

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

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Learning that a new Flood Insurance Rate Map (FIRM) shows their home or business at a higher risk than before can be stressful and costly for your clients. But rating options to help ease the financial impact are available. One option available through the National Flood Insurance Program (NFIP) 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, your client 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.

Policyholders also have the option of providing additional rating information to compare with full-risk pricing using the current map information for rating. In many cases, an Elevation Certificate is required to determine the full-risk pricing using the current map information. Agents should choose the lower rate.

## 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 sell a PRP. Buying a PRP before the maps change can result in additional savings for your clients.

## 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, you cannot rewrite it 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 you must rate pre-FIRM buildings according to the new maps.

Encourage affected property owners to 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. So it is a good idea to encourage property owners and renters to go ahead and get insured, because they are at risk now. Getting flood insurance today can bring peace of mind and may extend the time a policyholder can enjoy PRP rates for almost a year after the map change—at which time the rates will transition to the Newly Mapped procedure.

## **ADDITIONAL INFORMATION**

For information about the Newly Mapped procedure and the Grandfather Rule, please refer to the latest Flood Insurance Manual at [FEMA.gov/Flood-Insurance-Manual](https://www.fema.gov/flood-insurance-manual).

To monitor flood map updates in your area and download related marketing material to better communicate the impact of these changes on your clients, visit [Agents.FloodSmart.gov](https://agents.floodsmart.gov) and select Map Update Schedule under Managing Policies.

<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.