

# **Impacts of Map Changes**

## **-Flood Insurance-**



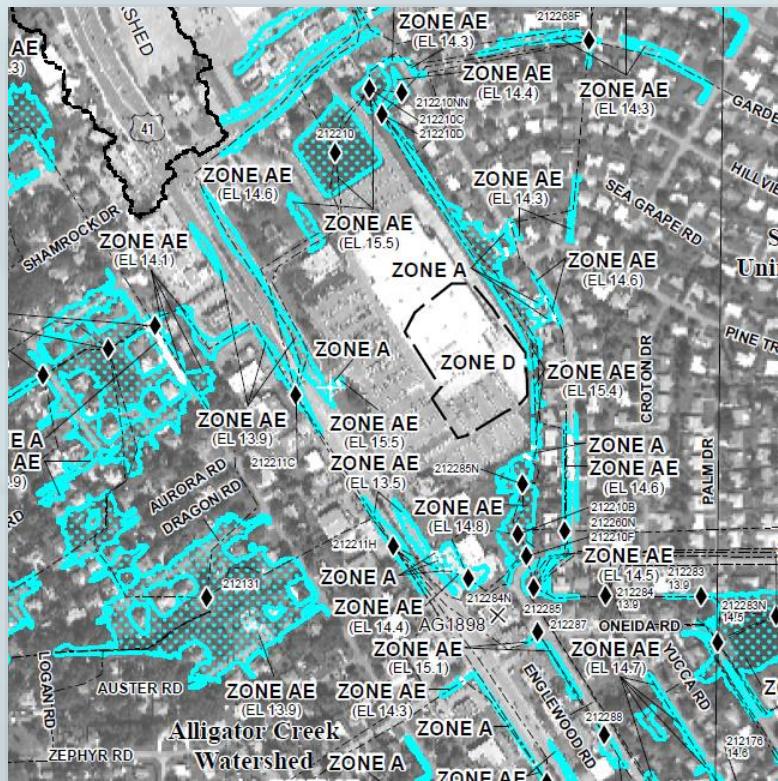
# Effective Dates - Waiting Periods

- 30-day
- 1-day
- 0 day



# Flood Zones

- Moderate- and Low-Risk
    - B, C, X, Shaded X
    - Over 35% of Arizona flood claims occur here
  - High-Risk
    - AE, A#, A, AO, AH
    - Flood insurance required by most lenders
    - 26% chance of flooding in 30 years
  - Undetermined Risk
    - Zone D



# Preferred Risk vs. Standard Rates

- **Preferred Risk Policy 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:**

\*Buildings newly mapped into a high-risk area may be able to be rated using Preferred Risk Policy (PRP) *rates* within the first 12 months after a new flood map becomes effective.

Total *premiums* are slightly higher than a standard PRP due to a higher Federal Policy Fee and Reserve Fund Assessment.

# Pre- & Post-FIRM Rate Comparisons

## Yavapai County First Flood Insurance Rate Map (FIRM) 09/18/1985

### Pre-FIRM

- Built *before* initial FIRM
- No NFIP Building Ordinance
- Subsidized Rates in Zone A & D

### Post-FIRM

- Built on/after initial FIRM
- NFIP Building Ordinance
- Requires EC in Zones “A”
- Full-risk rates charged

### Other Example Pre-/Post-FIRM Dates:

- Prescott: 02/02/1977
- Prescott Valley: 08/16/1982

# Effects of Map Changes on Insurance

1. Properties newly *identified to be in a high-risk zone* (A) from a moderate- or low-risk zone (B, C, X)
2. There is a *change in Base Flood Elevation* (BFE)
3. Properties *newly identified in moderate- or low-risk zone* (B, C, X) from a high-risk zone (A)
4. There is *no change*....but are they fully insured?

