

POLICIES FOR BUILDINGS NEWLY MAPPED INTO A HIGH-RISK AREA

RATING OPTION INFORMATION FOR INSURANCE AGENTS TO EASE THE TRANSITION >>



FEMA



New Flood Insurance Rate Maps (FIRMs) can show that the risk of flooding has changed. And for some property owners, a change in risk means new flood insurance requirements. In recent years, the Federal Emergency Management Agency (FEMA) has sought to ease the financial impact of a map change by extending eligibility for a lower-cost Preferred Risk Policy (PRP) if a building outside of the high-risk area called a Special Flood Hazard Area (SFHA) is newly mapped into the SFHA.

Until now, the PRP Eligibility Extension has applied to any building newly mapped into an SFHA since October 1, 2008, although as of October 1, 2013, PRP Eligibility Extension premiums began increasing at a higher rate on renewal. But beginning April 1, 2015, FEMA is implementing a new procedure to meet requirements of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA).

Following a map revision, the owner of a building newly mapped into an SFHA will be rated according to a new procedure for newly mapped properties. This rate will be equal to the PRP rate, but with a higher Reserve Fund Assessment and Federal Policy Fee, for the first 12 months following the map revision. After the introductory year, the rate will begin its transition to a full-risk rate with annual rate increases of no more than 18 percent each year. Here's how it will work:

NEWLY MAPPED INTO AN SFHA

Scenario	Property Owner Eligibility
Property newly mapped into an SFHA on or after April 1, 2015	Eligible for the Newly Mapped procedure if the policy becomes effective within 12 months of the map revision date
Property newly mapped into an SFHA on or after April 1, 2015, but not covered within 12 months of the map revision date	Property no longer eligible for Newly Mapped procedure. Post-FIRM buildings are eligible for grandfather rating. Pre-FIRM buildings must be rated using the new maps, and may be eligible for pre-FIRM subsidized rates.
Property newly mapped into an SFHA between October 1, 2008, and March 31, 2015, but not currently covered	Eligible for the Newly Mapped procedure if covered before April 1, 2016
Property with policy validly issued under the PRP Eligibility Extension prior to April 1, 2015	Renewed using the Newly Mapped procedure on the first effective date on or after April 1, 2015; policies for these buildings will receive the same premium as those newly issued using the Newly Mapped procedure

* Note that a new, Congressionally mandated, annual HFIAA Surcharge (\$25 for primary homes; \$250 for all other buildings) will need to be applied to the final premium. This surcharge could increase the total out-of-pocket expense for the 2015 policy year by more than 18 percent over the previous year's premium for some policyholders who had coverage prior to April 1, 2015.

Property owners who do not have flood insurance and find that their buildings are being newly mapped into an SFHA should be encouraged to purchase a PRP before the new FIRMs become effective. Not only is their risk higher than they thought (and any potential flooding will not wait until the new maps become effective), but they also will be able to renew their policies at lower-cost PRP rates during the first 12 months after the new map becomes effective. In other words, they will gain almost an extra year at PRP rates.

Note that the same eligibility requirements that apply for PRPs also apply for the Newly Mapped procedure. A property that falls outside this category might be eligible for the Standard X Zone rating.

Additional Information

- For more details on the new Newly Mapped procedure, read WYO Bulletins W-14053 and W-14055, which can be found at NFIPService.com.
- For information about grandfathering and other rating options, refer to the latest Flood Insurance Manual found at fema.gov/Flood-Insurance-Manual.
- To monitor flood map updates in your area and download related marketing material to better communicate the impact of these changes on your clients, visit Agents.FloodSmart.gov and select Map Updates listed under Managing Policies.
- To stay up-to-date on the implementation of other sections of the reform legislation, visit fema.gov/Flood-Insurance-Reform.