

# National Flood Insurance Program NFIP Basics and Risk Rating 2.0

For Professionals in the Greater Boston Area & New Hampshire | March 2022



# FEMA

Bob Desaulniers, CFM CPCU ANFI AAI  
Senior Insurance Specialist  
FEMA Region 1 Boston

AREA OF MINIMAL FLOOD HAZARD  
Zone X

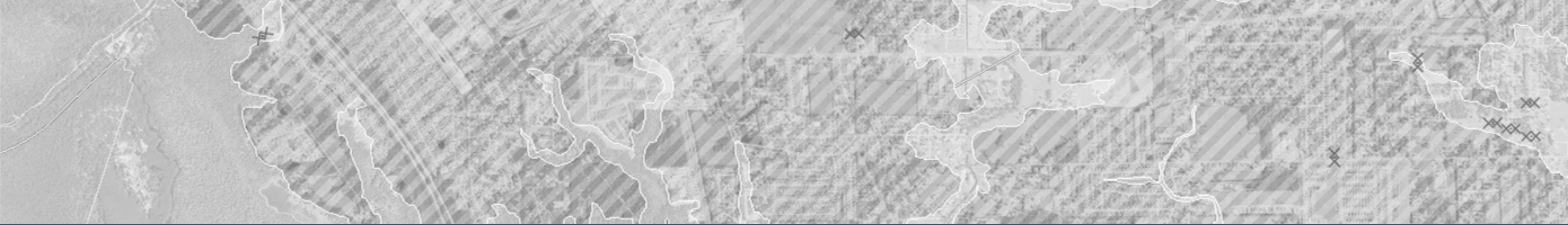


# State NFIP Coordinators

Joy Duperault  
MA State Floodplain Manager  
joy.duperault@mass.gov  
(617) 626-1406



Jennifer Gilbert  
NH State Floodplain Management  
Program  
jennifer.r.gilbert@livefree.nh.gov  
(603) 271-1762



# NFIP Overview

Background, concepts, terminology and flood facts



# NFIP History and Roles

- Congress established the NFIP in 1968 with the passage of the National Flood Insurance Act. Reformed in 1973, 1994, 2004, 2012 and 2014
- A **voluntary** program that communities join to provide residents with access to NFIP flood insurance and other benefits.





# NFIP Basic Terminology





# Flood

A general and temporary condition of partial or complete inundation of normally dry land areas from

- ❑ Overflow of inland or tidal waters
- ❑ Unusual and rapid accumulation or runoff of surface waters from any source
- ❑ Insurance: Two lots or two acres





## Base Flood Elevation

- Height of the flood water in a 1%-annual-chance flood event (“100 year” flood event).
- The expected elevation of the crest of the base flood “100-year flood.”

**Flood Frequency Chart**

Flood frequency (years)	Chance of flooding in any given year	Percent chance of flooding during 30-year mortgage
10	10 out of 100 (10%)	96%
50	2 out of 100 (2%)	46%
100	1 out of 100 (1%)	26%
500	0.2 out of 100 (0.2%)	6%