# Rating Options

## 1. Newly Mapped Procedure

- Newly mapped into high-risk area (e.g., Zone X to A)
- Based on PRP rates if purchased within first 12 months of new map
- Must qualify for PRP (e.g., minimal claims)

## 2. Grandfathering

- Increase in risk (newly mapped\*, increase in BFE)
- Two Types
  - Continuous Coverage – available for pre- and post-FIRM buildings
  - Built in Compliance – available ONLY for post-FIRM buildings

## 3. Conversion

- Newly mapped into moderate- or low-risk area (Zone A to X)

\*Does not qualify for #1

# Newly Mapped into High-Risk

**High-Risk (Zone A, AO, AE, AH)**



**Moderate- or Low-Risk (Zone B, C, X ) & Zone D**

- *Federal Mandatory Purchase Requirement*
- Increased Risk = Increased Flood Insurance Costs
- FEMA provides cost-saving option: **Newly Mapped Procedure**
  - Lower-cost preferred risk rates *available for 12 months after effective date.*

**DON'T WAIT!**

Buy PRP now as risk is higher than previously identified

# Increase in Base Flood Elevation

**Higher BFE (Zone AE)**



**Lower BFE (Zone AE)**

- Federal Mandatory Purchase Requirement
- Increased Risk = Increased Flood Insurance Costs
- FEMA provides cost-saving option: *Grandfathering*
  - Eligible properties can *lock in the lower BFE* for future rating
- Two Types
  - Continuous Coverage – available for pre- and post-FIRM buildings
  - Built in Compliance – available **ONLY** for post-FIRM buildings

# Mapped Out of High-Risk Area

High-Risk (A, AE, AO, AH)



Moderate (shaded X)- or Low-Risk (X)

- No longer the Federal Mandatory Purchase Requirement
- Risk is **reduced**, **NOT REMOVED**
  - *More than 35% of all flood claims in Arizona occur in mod-low risk areas*
- Convert policy to lower-cost Preferred Risk Policy (PRP)

**KEEP YOUR HOME AND CONTENTS PROTECTED**  
**THERE IS STILL A RISK**

# Conversion

## Procedure:

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

## Results:

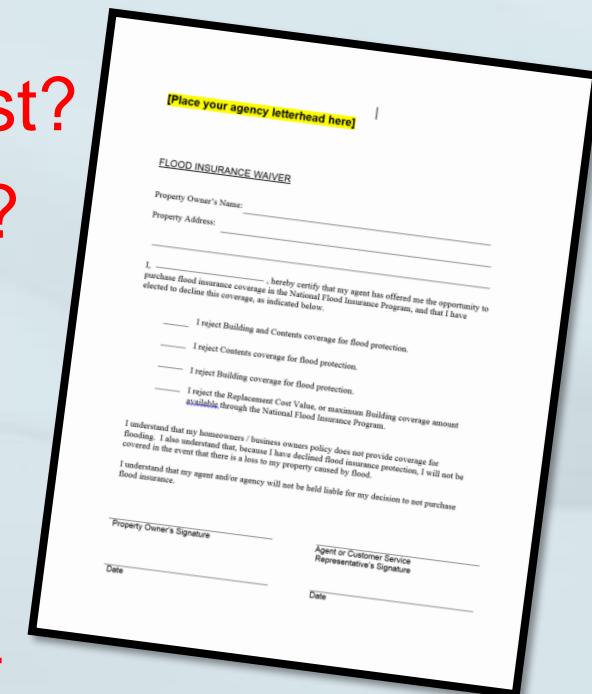
- ▶ No gaps in coverage (no 30-day wait)
- ▶ A refund to the policyholder (“*Stay covered and get money back*”)
- ▶ Strengthened customer loyalty for the agent
- ▶ Agent keeps commission *on old and new policy*

# Effects of Map Changes on Insurance: Change in BFE or Zone

- 1) Zone stays the same, BFE increases – Grandfather
- 2) Zone stays the same, BFE decreases – Rerate policy
- 3) Zone changes from X/B/C to A – PRP rates 1<sup>st</sup> year (Newly Mapped rating option)
- 4) Zone Changes from A to X – Conversion

# Effects of Map Changes on Insurance: No Change in BFE or Zone

- 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!



