

2019 ASFPM Annual Conference

D2 – National Flood Insurance Program Pricing





Subsidized Rates

Building Modifications and the Impact to Premium

General Guidelines for A and V Zones



Subsidized Rates

- What are they?
- How are they calculated?
- What's happening to them?

What are they?



- Defined as: “A rate charged to a group of policies that results in aggregate premiums insufficient to pay anticipated losses and expenses for that group.”
- Examples include:
 - Pre-FIRM (built or substantially improved prior to December 31, 1974, or before the effective date of the community’s initial FIRM)
 - Pre '81 V zones
 - Newly Mapped Policies (formerly known as PRP Eligibility Extension)

How are they calculated?



The primary rating factors are simply:

- Zone
- Building Type
 - No Basement/Enclosure, With Basement, With Enclosure, Elevated on a Crawlspace, or Non-Elevated With a Subgrade Crawlspace
- Occupancy
 - Single Family, 2-4 Family, Other Residential, Non-Residential Business, and Other Non-Residential
 - If Single Family, whether it is the insured's primary residence.

Subsidized Rates



- Single Family Residence
- Flood Zone VE
- Slab on grade residence.
- Requested coverage limit of:
 - \$125,000 Building
 - \$10,000 Contents

- The subsidized annual premium would be:
 - **\$3,277 Primary**
 - **\$9,093 Non-Primary**

What's happening to them?

- Subsidized rates are being phased out over time through annual rate increases until they reach full-risk rates.
- Most categories are required to increase between 5-15% per year.
- Businesses, non-primary residential properties, Severe Repetitive Loss properties and substantially damaged/improved properties can be increased by 25% per year.

Subsidized Rates – Phasing Out Over Time



- One story slab on grade residence (Zone AE)
- Requested coverage limit of:
 - \$250,000 Building (\$2,000 Deductible)
 - \$100,000 Contents (\$2,000 Deductible)

Primary Residence

- April 2015 / \$4,108
- April 2016 / \$4,321
- April 2017 / \$4,551
- April 2018 / \$4,796
- **April 2019 / \$5,148**

Non-Primary Residence:

- April 2015 / \$5,916
- April 2016 / \$7,313
- April 2017 / \$9,042
- April 2018 / \$11,233
- **April 2019 / \$13,934**

Full Risk Rating



Annual Premium if the LFE is:

- 4 feet above BFE: \$632
- 3 feet above BFE: \$678
- 2 feet above BFE: \$813
- 1 foot above BFE: \$1,225
- Same as the BFE: \$2,307

Lowest Floor Elevation (LFE)

Base Flood Elevation (BFE)

- One-story slab on grade residence. Flood Zone AE. Primary Residence
- The Lowest Floor Elevation (LFE) is the top of habitable floor.
- Requested coverage limit of:
 - \$250,000 Building
 - \$100,000 Contents

Full Risk Rating



Annual Premium if the LFE is:

- Same as the BFE: \$2,307
- 1 foot below BFE: \$4,756
- 2 feet below BFE: \$7,329
- 3 feet below BFE: \$9,843
- 4 feet below BFE: \$12,748
- 5 feet below BFE: \$15,361
- 6 feet below BFE: \$17,066
- 7 feet below BFE: \$18,612

There's no stop!!!!

- Same conditions as the previous slide.
- No Machinery & Equipment (M&E) in the garage.
- Requested coverage limit of:
 - \$250,000 Building
 - \$100,000 Contents

Subsidized Rates – Phasing Out Over Time



Subsidized Premium as of:

- April 2014 / \$15,359
- April 2015 / \$17,845
- April 2016 / \$18,740
- April 2017 / \$19,710
- April 2018 / \$20,727
- **April 2019 / \$22,264**

- Non-Residential building on a slab.
- Flood Zone AE
- Requested coverage limit of:
 - \$500,000 Building
 - \$500,000 Contents

Full Risk Rating



- Non-Residential building on a slab.
- Flood Zone AE
- Requested coverage limit of:
 - \$500,000 Building
 - \$500,000 Contents

Annual Premium if the LFE is:

- 4 feet above BFE: \$1,828
- 3 feet above BFE: \$1,886
- 2 feet above BFE: \$2,099
- 1 foot above BFE: \$2,893
- Same as the BFE: \$4,966
- 1 foot below BFE: \$10,118
- 2 feet below BFE: \$15,213
- 3 feet below BFE: \$20,143
- 4 feet below BFE: \$25,966
- 5 feet below BFE: \$31,900

There's no stop!!!!