# Pre-FIRM & Post-FIRM Buildings



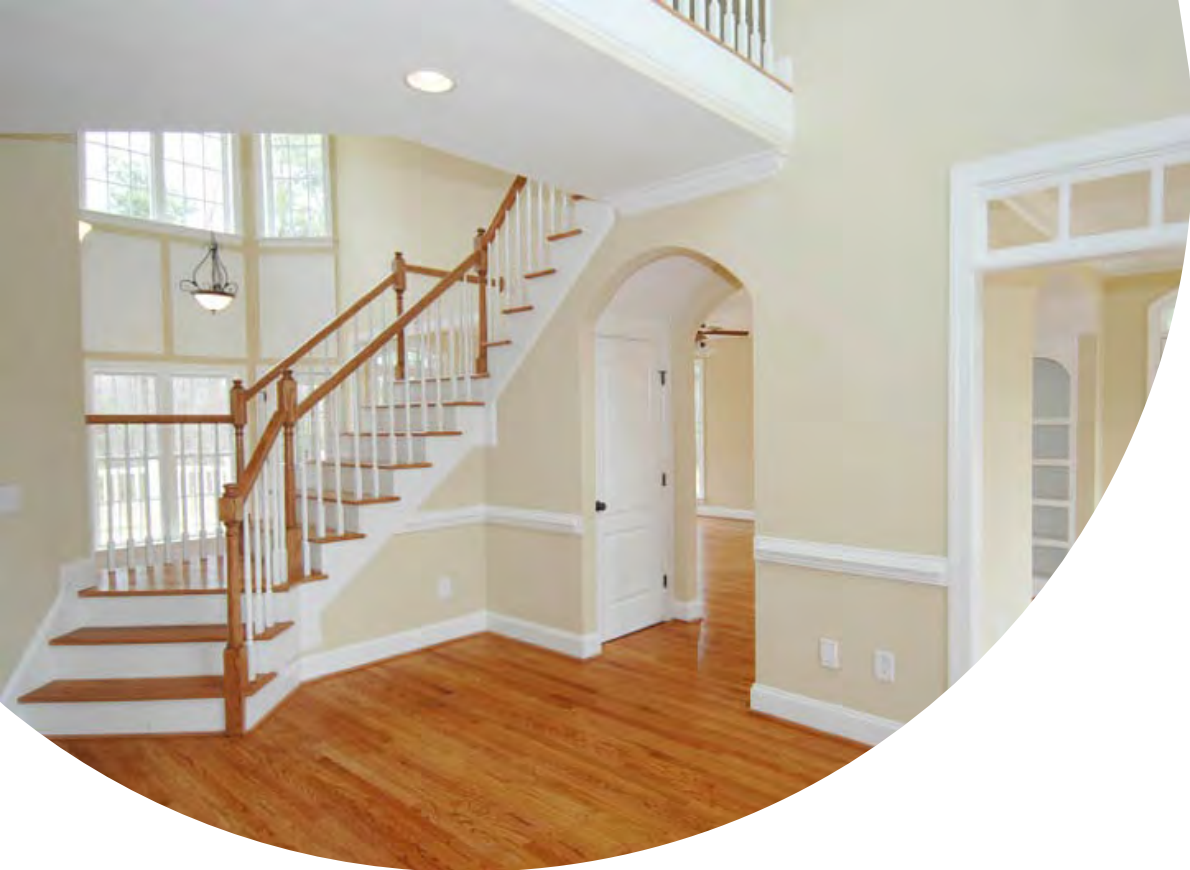


# Substantial Damage

“Damage of any origin sustained by a structure whereby the cost of restoring the structure to its before-damaged condition would equal or exceed 50 percent of the market value of the structure before the damage occurred.”

*Definition from 44 CFR 59.1*





# Substantial Improvement

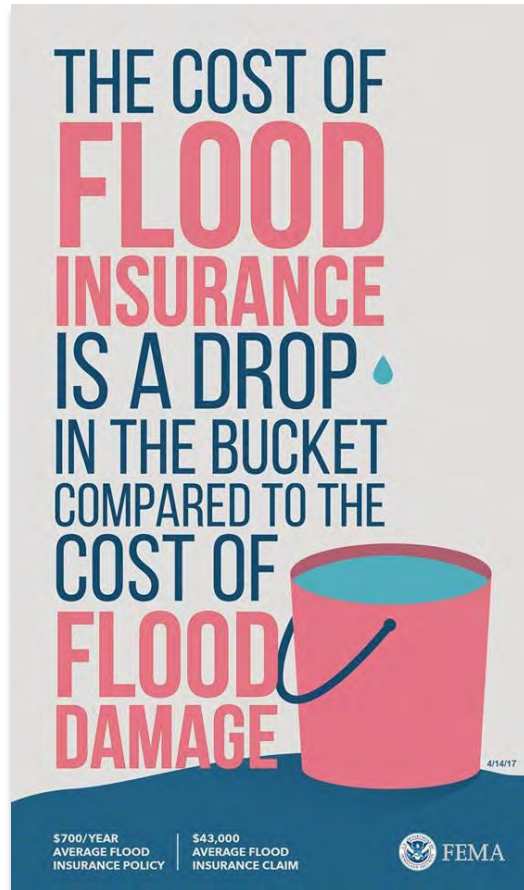
“Any reconstruction, addition, or improvement of a structure where the cost equals or exceeds 50% of the market value of the structure before the improvement.”