The image shows a 'FLOOD INSURANCE WAIVER' form. At the top, there is a yellow box labeled '[Place your agency letterhead here]'. Below it, there are fields for 'Property Owner's Name:' and 'Property Address:'. A statement in bold reads: 'I, \_\_\_\_\_, hereby certify that my agent has offered me the opportunity to purchase flood insurance coverage in the National Flood Insurance Program, and that I have elected to decline this coverage, as indicated below.' Below this statement are four checkboxes:

- I reject Building and Contents coverage for flood protection.
- I reject Contents coverage for flood protection.
- I reject Building coverage for flood protection.
- I reject the Replacement Cost Value, or maximum Building coverage amount available through the National Flood Insurance Program.

A note below the checkboxes states: 'I understand that my homeowners / business owners policy does not provide coverage for flooding. I also understand that, because I have declined flood insurance protection, I will not be covered in the event that there is a loss to my property caused by flood.' Another note states: 'I understand that my agent and/or agency will not be held liable for my decision to not purchase flood insurance.' At the bottom, there are two signature lines: 'Property Owner's Signature' and 'Agent or Customer Service Representative's Signature', each with a corresponding 'Date' line.

# **NFIP Reform Legislation Impact on Flood Insurance**

# Reform-Related Definitions

## **Non-primary residence:**

*A building that will be lived in for less than 50%\* of the policy year by the policyholder.*

## **Pre-FIRM Building:**

*Built before the community's first Flood Insurance Rate Map became effective and not been substantially damaged or improved*

## **Subsidized Rates:**

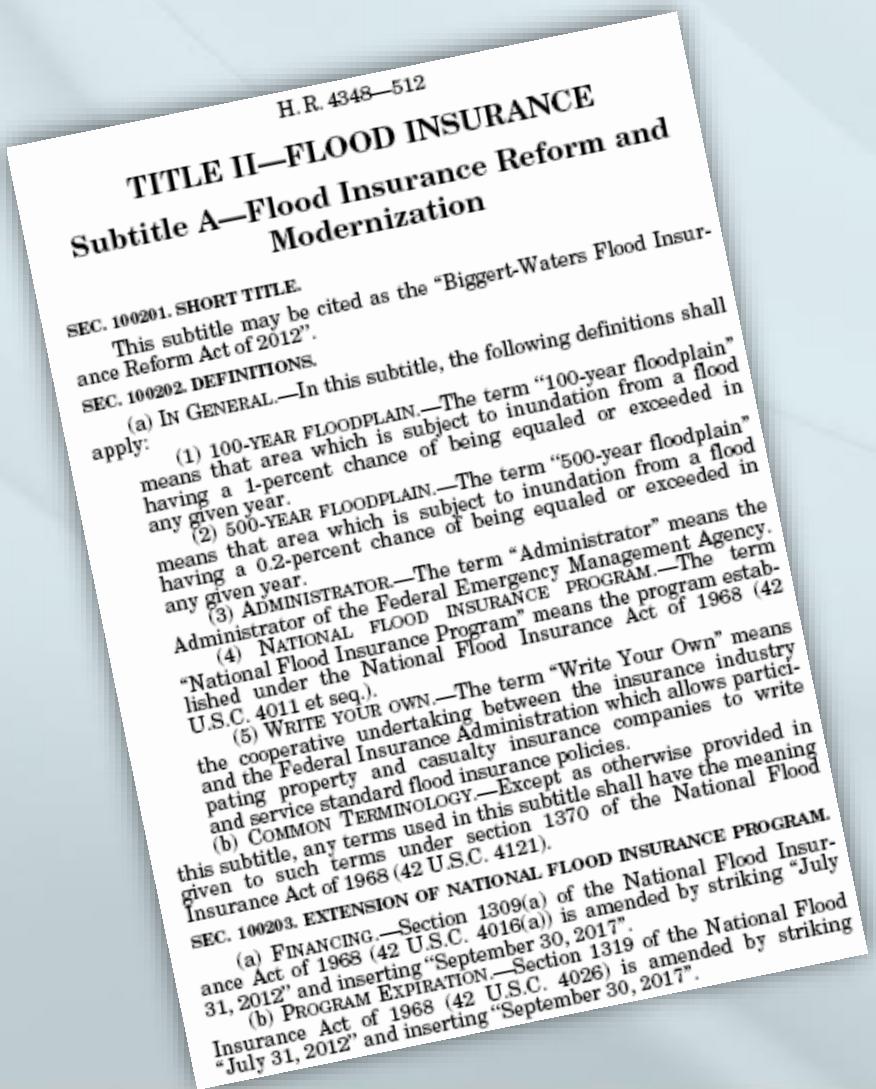
*Rates for **pre-FIRM** buildings that are in Zone D **or** in Zones A and V that are not rated with an elevation certificate*

