

# LOWER-COST RATING OPTION FOR BUILDINGS NEWLY MAPPED INTO HIGH RISK AREAS

Learning that a new Flood Insurance Rate Map (FIRM) shows your home or business at a higher risk than before can be stressful and costly. But rating options through the National Flood Insurance Program (NFIP) can help ease the financial impact. One option available is the Newly Mapped procedure. In the first year after a map revision, this option provides the lower-cost Preferred Risk Policy (PRP) base premium before fees and surcharges. Every year after, premium increases of up to 18 percent will be applied until the premium rates reflect full-risk rates.

## HOW THE NEWLY MAPPED PROCEDURE WORKS

To take advantage of Newly Mapped procedure savings, you must purchase a policy that becomes effective within 12 months of the map change.<sup>1</sup> The initial rate will be equal to the PRP rate, but with a higher Reserve Fund Assessment and Federal Policy Fee. At each renewal, the policy will be rated using a multiplier provided by FEMA, which will change yearly on January 1.

Ultimately, the premium rates will transition to full-risk rates through annual rate increases of up to 18 percent. A policy using standard Zone X rating is considered to be charged a full-risk premium rate.

You also have the option of providing additional information, such as an Elevation Certificate (EC), to compare with full-risk pricing using the current map information for rating. In many cases, an EC is required to determine the full-risk pricing and you are able to use the lowest rate.

## OTHER OPTIONS AND REQUIREMENTS

If a policy is not effective within 12 months of the map change, the built-in-compliance grandfather procedure may be a cost-saving option for post-FIRM buildings; however, pre-FIRM buildings usually are not eligible for built-in-compliance grandfathering and must be rated using the new maps.

If a policy rated using the Newly Mapped procedure lapses more than 90 days after its renewal date or twice, regardless of the number of days, it cannot be rewritten using this option. Policies that lapse also lose their eligibility for continuous-coverage grandfathering. However, post-FIRM buildings are eligible for built-in-compliance grandfathering, but pre-FIRM buildings must be rated according to the new maps.

You should purchase flood insurance before the maps change to gain almost an extra year at the lower-cost PRP rates. Floods don't wait for maps to become official and can happen at any time. Getting flood insurance today can bring peace of mind and may extend the time you can enjoy PRP rates for almost a year after the map change—at which time the rates will transition to the Newly Mapped procedure.

<sup>1</sup>Remember that while there is not a waiting period for the policy to become effective if it is required by the lender, there is a 1-day waiting period if there is no lender requirement.

## NEWLY MAPPED PROCEDURE HIGHLIGHTS

- Buildings located in Zones B, C, X, or D before a new map becomes effective and newly identified to be in a high-risk area (e.g., Zones A or V) on a new flood map may qualify for PRP rates for the first 12 months following the new map's effective date.
- On renewal, the rates will begin transitioning to a full-risk rate, with annual rate increases of no more than 18 percent a year.
- Don't wait for the new map to buy a PRP. Buying a PRP before the maps change can result in additional savings.