*Definition from 44 CFR 59.1*





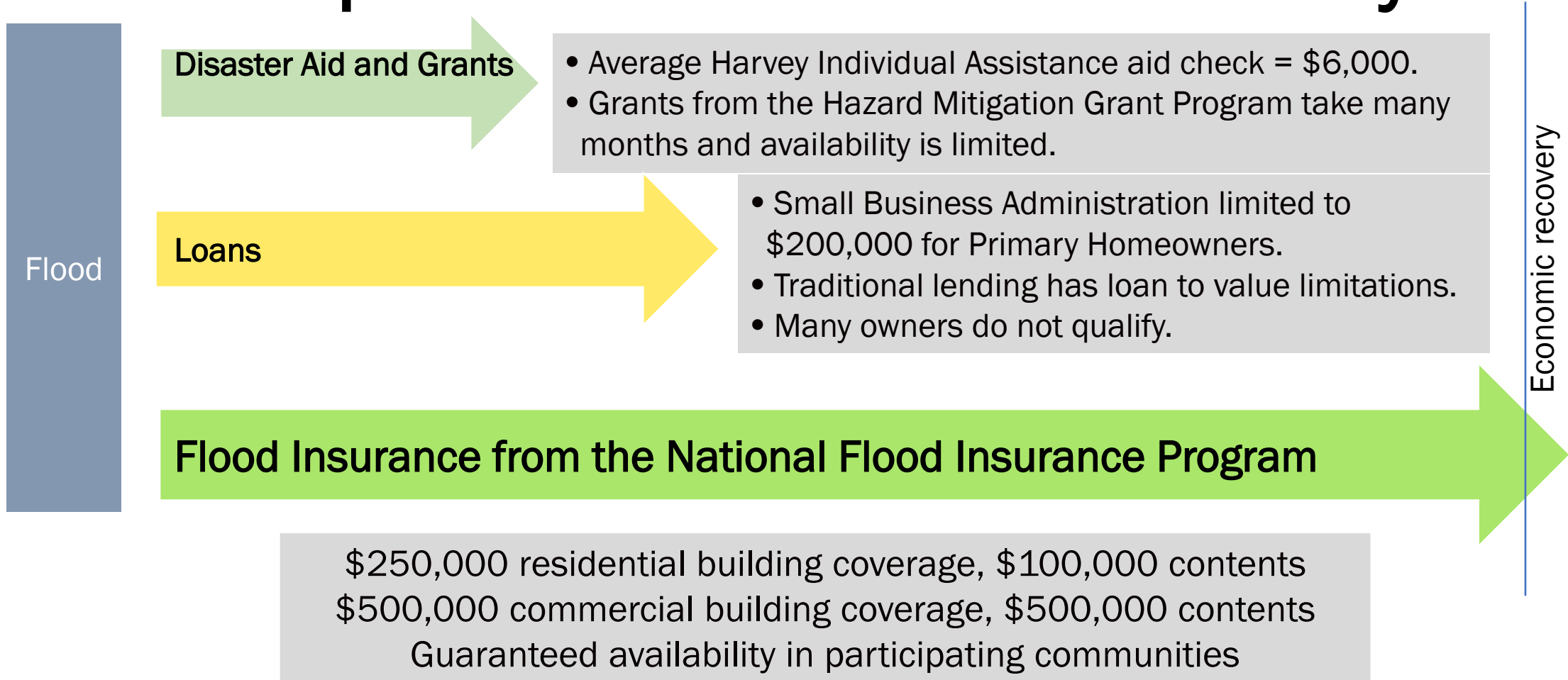
# Four Basic Facts of a Standard Flood Policy