## **Full-risk Rates (FRR):**

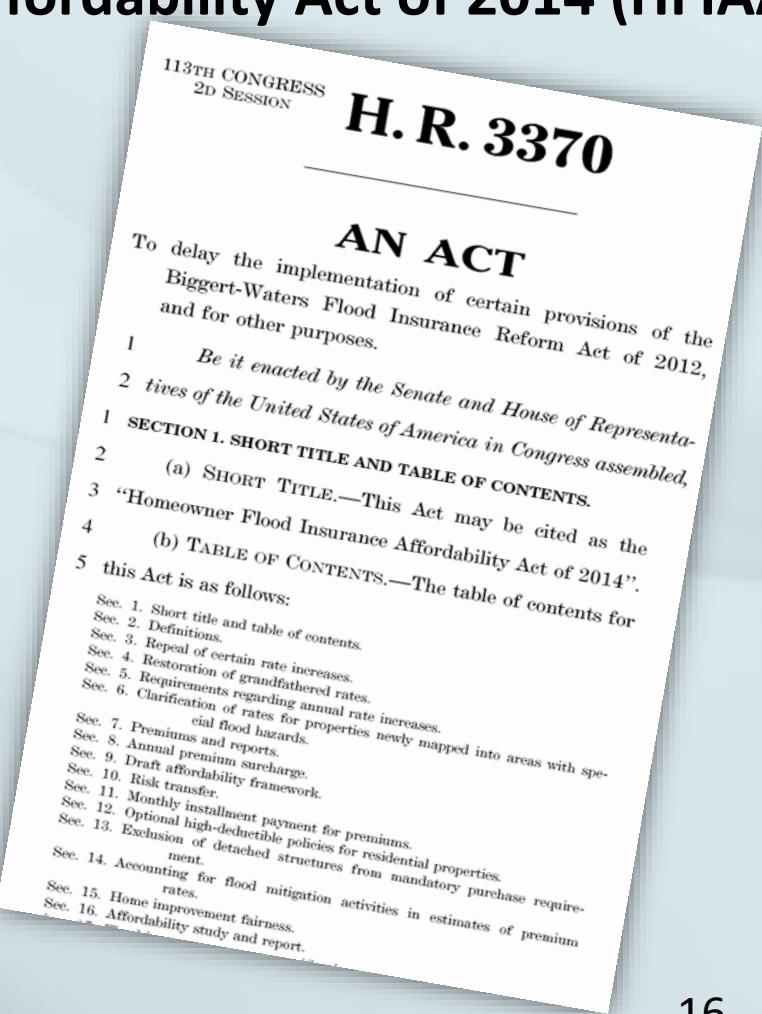
*Rates for buildings that are elevation-rated and reflect the true flood risk.*

