

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

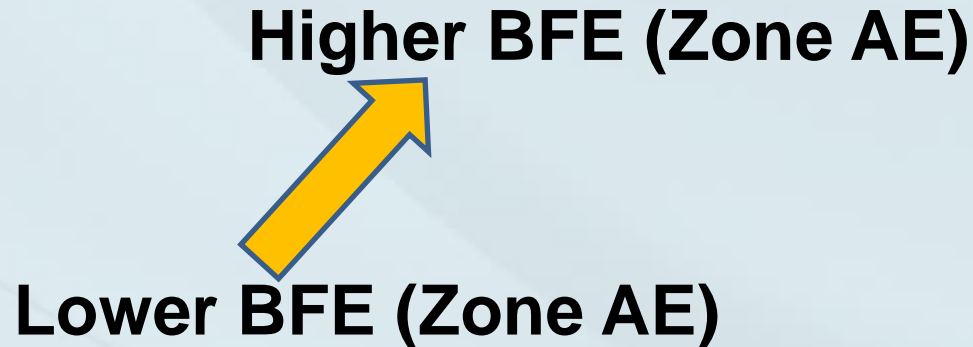
- *Federal Mandatory Purchase Requirement*
- Increased Risk = Increased Flood Insurance Costs
- FEMA provides cost-saving option: **Newly Mapped Procedure**
 - Lower-cost preferred risk rates *available for 12 months after effective date.*

DON'T WAIT!

Buy PRP now as risk is higher than previously identified



Increase in Base Flood Elevation



- 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)
- 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*



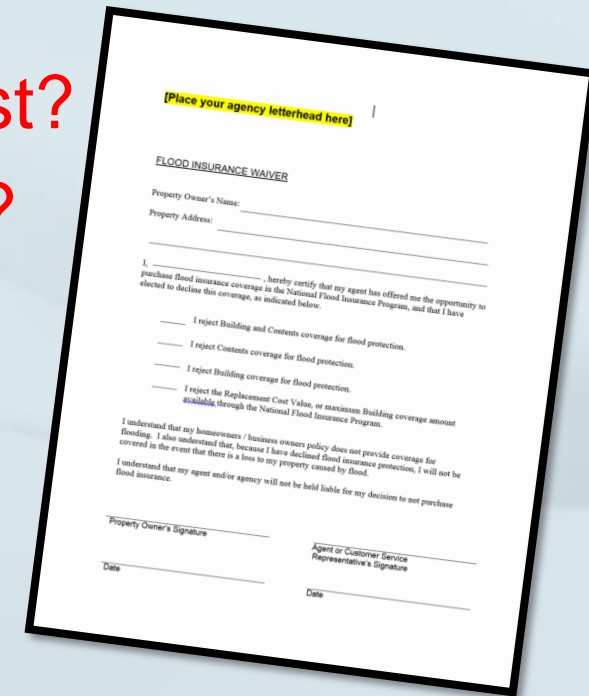
Effects of Map Changes on Insurance: Change in BFE or Zone

- 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 1st 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!



A sample of a Flood Insurance Waiver form. The form includes a header for the agency letterhead, followed by the title "FLOOD INSURANCE WAIVER". It contains fields for "Property Owner's Name:" and "Property Address:". Below these, there is a paragraph stating that the property owner is declining flood insurance coverage. This is followed by four checkboxes, each with a corresponding statement: "I reject Building and Contents coverage for flood protection.", "I reject Contents coverage for flood protection.", "I reject Building coverage for flood protection.", and "I reject the Replacement Cost Value, or maximum Building coverage amount available through the National Flood Insurance Program." There are also two paragraphs of explanatory text regarding the consequences of declining coverage. At the bottom, there are signature lines for the "Property Owner's Signature" and the "Agent or Customer Service Representative's Signature", along with date lines.



