Who lives in a flood zone?

More than 20 percent of all NFIP Paid flood claims are from outside mapped high-risk flood areas.
Wednesday, August 31st Safety Harbor, Florida
Wednesday, August 31st Safety Harbor, FL
University of Florida comes to town cited September 6th post Hermine
Anyone remember this?
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

- Clear Communication of Risk
- October 1, 2016 new option for AR/A99 zoned properties
- Newly Mapped – Rating
- Elimination of Pre FIRM Subsidies for lapsed policies
- Types and Benefits of Grandfathering
Clear Communication of Risk

- Clear Communication of Risk – April 1 for new business, October 1 for some renewals; Current FIRM will be reported as well as rated historic FIRM
Clear Communication of Risk -

Section 28, Clear Communication of Risk, of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) Section 28 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.
Clear Communication of Risk Renewal Timeline

- **Phase 1**— Renewals Effective on or after October 1, 2016
  - NFIP insurers must re-underwrite 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

- **Phase 2**— Renewals Effective on or after October 1, 2017
  - NFIP insurers must re-underwrite all other policies - (except: Mortgage Portfolio Protection Program (MPPP) policies, provisionally rated policies, tentatively rated policies, and Group Flood Ins)
Introducing the PRP option for AR/A99 zoned properties

- 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)

- 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.
AR/A99 Zone PRP

A property currently located in zone A99 or AR will remain a Preferred Risk rated policy as the levee construction or repair continues and the building meets the loss eligibility requirements. Once the construction is complete, the zone will be revised to a non-SFHA zone B, C or X in the existing PRP policy.
Sample Rating – Preferred Risk

PREFERRED RISK POLICY, $1,250/$1,250 DEDUCTIBLE, ZONE X, PRIMARY RESIDENCE
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
- RESERVE FUND ASSESSMENT PERCENT 15%/AMOUNT $49
- RESERVE FUND ASSESSMENT AMOUNT $49
- TOTAL PREMIUM LESS FEES AND SURCHARGES: $375

FEES AND SURCHARGES:

- HFIAA SURCHARGE $25
- PROBATION SURCHARGE $0
- FEDERAL POLICY FEE $25
- TOTAL AMOUNT DUE $425
Newly Mapped – Section 6 of HFIAA

- 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 obtained 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 Section 6 of HFIAA

Buy coverage effective within 12 months of map revision to save on rates
Lapsed Policies Section 3 HFIAA

- Lapsed policies, section 3 HFIAA, allow for one lapse of coverage if premium is received within 90 days of expiration – while this is still a lapse in coverage and a loss that occurred while coverage was not in effect would not be covered, this one time exception is allowed to retain the Pre-FIRM Subsidized Rates or Newly Mapped Rates.

- Policies that are rated using Pre-FIRM Subsidized Rates or Newly Mapped Rates will require Full Risk Rating if they are required to carry flood insurance and payment is not received by their insurer within 90 days of their expiration date - unless the policy holder decided to allow the policy to lapse because the property was no longer required to have insurance, or if the insured property was in a community that was suspended from the NFIP and the policy was reinstated within 180 days of reinstatement of the community within the NFIP

Don’t Let that NFIP Coverage Lapse
Grandfathering – HFIAA - Considered Full Risk Rate

2 Types of Grandfathering:

- Built in Compliance or 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.

- The Lowest Floor Elevation must be at or above the BFE if in a SFHA.
- 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 – but WAIT – what about continuous coverage
Grandfathering – HFIAA - 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.

- Lapses in coverage, building alterations and/or substantial improvements can impact grandfathering eligibility.

- Lapsed policies, section 3 HFIAA, allow for one lapse of coverage if premium is received within 90 days of expiration – while this is still a lapse in coverage and a loss that occurred while coverage was not in effect would not be covered, this one time exception is allowed to retain the continuous coverage grandfathering for rating purposes only
Wrap Up on Rating
Premium Increases and Surcharges
Biggert-Waters Section 100205 and HFIAA Section 5

- April 1, 2016 introduced the limitations on premium:
  - Pre FIRM subsidized rates for businesses, non-primary residential, Severe Repetitive Loss properties/including cumulatively damaged, and substantially damaged/improved properties must be increased 25% annually until they reach full risk rates – this increase in addition to the HFIAA $250 surcharge
  - The average annual premium rate increases for all other risk classes are limited to 15% while the individual premium rate increase for any individual policy is limited to 18%; and
  - The average annual premium rate increase for Pre-FIRM subsidized rates must be at least 5%.
  - Exceptions to the 15%/18% cap for individual policyholders include items such as the 25% increase, changes to CRS, mis-ratings, and increase in coverage.
  - Considerations included in the cap include the building and contents premium, the Increased Cost of Compliance premium, and the Reserve Fund Assessment. Not included in the cap are the probation surcharge, if any, Federal Policy Fee, and the HFIAA surcharge and as a result, the total amount charged to a policyholder may exceed 18% in some cases.
Full-Risk Rating

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

- Slab on grade 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
  - $100,000 Contents

Annual Premium if the LFE is:
- 4 feet above BFE: $567
- 3 feet above BFE: $586
- 2 feet above BFE: $690
- 1 foot above BFE: $1,008
- Same as the BFE: $1,930

Lowest Floor Elevation (LFE)
Base Flood Elevation (BFE)
Full-Risk Rating

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

- Slab on grade 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
  - $100,000 Contents

Annual Premium if the LFE is:
- 4’ below BFE: $12,359
- 3’ below BFE: $10,032
- 2’ below BFE: $7,602
- 1’ below BFE: $4,958
- Same as the BFE: $1,930
Rating

Single Family residence

- Slab on grade residence
- Machinery & Equipment (M&E) in the garage elevated
- Requested coverage limit of:
  - $250,000 Building
  - $100,000 Contents

Annual Premium if:

- Pre FIRM AE: $3,684
- Pre or Post Std X: $2,184
- Current X PRP: $450
- NewlyMapped 1st: $450
- Same as the BFE: $1,930
Any Questions?
Resources

- FEMA.gov

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


- NFIP iService website: http://www.nfipiservice.com/

- FloodSmart: https://www.floodsmart.gov/floodsmart/


- http://www.nfsfloodcentral.com/
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