# 2 Reform Bills

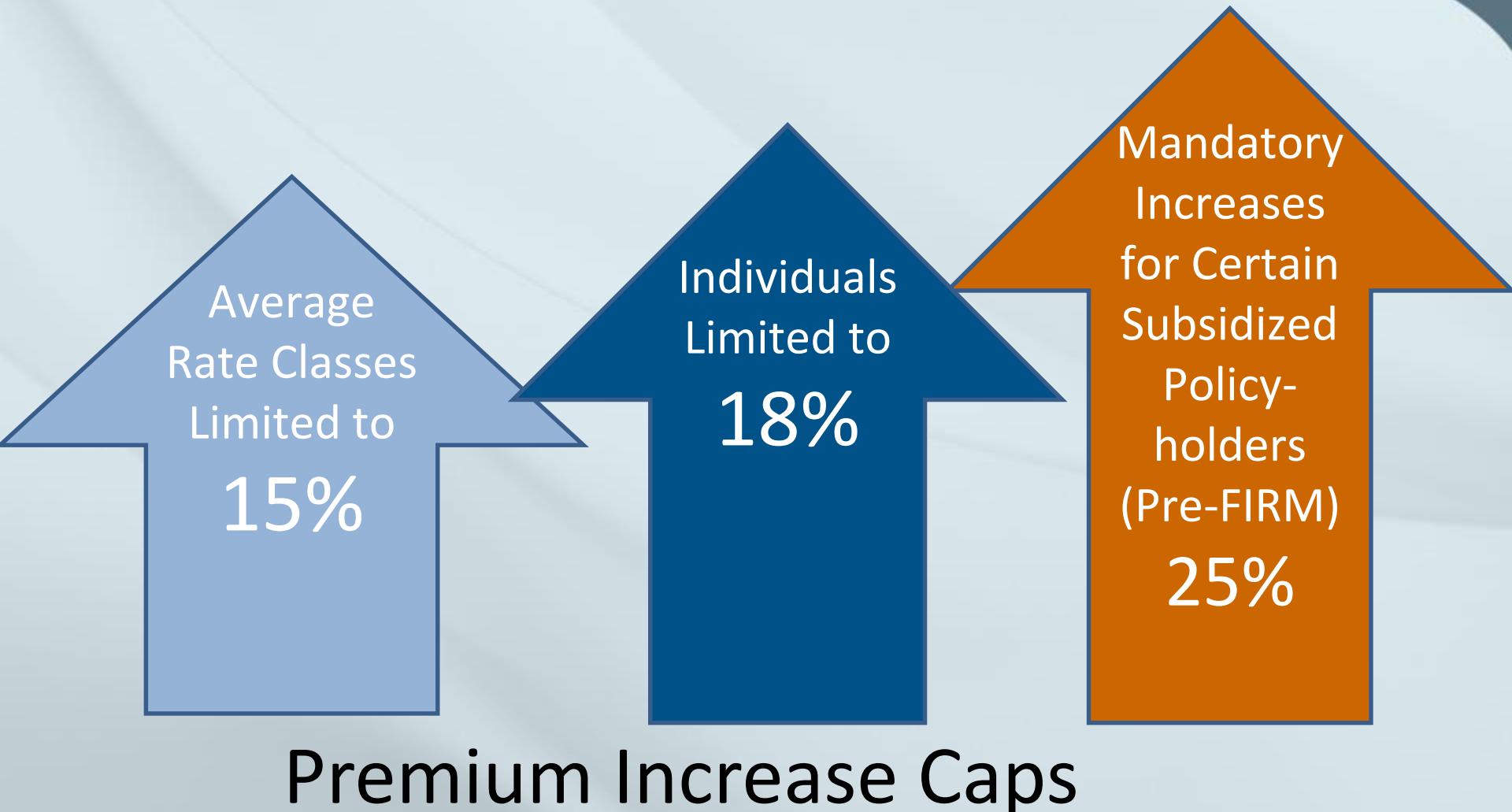
## Biggert-Waters 2012 (BW-12)



## \*Homeowner Flood Insurance Affordability Act of 2014 (HFIAA)



# So...Where Are We Now



# Pre-FIRM Homes in Zone A, D, V

- ***Primary Residences***
  - Rates increase up to 15-18% a year
  - April 1, 2016 – average increase=5%
- ***Non-Primary (Secondary) Residences***
  - Increasing at **25% a year** until full-risk rated
- **Policy and rate can be transferred at sale**



