

# SAVING MONEY IN THE WAKE OF CHANGING FLOOD MAPS:

## A Quick Reference For NFIP Flood Insurance Policy Holders

### Are the flood maps in your community being changed?

If so, you're probably being told that the risk of flooding at your site is worse than once thought. And you expect the shift to a riskier flood zone is probably going to send your flood insurance rates through the roof. Or that your lender is now going to require flood insurance for your mortgage.

Worried? Confused by flood map revisions? It may not be as big a problem as you might think. There are a number of options available that can help you avoid any premium increases, or in some cases, even lower your annual flood insurance costs.

This brochure from the North Carolina Division of Emergency Management, North Carolina Sea Grant, the Federal Emergency Management Agency, and the Wilmington Regional Association of REALTORS provides information to better prepare yourself for the upcoming changes in flood maps.



Flood maps are prepared for each flood-prone community through the National Flood Insurance Program (NFIP), administered by the Federal Emergency Management Agency (FEMA).

Efforts to make the maps more accurate have continued since the first flood maps were released in the 1970s. Following Hurricane Floyd in 1999, the State of North Carolina initiated a joint project with FEMA to improve flood maps for every community in the state. If you live in North Carolina, you can expect your local flood maps to be updated in the near future.

In addition to semiannual flood insurance rate adjustments, the biggest jump in annual premiums can occur if new flood maps show a building to be in a zone of greater flood risk. A house having coverage of \$100,000 for the building and \$25,000 for the contents could qualify for an annual premium as low as \$264 if it is located in the safest zone. The same amount of coverage for a home located in the highest risk zone would cost more than \$2,500 per year. This brochure explains provisions in the NFIP regulations that protect most home owners from this kind of drastic rate increase.



Visit [www.ncfloodmaps.com](http://www.ncfloodmaps.com)  
For current information on the North Carolina Floodplain Mapping



# What are the primary factors that affect flood insurance rates?

In order for NFIP flood insurance to be available in a community, the local government must adopt minimum development and construction regulations that are designed to minimize the flood hazards. All new buildings or substantial improvements to existing buildings are required to be constructed so that the lowest floor, including basement, is elevated to or above the base flood elevation (defined below). Your exact requirements should be obtained from your local building official or floodplain manager and your rate should be obtained from your property and casualty insurance agent.

For comparison, we will use the same example throughout this brochure. Our single-family home is valued at \$100,000 and the contents are valued at \$25,000. The one-story structure with no basement meets all current floodplain regulations and is insured for 100% of building and contents value. The policy deductible is \$1,000. Other factors that affect the insurance rate include the level of flood risk, the age of the structure, and the lowest floor elevation.

## 1 The Flood Zone

Flood maps, called Flood Insurance Rate Maps (FIRMs), define the areas likely to be flooded in a severe storm or hurricane with a one percent (1%) chance of occurrence in any given year. A flood event of this frequency is called the base flood and the flood level expected to result from the base flood is called the base flood elevation or BFE. The community is divided into various flood zones with different levels of risk. The land surface in **X Zones** (called B and C Zones on older maps) is above the base flood elevations and not typically regulated. The most common areas expected to be flooded are called **AE Zones** (also called A Zones followed by a number on older maps, e.g. A12). **VE Zones** (also called V Zones followed by a number on older maps, i.e. V12) are found in coastal areas where waves greater than three feet are predicted to accompany the base flood. The flood insurance rates are usually lowest in X Zones, higher in AE Zones and highest in VE Zones. Other flood risk zones, not covered here, follow different rules. Talk to your insurance agent about the rates in those zones.

### Annual flood insurance premiums for our example home are:

X Zone	\$898	(\$264 for a Preferred Risk Policy*)
AE Zone	\$1,252	
VE Zone	\$2,505	

\* If current or previous owners have not made previous flood insurance claims or received previous Federal Disaster Assistance payments, the home might qualify for a Preferred Risk Policy. To qualify, the home must also be located in the B, C, or X Zone on the current effective FIRM.

All rates shown are effective May 1, 2010 and are subject to change every May and October.



## 2 Age of the House

When the National Flood Insurance Program started, subsidized rates for flood insurance were offered and are still available for buildings constructed prior to the effective date of the first FIRM for the community. These older, pre-FIRM buildings are “grandfathered” and may be rated at subsidized pre-FIRM rates. Due to a lack of flood protection regulations or flood data at the time of original construction, a pre-FIRM building is presumed to be at greater risk. Rates for most pre-FIRM buildings are generally higher than rates for post-FIRM structures, except in VE Zones.