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*

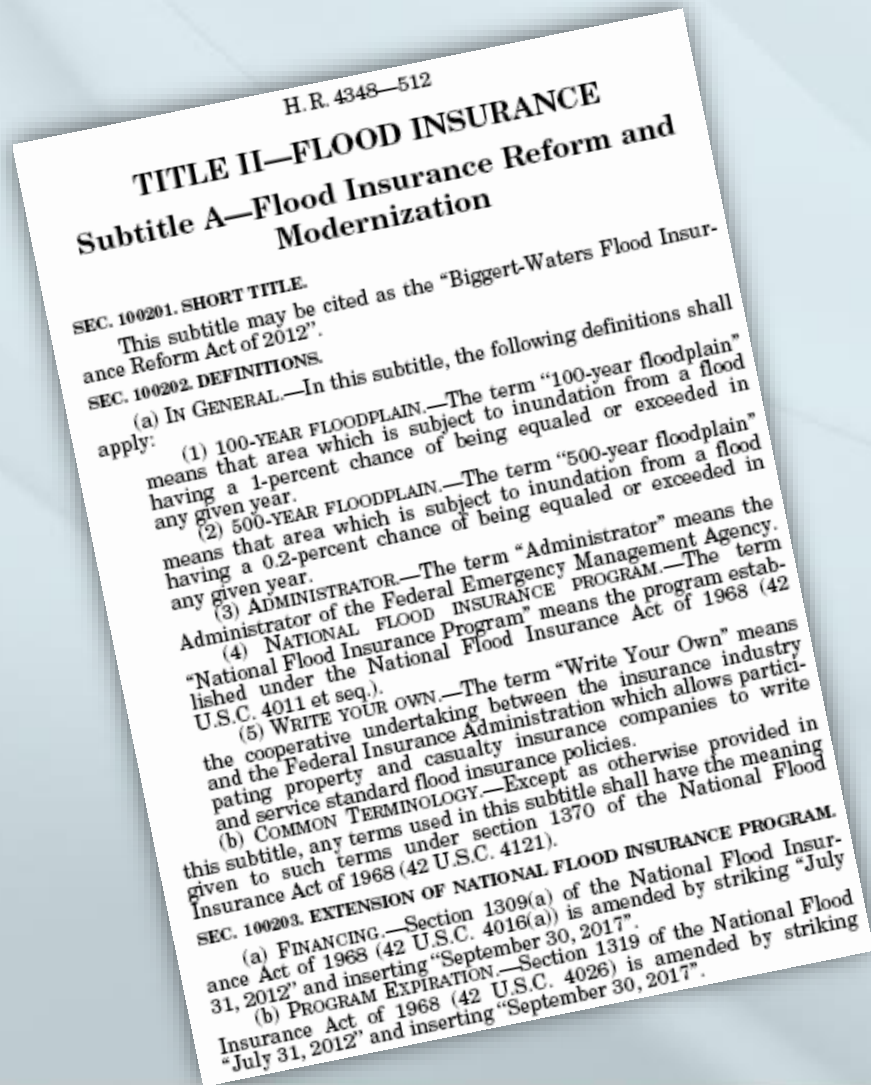
Full-risk Rates (FRR):