# Pre-FIRM Buildings in Zone A, D, V

## Receive 25% Annual Increase Until Full-Risk Rated

- Repetitively Flooded Buildings
- Substantially Improved Buildings
- Businesses (started April 1, 2016)



# HFIAA Surcharge

## Annual surcharges applied:

- \$25 for primary residences
- \$250 for all other buildings
- Included on **ALL** policies until **ALL** pre-FIRM subsidies are eliminated
- Surcharge revenue goes into the NFIP Reserve Fund
- Surcharges are *not* subject to premium increase caps



# April 1, 2016 Changes

- **Newly Mapped Procedure/PRP Multiplier Added**
  - Changes each calendar year, starting January 2017
- **New Lapse (not renewed) Rule:**
  - Unless there is no lender, Subsidize- and Newly Mapped procedure-rated NFIP policies will be written at **full-risk rates**, if
    - *The policy lapses more than 90 days, or*
    - *The policy lapses twice more than 30 days.*

# Lender Implementation

**October 1, 2015**

Federal *mandatory* purchase requirement *not* triggered if detached structure is in SHFA and home is not

**January 1, 2016**

Regulated lending institutions must escrow flood insurance premiums and fees on new loans and give the option to existing ones



# NFIP Reauthorization - Sep 2017



# RESOURCES



# Where To Go For More Information

- For General Information:**

Yavapai County Flood Control District

[www.YCFlood.com](http://www.YCFlood.com)

Prescott – 928-771-3197

Cottonwood – 928-639-8151

Monday – Thursday; 7:00am-5:30pm

- Technical Questions about the Flood Maps**

FEMA Map Information eXchange (FMIX): <http://msc.fema.gov>

800-FEMA-MAP (336-2627) [FEMAMapSpecialist@riskmapcds.com](mailto:FEMAMapSpecialist@riskmapcds.com)

- FEMA Flood Mapping Program:**

[www.fema.gov/national-flood-insurance-program-flood-hazard-mapping](http://www.fema.gov/national-flood-insurance-program-flood-hazard-mapping)

- Letter of Map Amendment (LOMA)**

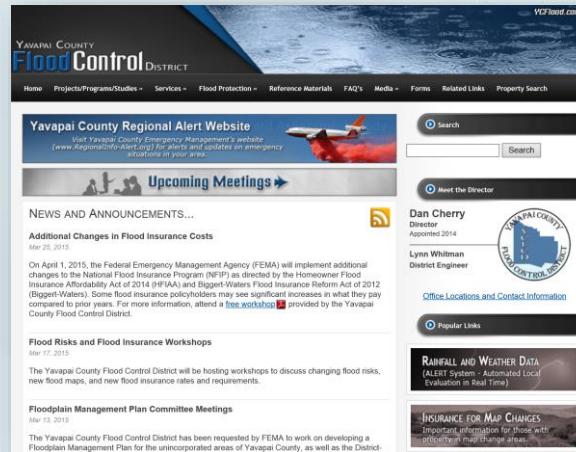
[www.fema.gov/letter-map-amendment-letter-map-revision-based-fill-process](http://www.fema.gov/letter-map-amendment-letter-map-revision-based-fill-process)

- Reform Legislation Implementation**

[www.fema.gov/Flood-Insurance-Reform](http://www.fema.gov/Flood-Insurance-Reform)

- NFIP Bulletins and Insurance Manual**

[www.NFIPiService.com/](http://www.NFIPiService.com/)



# FloodSmart for Consumer & Stakeholders

Call toll free: 1-888-379-9531 or [have us call you](#)

Search FloodSmart.gov

**FloodSmart.gov**  
The official site of the NFIP

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**RESIDENTIAL COVERAGE**

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**PREPARATION & RECOVERY**

**RESOURCES**

> Agent Site  
> Agent Locator  
> Community Resources  
> File Your Claim  
> Frequently Asked Questions  
> Glossary  
> Flood Facts  
> Media Resources  
> Toolkits  
> Email Updates

**LATEST NEWS**  
The National Flood Insurance Program has been reauthorized until May 31, 2012. [See the latest news](#) on FEMA.gov.