The FIRM Index map for your county shows the effective date for each community's first FIRM. This allows insurance agents to use the date of construction to determine if the house is pre-FIRM or post-FIRM. The original building permit date is considered the official date of construction should any discrepancies arise.

If **substantial improvements** are made to a building (usually improvements made in one year that total more than 50% of the market value of the building — ask your local building official for details), the building loses its pre-FIRM grandfathering. It is then considered to be post-FIRM and must comply with the present construction regulations, regardless of when it was originally constructed.

The same occurs when a pre-FIRM building incurs **substantial damage** from any source (usually 50% or more of the pre-damaged market value of the building — ask your local building official). A substantially damaged building will no longer be grandfathered as a pre-FIRM structure. It must be brought up to current code requirements prior to re-occupancy and the current flood map will be the basis for setting flood insurance rates.

**Comparable pre-FIRM and post-FIRM premiums for our example home are:**



	<u>Pre-FIRM</u>	<u>Post-FIRM</u> *
X-Zone	\$898	\$898 (\$264 for a Preferred Risk Policy)
AE-Zone	\$1,035	\$1,252
VE-Zone	\$1,605	\$2,505

\* Either new construction or Substantial Damage/Improvement

All rates shown are effective May 1, 2010 and are subject to change every May and October.

### 3 Lowest Floor Elevation

For post-FIRM homes, the flood insurance rate will be based on the lowest floor elevation. Typically, the lowest floor will be the lowest inhabitable area of your home. Lowest floor elevations are certified by a registered land surveyor on FEMA forms called Elevation Certificates. This certificate needs to be provided to your insurance agent in order to determine the lowest floor elevation and rate your home as post-FIRM.

In AE and VE Zones, flood insurance rates are designed to encourage new development to be built to higher, safer standards. Discounts are available for up to four feet of floor elevation above the BFE as shown on the flood maps for your community. These elevation discounts are only available for buildings rated as post-FIRM. Pre-FIRM rates offer no elevation discounts.

Your local building official or floodplain manager can provide more details on regulations and flood maps. Local communities may enforce elevation standards above the NFIP minimum requirements. These higher standards may qualify you for lower insurance rates – see the table at the top of the next page for a comparison of rates at various floor elevations.

**Visit [www.fema.gov/business/nfip/elvinst](http://www.fema.gov/business/nfip/elvinst)  
For information on FEMA's Elevation Certificate**



## Flood insurance premiums for our example home at various elevations are:

	<u>AE Zone</u>	<u>VE Zone</u>
Minimum elevation *	\$1,252	\$2,505
Added elevation: +1 foot	\$620	\$1,910
+2 feet	\$401	\$1,238
+3 feet	\$317	\$963
+4 feet	\$317	\$823



\* NFIP regulations require elevation to at least the Base Flood Elevation.

If the lowest floor of your home is higher than the minimum elevation you may be able to reduce your annual flood insurance costs by better than one half in some zones!

All rates shown are effective May 1, 2010 and are subject to change every May and October.

## The "Grandfather Rules"

NFIP Grandfather rules recognize policyholders who have built in compliance with the FIRM and/or remained loyal customers of the NFIP by maintaining continuous coverage.

The Grandfather rules may make a big difference in your annual flood insurance premiums, if applied properly. They are particularly important when your flood maps are changed. At your option, the agent can use the Grandfather rules if they offer you lower rates. You will need to provide the agent with all necessary information about your home's construction. ***Always ask your flood insurance agent to look for the lowest available rating options.***

Information your agent may need includes:

- Date of construction (date of the original building permit if it is close to the effective date of a FIRM)
- A completed FEMA elevation certificate prepared by a registered land surveyor which includes the lowest floor elevation data
- The dates of any substantial damages and/or improvements (generally a renovation, addition and/or damage valued at greater than 50% of the market value of the building prior to improvement or damage – ask your local building official)
- Old flood maps effective at the time of original construction if the present flood zones or elevations have been revised since that date (check with your local floodplain manager)

You may need to hire a surveyor to prepare an Elevation Certificate. The cost of documenting a higher floor elevation with a survey and Elevation Certificate can often be recovered through reduced insurance premiums in the first year or two of coverage.

For some buildings, the insured would have these options:

**Option A** Use the current rating criteria for the property (post-FIRM rating)

**Option B** Purchase standard Pre-FIRM policy using current zone. Post FIRM rates may be used if a current elevation certificate demonstrates it will provide a more favorable rate.

**Option C** Maintain continuous coverage



**So, what options should you and your insurance agent consider when new flood maps are issued for your neighborhood?**

## **Option A** Using the Newest Flood Map

Your insurance agent can use the latest flood map to rate your flood insurance policy if it offers you lower rates. The latest maps are almost always the easiest to find, either on-line from a FEMA or State website (see below) or on file with your local government.