Building Modifications and Impact to Premium

- Slab on Grade – Single Family Residence (AE zone)
- Elevated With Enclosure (AE zone)
- Elevated With Enclosure (VE zone)

Single Family Residence (AE zone)



LFE – After Modifications

Original LFE – Before Modifications

- This Single Family residence in flood zone AE has a garage with M&E below the BFE.
- The LFE is the garage, since it is lower than the habitable floor.
- If the garage is the LFE, then modifications are possible:
 - Raise the M&E in the garage above the BFE, OR
 - Add compliant venting to the garage

Single Family Residence (AE zone)

- Added compliant venting or raised M&E in garage.
- There's a 4 foot difference between garage floor and habitable floor.
- \$250,000 Building and \$75,000 Contents (AE Zone)

Important!!
Raising the M&E or adding Vents is only allowed for Single Family Residences

FULL RISK RATES

If Original LFE is:	Before	After
5 feet below BFE	\$9,874	\$3,417
4 feet below BFE	\$8,254	\$1,568
3 feet below BFE	\$6,537	\$896
2 feet below BFE	\$5,022	\$676
1 foot below BFE	\$3,417	\$599



Single Family Residence (AE zone)

- This single family residence had a garage without M&E. The LFE is the habitable floor.
- One of the garages is converted into a living space, a game room, or an office.
- The LFE is now the converted garage, as it is lower than the original habitable floor.
 - Cannot add flood vents or raise M&E to mitigate.
- \$250,000 Building and \$100,000 Contents (AE Zone)

FULL RISK RATES

If Original LFE is:	Before	After
4 feet above BFE	\$574	\$1,568
3 feet above BFE	\$599	\$3,417
2 feet above BFE	\$676	\$5,022
1 foot above BFE	\$896	\$6,537
Same as the BFE	\$1,568	\$8,254
1 foot below BFE	\$3,417	\$9,874



Elevated With Enclosure (AE zone)

- The unvented enclosure is unfinished and used for parking and storage only.
- There is no elevator, only a water heater in the garage.
- The LFE is the top of the enclosure.
- Modifications are possible – Compliant Vents



IMPORTANT!!

To exclude the enclosure in A zones, the enclosure(s) must be:

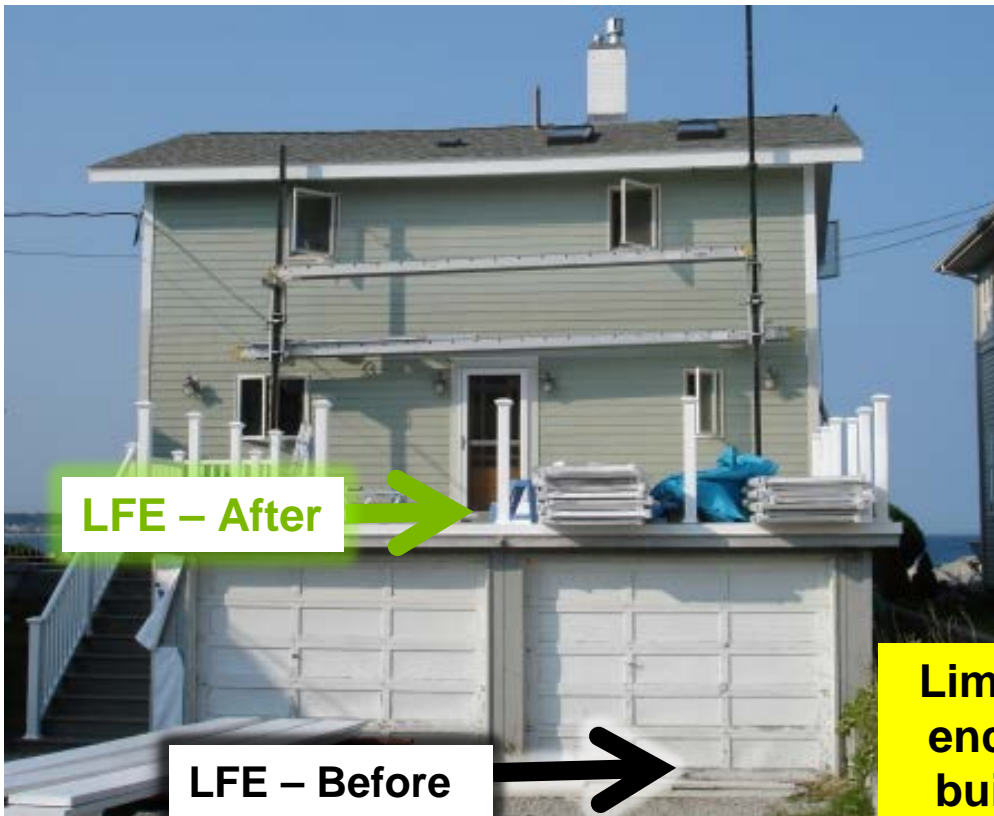
- **Unfinished**
- **Properly Vented**
- **Used only for parking, storage, or building access**
- **Have no elevators below the BFE**