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

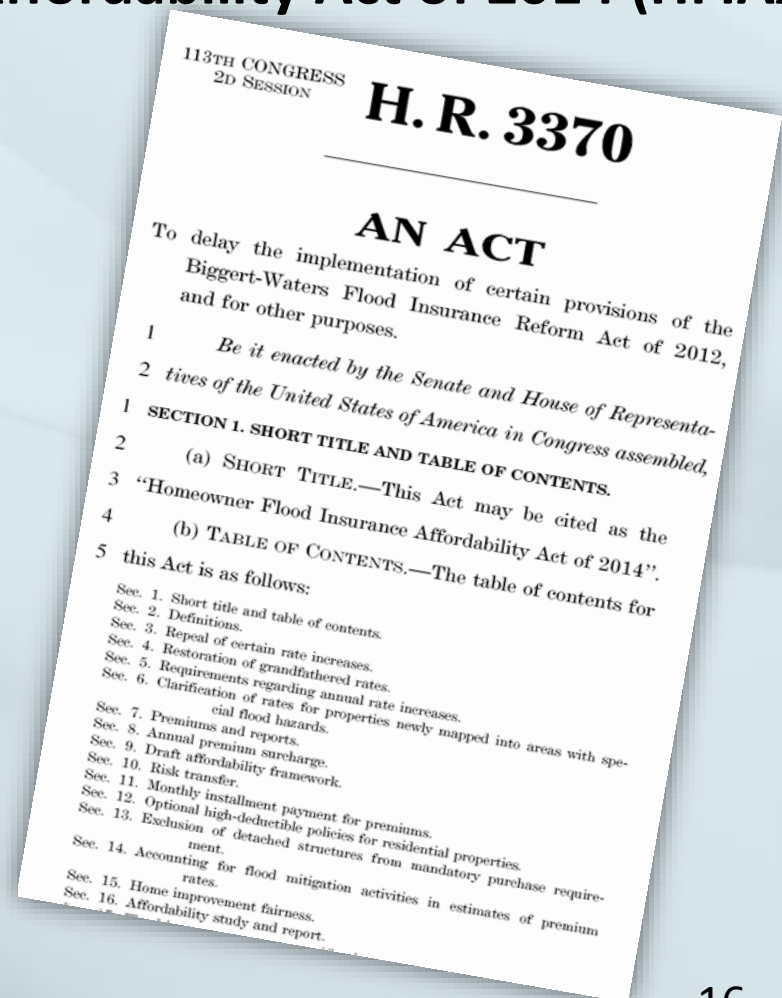


2 Reform Bills

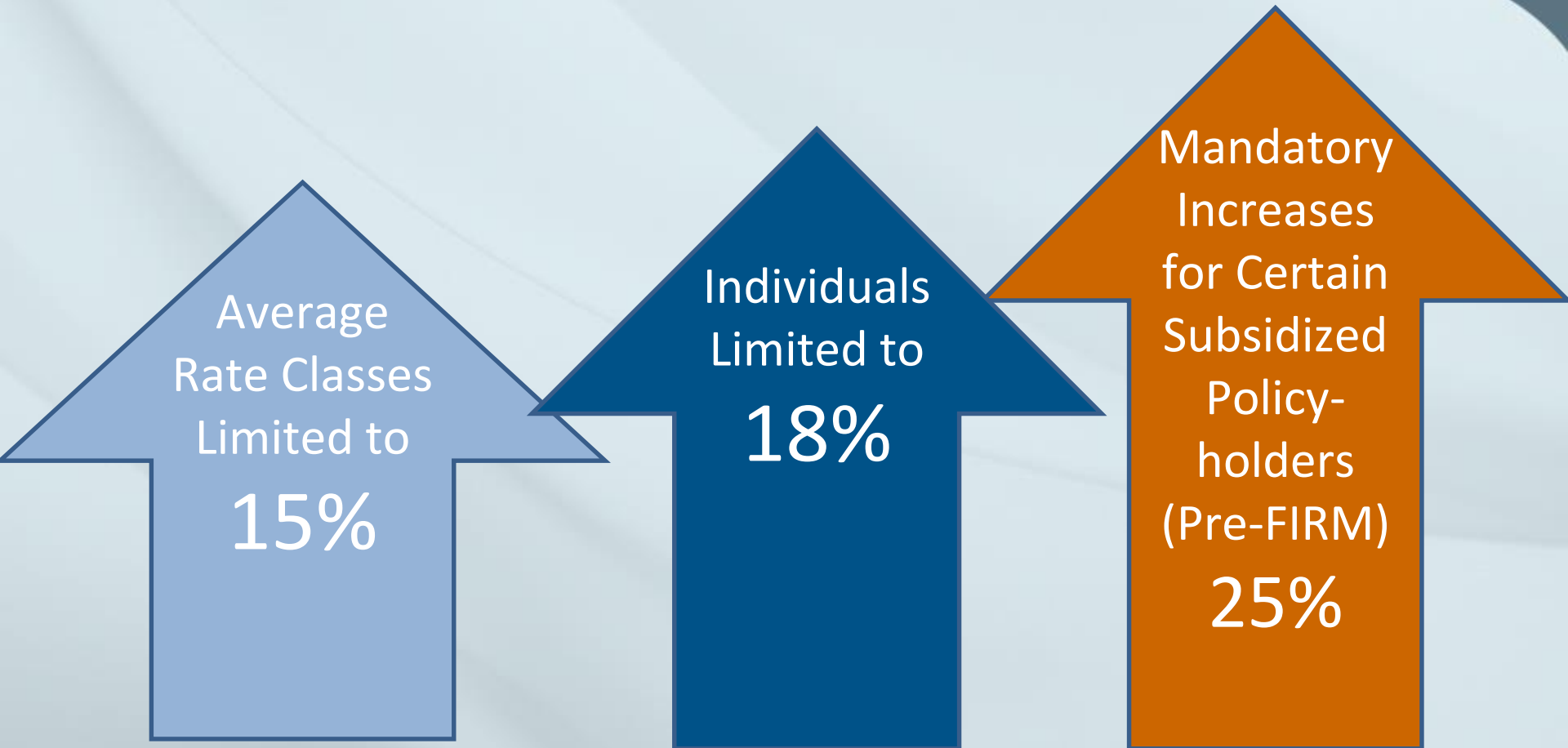
Biggert-Waters 2012 (BW-12)