The newest flood map can lower your insurance premium if it shows your house in a lower risk zone. For instance, if the house in our example was built in an AE Zone (\$1,252 per year), then later remapped to an X Zone, you might qualify for a Preferred Risk Policy rate of \$264.

The effect of a map change that moves a building to a higher risk zone can be minimized if the structure meets or exceeds the minimum requirements for the BFE and flood zone shown on the new map. If our example house gets remapped from an X Zone to an AE or VE Zone, it no longer qualifies for a Preferred Risk Policy. Under the Grandfather rules it can be rated at the standard X Zone rate (\$898). However, if it is elevated one foot above the BFE shown on the new FIRM, the elevation discount would lower the AE Zone rate to \$620. If remapped to a VE Zone, 4 feet of elevation above the BFE would lower the annual premium to \$823.

**Visit [www.msc.fema.gov](http://www.msc.fema.gov) to view or purchase FIRMs**

**Visit [www.ncfloodmaps.com](http://www.ncfloodmaps.com) to view or download  
FIRMs at no charge**



## **Option B** Using the Flood Map in Effect at the Time of Construction

The Grandfather rules also allow you to use the FIRM that was in effect at the time of construction to rate an existing home — even if new maps have been adopted — as long as the home has not been substantially damaged or improved.

Some examples of this include:

- If the new maps change the flood zone designation from X to AE, you have the option of maintaining coverage under the X Zone designation as a non-flood risk property if you have proper documentation verifying the X Zone designation.
- The same would be true if your home is changed from AE to VE. You may maintain the AE insurance rate, even though you are now in the higher risk VE Zone.
- In some cases, the new maps may increase the BFE within the same flood zone. To avoid a rate increase, you may maintain coverage according to the BFE shown on the old flood maps.

Each of these examples show significant annual savings if rated according to the flood maps in effect at the time of construction. In order to take advantage of the Grandfather rules, the insurance agent or the owner must provide all of the documentation previously listed.

## Option C Continuous Coverage

If you maintain continuous coverage and your flood zone or BFE changes, then you do not have to provide the documentation required under the Grandfather rules. Typically, if you can show that your home has been continuously insured since before the map change, your rating will not be affected unless you have a Preferred Risk Policy. Check with your insurance agent to see if it will be more advantageous to have your policy rated using the BFE on the new FIRM.

### Preferred Risk Policies

A Preferred Risk Policy (PRP) rewards one to four family residential structures that are at minimal flood risk, located in B, C or X Zones on the current effective flood maps. PRPs are the lowest flood insurance rates available. However, it is important to note that *the Grandfather rules do not apply to Preferred Risk Policies.*

A home's eligibility for a PRP is also based on its flood loss history. If the past or present owners have received more than two flood insurance claim payments or Federal flood disaster relief payments, the home is not eligible for a PRP and must be written as a Standard Flood Insurance Policy. The structure may still be rated based on its B, C, or X Zone location, but it cannot qualify for a PRP.

If you already have a PRP prior to a map change, then rates will increase if the map change shifts your home from a B, C, or X Zone to an AE or VE Zone.

### Increasing Your Coverage

If you have a properly rated flood insurance policy, you always have the option of increasing the coverage values using the zone and elevation on the old map, regardless of any map changes. When our home increases in value and we decide to increase our coverage to \$150,000 building/\$30,000 contents, for example, our premium will go up because of the higher coverage. But we will be able to use the same zone and elevation discounts that previously applied. Coverage can be increased in any amount up to the NFIP limits of \$250,000 on the building and \$100,000 on the contents. Coverage can be increased at any time during the policy term.

#### Glossary of Terms and Acronyms

<b>1% annual chance flood</b>	The flood having a 1% chance of being equaled or exceeded in any given year
<b>BFE</b>	Base Flood Elevation. The elevation of the 1% annual chance flood.
<b>FIRM</b>	Flood Insurance Rate Map
<b>Post-FIRM</b>	Constructed after the date of the community's Flood Insurance Rate Map
<b>Pre-FIRM</b>	Constructed before the date of the community's Flood Insurance Rate Map
<b>PRP</b>	Preferred Risk Policy
<b>Substantial Improvement</b>	Any reconstruction, rehabilitation, alteration, or other improvement of a structure, the cost of which equals or exceeds 50% of the market value before the start of construction

## Getting the Best Rates When New Flood Maps Are Proposed

When new flood maps are proposed, there is usually a period of at least six months from the time the proposed maps are made available to the public and the date when they go into effect. You and your insurance agent can use this time to decide what strategy will result in the lowest rates for the same amount or even an increase amount of coverage.

