

Flood Insurance Rate Maps' (FIRMs) Impact on Flood Insurance

Flood risks change over time. To ensure the public knows their flood risk and that flood insurance policies are priced accurately, FEMA works with local and tribal communities, State agencies, and Federal partners to develop up-to-date flood hazard maps, known as Flood Insurance Rate Maps (FIRMs), and other flood hazard information.

Due to both natural and development related changes that occur over time, FIRMs must be updated to reflect changes in risk and areas affected by the 1-percent annual chance flood. The Mile High Flood District (MHFD) is working with FEMA and its contractors to convert Flood Hazard Area Delineation Studies (FHADs) into revised and updated FIRMs through the Physical Map Revision (PMR) process. The goal is to improve the accuracy of the data used to permit development in the floodplain, reduce insurance rates, and increase flood risk communications.

Until the revised FIRM becomes effective, there will not be any change to property owners' flood insurance policies. However, preliminary FIRMs are now available for the public and local communities, so they can have an early look at revised and updated flood risk information. To view proposed flood risk changes for your area, visit the MHFD interactive map tool at <http://mhfd.org/services/floodplain-mapping/>.

When the new FIRMs become effective, the flood risk and corresponding flood insurance requirements may change. Below are common scenarios that property owners experience when new FIRMs become effective. Please note that flood insurance is available to any property owner regardless of whether a property is shown in or out of the Special Flood Hazard Area (SFHA), or a high-risk area, on the FIRM. Costs vary depending on how much insurance is purchased, what it covers, and the property's flood risk. Contact your insurance agent or visit www.FloodSmart.gov to find a flood insurance agent near you to discuss your options.

HOW WILL THE REVISED AND UPDATED MAPPING AFFECT ME?

Your Scenario	Requirements, Options, and Savings
<ul style="list-style-type: none"> I have been newly mapped into a high-risk area. I have moved from a moderate or low-risk area to high-risk area. 	<p>Flood insurance is mandatory. For primary buildings in a high-risk area, flood insurance is required if you have a mortgage from a federally regulated or insured lender.</p> <p>Rating options can offer savings. Buildings that are newly mapped into a high-risk area may initially be eligible for a lower-cost rate during the first 12 months following a map change. Premiums will then increase up to 18 percent each year per the Homeowner Flood Insurance Affordability Act of 2014. <u>Purchasing a policy before the new map goes into effect will maximize your savings.</u> A policy can be assigned to new owners, allowing them to keep the lower rate. Your insurance agent can provide more details on how you can save.</p>
<ul style="list-style-type: none"> My area has an increase in the Base Flood Elevation (BFE). 	<p>Grandfathering can offer savings! The National Flood Insurance Program's (NFIP) grandfathering option allows policyholders, who have built in compliance with the flood map in effect at the time of construction, to keep their previous zone or BFE to calculate their insurance premium. This could result in significant savings. A grandfather-rated policy can be assigned to new owners. In most cases, your insurance agent will ask you to provide an Elevation Certificate.</p>
<ul style="list-style-type: none"> I have moved from a high-risk area to a moderate or low-risk area. I have been newly mapped into a lower risk flood zone. 	<p>Flood insurance may be optional but is recommended. The risk is reduced, not removed. More than 20 percent of NFIP claims come from buildings outside of high-risk areas. Converting your current policy can offer savings. An existing policy can be converted to a lower-cost Preferred Risk Policy that includes a refund of the premium difference. Although flood insurance may no longer be federally required, your mortgage lender might still choose to require it.</p>
<ul style="list-style-type: none"> My area is still high-risk, but has a decrease in BFE. 	<p>Flood insurance is mandatory. While still considered high-risk, the BFE is reduced. A modification to a current policy to reflect reduced risk may offer savings. In most cases, your insurance agent will ask you to provide an Elevation Certificate.</p>
<ul style="list-style-type: none"> My area has no change in risk level. 	<p>No change in insurance rates. Still, this is a good time to talk with your insurance agent to learn about your specific risk and to make sure you have adequate flood insurance coverage.</p>

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HOW CAN I REDUCE MY RATES?

If you find you will have to pay a higher premium for flood insurance, you can take these steps to help reduce the cost:

- **Mitigate.** One way to reduce your rate is to reduce your risk, because premiums are based on risk. For example, you can fill in a basement or install flood vents in the crawl space beneath the lowest level of your building. Taking these actions will help reduce the chance that the foundation of your building will be displaced during a flood and lowers your premium. When remodeling or rebuilding, you can consider a large-scale project like elevating your entire structure. Even simple changes, such as raising heating and cooling systems, water heaters, the electrical panel, and other mechanical items so that they are less likely to be damaged or destroyed in a flood, may offer some premium savings. Mitigation measures likely require local floodplain and building permits.
- **Encourage community action.** You can encourage your community to participate in the Community Rating System (CRS) if it does not already. CRS is a voluntary incentive program that recognizes communities for implementing floodplain management practices that exceed the NFIP's minimum requirements. In exchange for a community's proactive efforts to reduce flood risk, policyholders can receive reduced flood insurance premiums.
- **Consider coverage amount and the building's replacement cost.** If the building is secured by a federally-backed lender, the Federal requirement only mandates building coverage. A flood insurance policy insures your building for replacement cost if:
 - The building is a single family dwelling.
 - The building is your principal residence at the time of loss (you live there at least 80 percent of the time).
 - Your building coverage is at least 80 percent of the full replacement cost of the building or is the maximum available offered under the NFIP.

If you do not meet all of these requirements, your building is insured for actual cash value (ACV). ACV is the replacement cost value at the time of loss, which is less the value of its physical depreciation. The replacement cost of your building may be higher than the amount of building coverage the mortgage company requires you to carry. Your primary flood policy should insure your dwelling for the replacement cost. Replacement cost can also be used to determine how much flood insurance you should have for the building.

The replacement cost of your structure could be more than the maximum limit available under the NFIP. Consult with an insurance agent on the availability of Excess Flood Insurance to protect your investment.

- **Apply for a Letter of Map Change (LOMC).** FIRMs are developed to a scale that is useful for community officials, lenders, and insurance professionals. Not every rise in terrain can be depicted at this scale and that level of detail is cost prohibitive. Once the FIRMs become effective, if you think your building is inadvertently being mapped at a high-risk area, FEMA has a process that allows property owners to request a more precise flood zone designation. Two potential LOMC options for this are: Letter of Map Amendment (LOMA) and Letter of Map Revision based on fill (LOMR-F). A LOMA is usually issued because a property has been inadvertently mapped as being in a high-risk area, but is actually on naturally high ground. A LOMR-F is for a property that has been elevated above the BFE by the placement of fill. The services of a Professional Land Surveyor or Professional Engineer are needed to determine if the existing ground adjacent to the building is elevated above the BFE. An Elevation Certificate can be used to support a LOMA or LOMR-F. If you believe your building is inadvertently mapped into a high-risk area, contact your local Floodplain Administrator for more detailed information.
- **Consider a higher deductible.** Just as with automobile or homeowner's insurance, increasing your deductible—an amount you pay out of pocket to cover a claim before coverage is applied—will lower your premium. A new \$10,000 deductible, available to homeowners as of April 1, 2015, will result in up to a 40 percent discount from the base premium. However, using the maximum deductible might not be appropriate in every financial circumstance and may not be allowed by lenders to meet mandatory purchase requirements.



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