In A High-Risk Flood Area, Paying A Pre-FIRM Rate
  F. Preferred Risk Rated Policies
Clear Communication of Risk Renewal Timeline (Phase 2)

- Renewals Effective on or after October 1, 2017

- NFIP insurers must ensure the current FIRM is captured for all other policies - (except: Mortgage Portfolio Protection Program (MPPP) policies, provisionally rated policies, tentatively rated policies, and Group Flood Insurance)

- Once renewed, FEMA will mail an insured one of the following letters:
  A. Newly Mapped Rated Policies
  B. Standard Rated Policies In A Low-Moderate Flood Area
  C. Grandfather Rated Policies And Currently In A High-Risk Flood Area
  D. Primary Residential Policies In A High-Risk Flood Area, Paying A Pre-FIRM Rate
  E. Non-Primary Policies In A High-Risk Flood Area, Paying A Pre-FIRM Rate
  F. Preferred Risk Rated Policies
  G. Buildings That Are Post-FIRM, In A High-Risk Flood Area, And Paying A Rate Based On The True Flood Risk.
Resources

- FEMA: [https://www.fema.gov/](https://www.fema.gov/)


- Map Changes - What Property Owners Need to Know: [https://www.fema.gov/media-library-data/1428946481046-dac9e1fc4a07f4e0ca70fcc610f74775/FEMA-HFIAA_MapChangeFS_040715.pdf](https://www.fema.gov/media-library-data/1428946481046-dac9e1fc4a07f4e0ca70fcc610f74775/FEMA-HFIAA_MapChangeFS_040715.pdf)

- Newly Mapped Into An SFHA: [https://www.fema.gov/media-library-data/1428947341380-23a056704409206c86cc89ac72f9f070/FEMA-HFIAA_NewlyMappedFS_041015.pdf](https://www.fema.gov/media-library-data/1428947341380-23a056704409206c86cc89ac72f9f070/FEMA-HFIAA_NewlyMappedFS_041015.pdf)


- Aon National Flood Services: [https://www.nationalfloodservices.com](https://www.nationalfloodservices.com)
Any Questions?
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Your resource for all things flood:
https://www.nationalfloodservices.com