Find out more about the Preferred Risk Policy Eligibility Extension. [Learn More](#)

Find out more about the Risk Policy Eligibility Extension. [Learn More](#)

**Community Resources**

**Community Resources**

**GET STARTED**

**FLOODING & YOUR COMMUNITY**

**TOOLS & RESOURCES**

**HELP OTHERS GET FLOODSMART**

You can help Americans reduce the devastating effects of flooding. Encourage others to get FloodSmart by knowing their flood risk and how they can help keep their home, businesses, and finances secure.

Being FloodSmart can make the difference in helping Americans rebuild their lives after a flood.

**GET STARTED**

Here are four easy ways to partner with FloodSmart:

1. Encourage others to understand their flood risk and talk with an agent or [find one](#) at FloodSmart.gov.
2. Showcase your FloodSmarts—add FloodSmart [tools and resources](#) to your website.
3. Identify ways to make your community aware of [flood risks in your area](#).
4. Share your success stories with us at [info@femafoodsma.com](mailto:info@femafoodsma.com).

The FloodSmart campaign, a marketing and education initiative from the National Flood Insurance Program, encourages individuals and business owners to better understand their flood risk and connects them to flood insurance specialists to explore their flood insurance options.

**There is a 30-day waiting period on new flood insurance policies.**

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**HOW ARE YOU MAKING YOUR COMMUNITY FLOODSMART?**

We are always looking to hear from individuals, communities, and organizations. Tell us what you are doing to prepare your community for flooding so that we can share your story with others.

**EMAIL US**

- Find an agent
- Learn about risk of flooding and flood insurance

- Provide tools & resources to stakeholders to explain flood risk and flood insurance

[www.FloodSmart.gov/Partners](http://www.FloodSmart.gov/Partners)

# FloodSmart for Agents

[Agents.FloodSmart.gov](http://Agents.FloodSmart.gov)



The screenshot shows the homepage of Agents.FloodSmart.gov. At the top, there is a navigation bar with links for 'FloodSmart Agent Offerings', 'Selling Flood Insurance', 'Marketing Flood Insurance', 'Managing Policies', and 'Resource Library'. Below the navigation bar is a large banner with the title 'Marketing and Selling Flood Insurance' and a subtext 'A step-by-step action plan focused on your success.' A 'Learn More' button is located at the bottom left of the banner. The banner features a photograph of two people in business attire, one holding a pen over a document, suggesting a meeting or signing process. At the top of the page, there is a red banner with a security notice about the Heartbleed bug. At the very top, there are 'Log In' and 'Register Here' buttons. The bottom of the page features three call-to-action boxes: 'Protect Your Clients Why Sell Flood Insurance?', 'Get Free Leads Become a FloodSmart Agent', and 'Stay Informed News You Can Use'.

- Free Leads Program
- Interactive Tools to download to help communicate flood risk
- Advertising and marketing templates

# FloodSmart's Cost of Flooding Tool

## The Cost Of Flooding

Embed This

6 inch flood

FIND AN AGENT

Stereo - etc.	\$150
Washer/Dryer	\$150
Accent Furniture & Accessories	\$450
Loss of Personal Items	\$650

Total Losses **\$39,150**  
2,000 Square Foot Home

See 1,000 Square Feet

Estimates are for illustrative purposes only and should not be used to estimate any actual flood loss. A flood certified insurance adjuster making a room-by-room item-by-item, detailed estimate of covered flood damage is the only estimating method approved by and acceptable to the National Flood Insurance Program. These estimated costs are based on an average U.S. home of 1,000 and 2,000 square feet, built on a slab and with typical household items. Costs vary from State to State and home to home.

NATIONAL FLOOD INSURANCE PROGRAM

# QUESTIONS?



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