*Homeowner Flood Insurance Affordability Act of 2014 (HFIAA)



So...Where Are We Now



Premium Increase Caps

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

LOAN INFORMATION

be applying for optional Life Insurance? Insurance is selected, your loan document

III. TERMS OF LOAN

Term (years)	No. Months
30	360

If your down payment is less section must be added to co

APPLICANT INCOME



NFIP Reauthorization - Sep 2017



RESOURCES



Where To Go For More Information

- **For General Information:**

Yavapai County Flood Control District

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

- **FEMA Flood Mapping Program:**

www.fema.gov/national-flood-insurance-program-flood-hazard-mapping

- **Letter of Map Amendment (LOMA)**

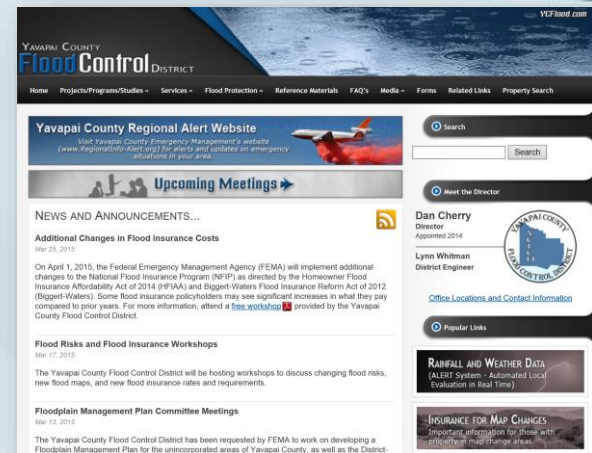
www.fema.gov/letter-map-amendment-letter-map-revision-based-fill-process

- **Reform Legislation Implementation**

www.fema.gov/Flood-Insurance-Reform

- **NFIP Bulletins and Insurance Manual**

www.NFIPiService.com/



FloodSmart for Consumer & Stakeholders

Call toll free: 1-888-379-9531 or have us call you

Search FloodSmart.gov

Community Resources

HOME
FLOODING & FLOOD RISKS
ABOUT THE NATIONAL FLOOD INSURANCE PROGRAM
RESIDENTIAL COVERAGE
COMMERCIAL COVERAGE
PREPARATION & RECOVERY
RESOURCES
GET STARTED
FLOODING & YOUR COMMUNITY
TOOLS & RESOURCES

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](#)

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

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@femafoodsrt.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.

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

FloodSmart for Agents

Agents.FloodSmart.gov



existing agents
[Log In](#)

new users
[Register Here](#)

Recently, you may have heard about a new internet security weakness, known as [Heartbleed](#), which is impacting some websites. There is no indication that Heartbleed has been used against [agents.floodsmart.gov](#) or that any personal information has ever been at risk. However, we are resetting current passwords out of an abundance of caution to ensure the protection of your information. Use the [Forgot Password](#) feature to reset your password.

[FloodSmart Agent Offerings](#)

[Selling Flood Insurance](#)

[Marketing Flood Insurance](#)

[Managing Policies](#)

[Resource Library](#)

Marketing and Selling Flood Insurance

A step-by-step action plan focused on your success.

[Learn More](#)



Protect Your Clients

Why Sell Flood Insurance?

Selling flood insurance builds (and protects) your business—and is smart for you and your customers.



Get Free Leads

Become a FloodSmart Agent

Register online to get free qualified leads and access to marketing and advertising tools to help you sell.



Stay Informed

News You Can Use

Get up to speed on program changes and available FloodSmart resources such as testimonial videos, fact sheets, brochures, and more in the [Resource](#)

- 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.





QUESTIONS?



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