De-Mystifying Grandfathering (and Other Flood Insurance Options)
-What Floodplain Managers Should Know When Maps Change-

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Agenda

• Introduction

• Effects of Map Changes on Flood Insurance
  – Lower risk to higher risk ("Grandfathering")
  – Higher risk to lower risk ("Conversion")
  – Vertical Datum change
  – No Change

• Questions
Essential Elements of Rating

- Community Name
- Emergency vs. Regular
- Date of construction
- *Pre-FIRM vs. Post-FIRM*
- Flood Zone
- Elevation Difference

- CRS Discount
- Occupancy type
- Number of floors
- Basement/Enclosure
- Cov./Deductible/Fees
Two rate structures:

- **Pre-FIRM**
  - Before initial FIRM
  - On or Before 12/31/1974
  - Whichever is LATER
  - “OLD STANDARDS”

- **Post-FIRM**
  - On or After the initial FIRM
  - After 12/31/1974
  - Whichever is LATER
  - “NEW STANDARDS” or “In Compliance”
Preferred Risk vs. Standard

• Preferred Risk Rates
  – Must be in Zone B, C, or X at time of application AND each subsequent renewal*
  – Fixed premiums; fixed limits
  – Limited loss history

• Standard Rates
  – Rate Tables provided in Flood Insurance Manual
  – Risks not eligible for Preferred Risk Policy
  – Flexible limits

NOTE:
*A building which becomes ineligible for PRP due to a zone change will renew using Standard Rates.

However, the old low- or moderate-risk zone can still be “locked” in.
Effective Dates

- 30-days
- 1-day
- 0 days
Effects of Map Changes On Flood Insurance
Effects of Map Changes on Insurance

1. Properties move into a high-risk zone (A or V) from a low- or moderate risk zone (B, C, X) (e.g. Grandfathering)

2. Properties move into a low- or moderate risk zone (B, C, X) from a high-risk zone (A or V) (e.g. Conversion)

3. There is a change in Base Flood Elevation (BFE)
4. There is a *change in vertical datum*

5. There is *no change*….but are they fully insured?
Properties Mapped from Lower Risk Zones to Higher Risk Zones (Grandfathering)
Grandfather Rule

- For properties moving from low-moderate risk zones to high risk zones*
- Two Opportunities
  - “Lock in” current zone or BFE before a map revision (Pre- and Post-FIRM structures)
  - “Lock in previous flood zone or BFE after a map revision (mostly Post-FIRM structures)

*Also applies to properties being mapped from an “A” zone to a “V” zone
Locking In *Before* a Map Change

- Buy before a new FIRM becomes effective
  - Applies to Pre-FIRM *and* Post-FIRM structures
  - Can be purchased up to the day before the map’s effective date
  - Coverage must be maintained continuously for Pre-FIRM structures
  - Policy can be assigned to a new owner
Locking In Before a Map Change

Property Owner Options

- **Purchases** a policy *before* the map changes; e.g. Preferred Risk Policy* if in B, C, X zone;

- **Already has** a policy and keeps the prior zone and base flood elevation for rating as long as continuous coverage is maintained; or

- **Uses** the zone that provides the lowest rate

*Note: At the first renewal, the PRP must be re-written with standard X rates; the ZONE is grandfathered in not the rate.*
Locking In *Before* Map Revision Example

Zone X in 2000

Pre-FIRM Building
• $326 PRP

*200K/$80K Building/Contents May 2008
Locking In *Before* Map Revision Example

June 2008

**ZONE AE**

Not Grandfathered:
- $2,074 SFIP (AE Zone)
- $6,222 in 3 years

Grandfathered:
- $326 PRP (1st year)
- $1,208 SFIP-X (yr 2-3)
- $2,742 in 3 years
### Post-FIRM Example*: X zone vs. AE zone (+0 BFE)

<table>
<thead>
<tr>
<th>Zone Type</th>
<th>PRP (1st year)</th>
<th>SFIP (yr 2 &amp; 3)</th>
<th>Total Cost in 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>“Locked” X Zone:</strong></td>
<td>$326</td>
<td>$1,208</td>
<td><strong>$2,742 in 3 years</strong></td>
</tr>
<tr>
<td><strong>New AE Zone (+0 BFE):</strong></td>
<td>$326</td>
<td>$1,246</td>
<td><strong>$2,818 in 3 years</strong></td>
</tr>
</tbody>
</table>

*Note: $200,000 building/$80,000 contents; May 2008 rates
Which Zone Do You Use?