LFE – After Venting

LFE – Before Venting

Elevated With Enclosure (AE zone) – Post-FIRM Building

- Added required vents to 1000 square foot unfinished garage enclosure.
- The LFE is now the Next Higher Floor (8 feet higher)
- \$200,000 Building / \$50,000 Contents (2-4 Family)



FULL RISK RATES

Original LFE is:	Before	After
8 feet below BFE	\$2,313	\$1,720
7 feet below BFE	\$1,603	\$1,049
6 feet below BFE	\$1,338	\$830
5 feet below BFE	\$1,223	\$753
4 feet below BFE	\$1,166	\$728

Limitations apply to the enclosure because the building is Post-FIRM.

Elevated With Enclosure (AE zone) – Pre-FIRM Building

- Same scenario as before, but this time the building is Pre-FIRM.
- Enclosure limitations **do not** apply to Pre-FIRM buildings.



FULL RISK RATES

Original LFE is:	Before	After
8 feet below BFE	\$12,527	\$1,720
7 feet below BFE	\$11,711	\$1,049
6 feet below BFE	\$10,797	\$830
5 feet below BFE	\$9,814	\$753
4 feet below BFE	\$8,299	\$728

When applicable, the Pre-FIRM subsidized rate would be used if less than the full risk rate.

Elevated With Small Breakaway Enclosure (VE zone)



- A 100 square foot breakaway enclosure is added.
- No longer eligible for “Free of Obstruction” rates. The “With Obstruction” rates must now be used.
- Insured to 100% of replacement value.
- Requested limits of: \$250,000 Building / \$100,000 Contents (Single Family)

FULL RISK RATES		
Original LFE was:	Before	After
5 feet above BFE	\$4,938	\$7,212
4 feet above BFE	\$4,938	\$7,212
3 feet above BFE	\$5,742	\$8,482
2 feet above BFE	\$7,212	\$10,333
1 foot above BFE	\$9,008	\$12,290
Same as BFE	\$11,173	\$14,566

If applicable, the Pre-FIRM subsidized rate would be used if less than the full risk rate.

General Guidelines for A zones

- Encourage construction well above the BFE.
 - Consider adopting Freeboard elevation.
- For non-elevated buildings, attached garages may only be excluded as the LFE for single family residences. To exclude the garage, any M&E in the garage must be at or above the BFE, or the garage must be properly vented.
- For elevated buildings:
 - Enclosures below the elevated floor may be excluded if:
 - unfinished, and
 - is used only for parking, storage, or building access, and
 - is properly vented.
 - An elevator that is below the BFE receives a surcharge regardless of venting.
- Discourage building modifications below the BFE.

General Guidelines for V zones

- Encourage construction well above the BFE.
 - Consider adopting Freeboard elevation.
- For non-elevated buildings:
 - The LFE is always at the building's lowest point (bottom of slab, basement or subgrade crawlspace).
- For elevated buildings:
 - The venting rules do not apply to V zones.
 - Even small breakaway enclosures under 300 square feet result in higher premiums.
 - A building elevated on solid perimeter foundation walls is rated as a non-elevated building.
 - Machinery & Equipment that services the building should be above the BFE.
 - Enclosures should be compliant lattice/slats or insect screening.
- Discourage building modifications below the BFE.



Resources

FEMA: <https://www.fema.gov/>

FEMA Cost of Flood: <https://www.fema.gov/cost-of-flood>

FEMA Flood Map Service Center: <https://msc.fema.gov/portal/home>



Resources

NFIP Current and Past Manuals: <http://www.fema.gov/flood-insurance-manual>

NFIP Bureau & Statistical Agent: <https://nfipservices.floodsmart.gov/>

National Flood Services: <https://www.nationalfloodservices.com>



Resources

Phillip Dunn

Compliance Professional II

National Flood Services

1-888-888-2169 ext. 3304

Phillip.Dunn@nationalfloodservices.com

Your resource for all things flood:

<https://www.nationalfloodservices.com>

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