

Changing Flood Maps

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.

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 and FEMA initiated the North Carolina Floodplain Mapping Program to update and improve flood maps for every community in the state. Check the program's website to find out when new maps for your area will be issued.

In addition to normal flood insurance rate adjustments, the biggest jump in annual premiums can occur if new flood maps show a building to be in a higher flood risk zone. A house having coverage of \$100,000 for the building and \$25,000 for the building contents could qualify for an annual premium as low as \$233 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 \$1,700 per year. This brochure explains provisions in the NFIP regulations that protect most home owners from this kind of drastic rate increase.

What are the primary factors that affect flood insurance rates?

In order for 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 damage. 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. 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: a single-family home valued at \$100,000 with contents 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. Other factors can affect the rate for our example home, including the level of flood risk, the age of the structure, and its 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 is not typically regulated. The most common areas expected to flood 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. Flood insurance rates are usually lowest in X Zones, higher in AE Zones and highest in VE Zones. There are other flood risk zones that follow different rules. Talk to your insurance agent about the rates in other zones.

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 to encourage communities to adopt at least the minimum construction standards and building elevation requirements. 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 effective date for the first FIRM and a history of its map changes by date are listed in the Flood Insurance Study report and on the FIRM Index panel for your county. (Contact your local floodplain manager for help in locating copies of these documents.) This information allows your insurance agent to use the date of construction to determine if your house is pre-FIRM or post-FIRM. The original building permit date is the official date of construction should any discrepancies arise.

If you make substantial improvements (usually more than 50% of the market value of the building in any year – ask your 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). This substantially damaged building will no longer be grandfathered as a pre-FIRM structure. It must be brought up to current code requirements prior to reoccupancy and the current flood map will be the basis for actuarial rating.

3 Lowest Floor Elevation

For post-FIRM homes, flood insurance rates are based on the lowest floor elevation. Typically, the lowest floor is the lowest inhabitable area of your home. Lowest floor elevations must be certified by a registered land surveyor on a FEMA form called the Elevation Certificate. This certificate must be provided to your flood 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.

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 community's flood maps are changed. At your option, your insurance 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 insurance agent to look for the lowest available rating options.

Common information your agent will 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 building official)
- A copy of the flood maps effective at the time of original construction if the flood zones or base flood 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. Documenting a higher floor elevation with the certificate can often recover the survey cost in the first year or two of reduced insurance premiums.

For some buildings, the insured would have these options:

Option A Use the rating criteria from the newest flood map (post-FIRM rating)

Option B Use the BFE and/or flood zone on the flood map in effect when the building was originally constructed (for pre-FIRM homes built in current compliance)

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

You can use the latest flood maps if they offer you lower rates. The latest maps are almost always the easiest to find, available from FEMA and on file with your local government. Sometimes the more recent maps can lower your flood risk zone if you meet the minimum requirements for the current elevation and flood zone determination.

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

The Grandfather Rules also allow you to use of the flood map 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 and/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 minimal flood risk property if you have proper documentation verifying that the home was located in an X Zone when it was built.
- If your home is changed from an AE to a VE zone, you can maintain the AE insurance rate even though you are now in the higher risk VE Zone. You will need documentation showing that the home was located in an AE Zone and that it was properly elevated to or above the BFE on the flood map in effect when it was built
- In some cases, the new maps may increase the BFE within the same flood zone. To avoid a rate increase, you can maintain coverage according to the BFE shown on the old flood maps if your documentation shows that the home was properly elevated at the time of construction.

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 and non-residential structures (including most businesses farm buildings, churches, and schools) that are at minimal flood risk, located in B, C or X Zones on the current effective flood maps. Preferred Risk Policies are the lowest flood insurance rates available.

Eligibility for a PRP is also based on flood loss history. If the past or present owners of the structure have received more than two flood insurance claims or Federal flood disaster relief payments, it is not eligible for 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 the preferred Risk Policy.

The Grandfather Rules do not apply to Preferred Risk Policies. If you already have a PRP prior to a map change and the new map shifts your home or business from a B, C or X Zone to an AE or VE Zone, you will no longer qualify for a PRP. Your policy must be rewritten as a Standard Flood Insurance Policy, but the Grandfather Rules allow your home or business to be insured at the X Zone rate or the applicable AE or VE Zone whichever is lower.

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. If your home increases in value and you decide to increase our coverage to \$150,000 building/\$30,000 contents, for example, your 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. Residential coverage can be increased in any amount up to the NFIP limits of \$250,000 on the building and \$100,000 on the contents. Up to \$500,000 of building coverage and \$500,000 of contents coverage are available on non-residential structures. Coverage can be increased at any time during the policy term.

Strategies for 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 increased 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, that 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. Your insurance agent may have a copy of the current flood map but is unlikely to have the proposed maps. You can usually review the proposed maps in your local government's building or planning office. You can also use the North Carolina Floodplain Mapping Program website (www.ncfloodmaps.com) to view the proposed maps. 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 in a B, C or X Zone on the current map, outside the base flood area, your lender may not have required coverage, and you never thought you needed it. This is a potential mistake. (See the third bullet under "Helpful Tips".) You may decide later that you need flood insurance, or your mortgage company might require it. If the new 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.

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.
- Do not 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 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 flood level.

- 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.