**Make certain you have flood insurance at the best possible rates before the new maps take effect.** Except for Preferred Risk Policies, this gives you the option of continuing the same rates after the new maps are adopted. Check the options outlined previously for the best rate. Identify your flood zone on the proposed new map. While your insurance agent may have a copy of the current map, he or she is unlikely to have copies of the proposed maps. You can usually review the proposed maps in your local government's building or planning office. Look for notices of public meetings where the proposed maps will be displayed and local, state, and/or federal officials will be available to answer your flood map and insurance questions.

**If you don't have flood insurance now, consider purchasing a policy before the new maps take effect.** If your home is located outside the flood zone, in a B, C, or X Zone, on the current map, your lender may not have required coverage, and you may not have considered it. You may want to consider it now. (See the third bullet under "Helpful Tips".) You may decide later that you need flood insurance or your mortgage company might insist. If the proposed map places you in a higher risk zone, and you have a federally backed mortgage, your lender will notify you by letter after the new map goes into effect and request that you purchase flood insurance. If you do not purchase the insurance within 45 days of notification, the lender will force-place the insurance and charge you for the cost. The cost of a force-placed insurance policy is usually much higher than a properly written and rated policy, and will not cover the value of your home, only the balance left on your mortgage.

**If your floor elevation exceeds the base elevation on the new maps, check for possible elevation discounts.** Elevation discounts for more than 3 feet higher than BFE in an AE Zone reduce premiums to as much as one-third less than in a lower risk X Zone.

### Helpful Tips

- ◇ Encourage your insurance agent and local officials to keep any copies of the old flood maps. They can be hard to obtain after new maps have taken effect.
- ◇ Make a copy of the portion of the map panel showing your home's location.
- ◇ Consider buying flood insurance even if you are outside the designated special flood hazard area. On average, more than 25 percent of all flood insurance claims come from the less risk-prone flood zones that are designated as B, C, or X zones. Ask your insurance agent about the Preferred Risk Policy — it may be just what you need to protect your most important investment.
- ◇ Don't let your flood insurance lapse. Having continuous flood insurance coverage protects your property against flood damage and assures that the basis for rating your policy remains unchanged.
- ◇ Keep a copy of your elevation certificate. It documents your building elevation as well as the flood zone and BFE in effect when the home was built.
- ◇ If your elevation certificate shows the ground level at your home is above the BFE, you can request a Letter of Map Amendment (LOMA) to remove your home or your entire lot from an AE or VE flood Zone. You may then qualify for a Preferred Risk Policy at a lower rate.

- ◇ If you are buying a structure that has flood insurance coverage, talk to your insurance agent about having the flood insurance policy “assigned” to you by the seller so that the coverage is continuous.
- ◇ The lack of flood openings or vents in buildings elevated on solid foundation walls can significantly raise your rates. Contact your local building department for assistance on ways that your home could be altered to reduce the cost of flood insurance. Such alterations might include the installation of flood vents or elevation of utility equipment (i.e., water heater, furnace, oil tanks, etc.) above the BFE
- ◇ Consider higher deductibles. Deductibles up to \$5,000 are available that will reduce annual premiums. Check with your mortgage lender before increasing the deductibles.
- ◇ Encourage your community to participate in the Community Rating System (CRS), which provides insurance premium discounts based on activities and higher regulatory standards that the community implements. In a CRS community everyone enjoys living in a safer community while receiving flood insurance discounts.

## How will I know when new flood maps are being issued for my community?

- Ask your local floodplain manager. (Your Town Clerk or County Manager’s office can help you contact him or her.)
- Look for an official notice in your local newspaper
- Look for articles in community newsletters, inserts in your utility bill, etc.
- Check your community’s website
- Visit **[www.ncfloodmaps.com](http://www.ncfloodmaps.com)**

This summary is not an alternative to the NFIP manual or local construction regulations. It is intended to give property owners and flood insurance policy holders some ideas on what to do if a revised flood map is proposed and you wish to keep your flood insurance premiums to a minimum under the regulations. To describe the general issues in the clearest language, numerous simplifications have been used. Contact your insurance agent for your rating options on specific buildings and contact your local building official or floodplain manager for details on local construction regulations.

## Where do I go for more information?

Visit **[www.fema.gov/business/nfip](http://www.fema.gov/business/nfip)** for flood insurance information.

Visit **[www.ncfloodmaps.com](http://www.ncfloodmaps.com)** for the most current information on the North Carolina Floodplain Mapping Program.

Visit **[www.nccrimecontrol.org/hazard\\_mitigation](http://www.nccrimecontrol.org/hazard_mitigation)** for the most current information on Hazard Mitigation in North Carolina.

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