Post-FIRM Example*: X zone vs. AE zone (+2 BFE)

<table>
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<tr>
<th>“Locked” X Zone:</th>
<th>New AE Zone (+2 BFE):</th>
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</thead>
<tbody>
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<td>$326 PRP (1st year)</td>
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</tr>
<tr>
<td>$1,208 SFIP-X (yr 2 &amp; 3)</td>
<td>$504 SFIP (yr 2 &amp; 3)</td>
</tr>
<tr>
<td>$2,742 in 3 years</td>
<td>$1,334 in 3 years</td>
</tr>
</tbody>
</table>

*$200,000 building/$80,000 contents; May 2008 rates
“Locking in” After Map Revision

- Second Chance Option
  - Building was constructed in compliance with a specific FIRM
  - Applies primarily to Post-FIRM structures
  - Can lock in previous zone or previous BFE
Second Chance Option

• Which structures can benefit?
  – Mostly applies to Post-FIRM structures (built after initial FIRM in the community)

• Provide the insurance agent either:
  – A copy of the previous flood map showing the previous zone
  – A letter from local community official

• Always use the zone that gives the best rate

• Note: Continuous Coverage is *not* required
**Which Zone is Best to “Lock In”?**

<table>
<thead>
<tr>
<th>Before Map Revision</th>
<th>After Map Revision</th>
<th>New Post-FIRM AE Zone (+2):</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Locked</strong> in Post-FIRM X Zone</td>
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<td>$504* SFIP (yr 2 &amp; 3)</td>
</tr>
<tr>
<td>$2,742 in 3 years</td>
<td>$3,624 in 3 years</td>
<td>$1,512 in 3 years</td>
</tr>
</tbody>
</table>

REMINDERS:
- Zone X may not be the best rate!
- *$200,000 building/$80,000 contents; May 2008 rates

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Benefits of Elevation

1. Better Rates
2. Higher above ground = Safer
   But not always practical!!
Second Chance Option

- Which structures can benefit?
  - Mostly applies to Post-FIRM structures (built after initial FIRM in the community)

- Proof Required
  - A copy of the previous flood map showing the previous zone
  - An Elevation Certificate
  - A letter from community official

- Always use the BFE that provides best rate

- Note: Continuous Coverage not required
Effects of Map Changes on Insurance

Lowest Floor Elevation: 77 feet

+1 above BFE
Approx $707
Lowest Floor Elevation: 77 feet

-1 below BFE
$5,224
“Locking In” Previous BFE

Post-FIRM Example*: OLD BFE vs. Current

“Locked” Old BFE (+1):

$707 SFIP (3 years)
$2,121 in 3 years

Use current BFE (-1):

$5,224 (3 years)
$15,672 in 3 years

*$200,000 building/$80,000 contents; May 2008 rates
1996 Zone AE  BFE: 56’  LFE: 57’

+1 above BFE
$707
Grandfathering does *NOT* apply if the building is:

- Substantially damaged; or
- Substantially improved
Properties Being Mapped from a High-Risk Zone to a Low-Moderate Risk Zone (Conversion)
Conversion

- For properties moving from high to low-moderate risk zones
- Created to encourage policyholders to maintain coverage ("Risk is reduced; not removed")

"Jerry looked into flood insurance but says it's too darned expensive."
Conversion

Procedure:

- Ensure property is eligible for PRP (e.g. losses, zone)
- Chose proper PRP building limit (note: contents are included)
- Rewrite existing SFIP as a PRP, using last renewal date before map change
Results:

• No gaps in coverage (no 30-day wait)
• A refund to the policyholder ("Stay covered and get money back")
• Strengthened customer loyalty for the agent
• Agent keeps commission on old and new policy
• Still at risk; know the level of risk
  – If currently has flood insurance:
    • Is it at current replacement cost?
    • Are the contents fully covered?
  – If not currently covered for flood:
    • Do they qualify for a PRP?
    • If they don’t want coverage, have them decline in writing to the agent!
V.D. Problem

- When rating, always look at the vertical datum used on the FIRM and on the EC
  - If they are the same (e.g. both NAVD88 or NGVD 29), no problem
  - If they are different, then you must convert one, or you will have a problem
    - Average conversion factor may be on the map panel
    - Conversion factor will be in the FIS
Grandfathering Summary

• Pre-FIRM Buildings – One Chance to lock in the zone
  – Purchase flood insurance before the maps become effective

• Post-FIRM Buildings – Two Chances to lock in zone or BFE
  – Purchase flood insurance before the maps become effective
  – Obtain proof that the building was built in compliance at the time it was constructed

Remember: Sometimes the rate is better when using the new maps; both options should be checked!
Outreach Is Critical

- Start Early; Do It Often
- Consistent Messaging
- Provide Resources for information
  - Informative Web site
  - Useful Links
  - Targeted Outreach material
Resources

- **FloodSmart Toolkits**
  - Insurance
  - Map Mod
  - Levee
  - Spanish Library

- **FEMA Links**
  - [www.FloodSmart.gov](http://www.FloodSmart.gov)
  - [www.fema.gov/plan/prevent/fhm/mm_main.shtm](http://www.fema.gov/plan/prevent/fhm/mm_main.shtm)
  - [www.fema.gov/plan/prevent/fhm/lv_intro.shtm](http://www.fema.gov/plan/prevent/fhm/lv_intro.shtm)
  - [msc.fema.gov](http://msc.fema.gov)

- **FEMA Map Assistance Center**
  - 800-FEMA-MAP (336-2627)
For more information:
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480-368-1223
babender@cox.net
Thanks for your Participation

I know, but calling it “Grandmothering” just doesn’t have the same effect!