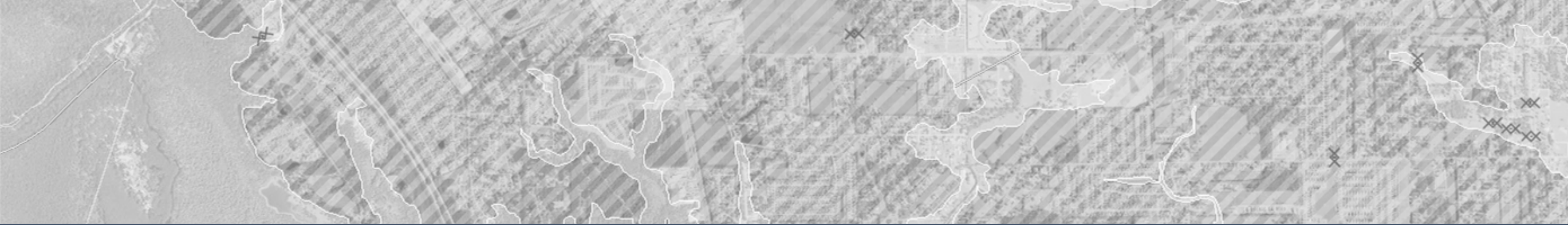
- Single-peril policy
- Residential and Non-residential policies
  - Residential coverage limits: \$250,000 for structure, \$100,000 for contents.
  - Non-residential coverage limits: \$500,000 for structure, \$500,000 for contents.
- Renters can get contents only coverage.
  - Content coverage is not automatically included in the policy, except for a Preferred Risk Policy which is available only in moderate- to low-risk areas.
- Available in any zone

# Flood Insurance vs. Disaster Assistance

## Which Option Leads to Faster Recovery?







# Floodplain Management

Federal regulations, local ordinances and substantial improvement



# Local Orders Outline Floodplain Regulations

## Quid pro quo

*“Flood insurance shall not be sold or renewed under the program within a community, unless the community has adopted adequate floodplain management regulations consistent with Federal criteria.”*

- Legally enforceable
- Uniformly applied
- Take precedence over any less restrictive, conflicting local regulations



### Tips for Real Estate Professionals:

Ordinances vary in each jurisdiction.

All require mitigation measures like elevating new or improved structures, utilities and machinery in the SFHA to or above the base flood elevation (BFE).





# Local Governments Regulate Flood Hazard Areas (Floodplains) in MA

The state of Massachusetts delegates floodplain management authority to local communities.

- Communities can apply to join the voluntary NFIP program.
- To participate in the program communities must:
  - Adopt and maintain local floodplain management regulations.
  - Fully enforce those regulations
    - Issue/deny floodplain development permits.
    - Inspect development to ensure compliance.
    - Maintain records.
    - Assess substantial improvement/damage.
  - Answer questions related to flooding from residents and other parties.
  - Conduct floodplain management outreach and respond to flood disaster events.

# Substantial Damage/Substantial Improvement

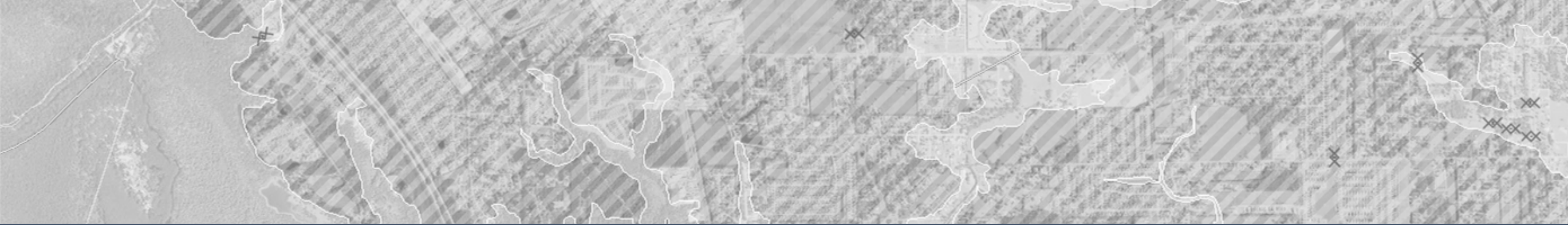
Structures that have been substantially damaged or are making substantial improvements are required to be brought into compliance with local ordinance.

- Potentially older structures, and
- Structures that do not meet current requirements



*A home elevated after flood damage from Hurricane Sandy.  
FEMA photo by Kenneth Wilsey*





# FEMA Flood Insurance Rate Maps (FIRMs)

Flood risk, zones, where to find products and letters of map change



# What you hear from property owners:

## “We’ve never seen a flood here” **YET!**

- FEMA maps the 1%-annual-chance flood event.
- During a 30-year mortgage, a house has a 26% chance of experiencing a 1%-annual-chance flood.
- Or “if you live in a floodplain, then you have a 1 in 4 chance of being flooded during the course of your mortgage.”
- Mapping based on professional **engineering analysis** (hydrology and hydraulics).
- Maps are updated periodically and can change based on new information and new development.

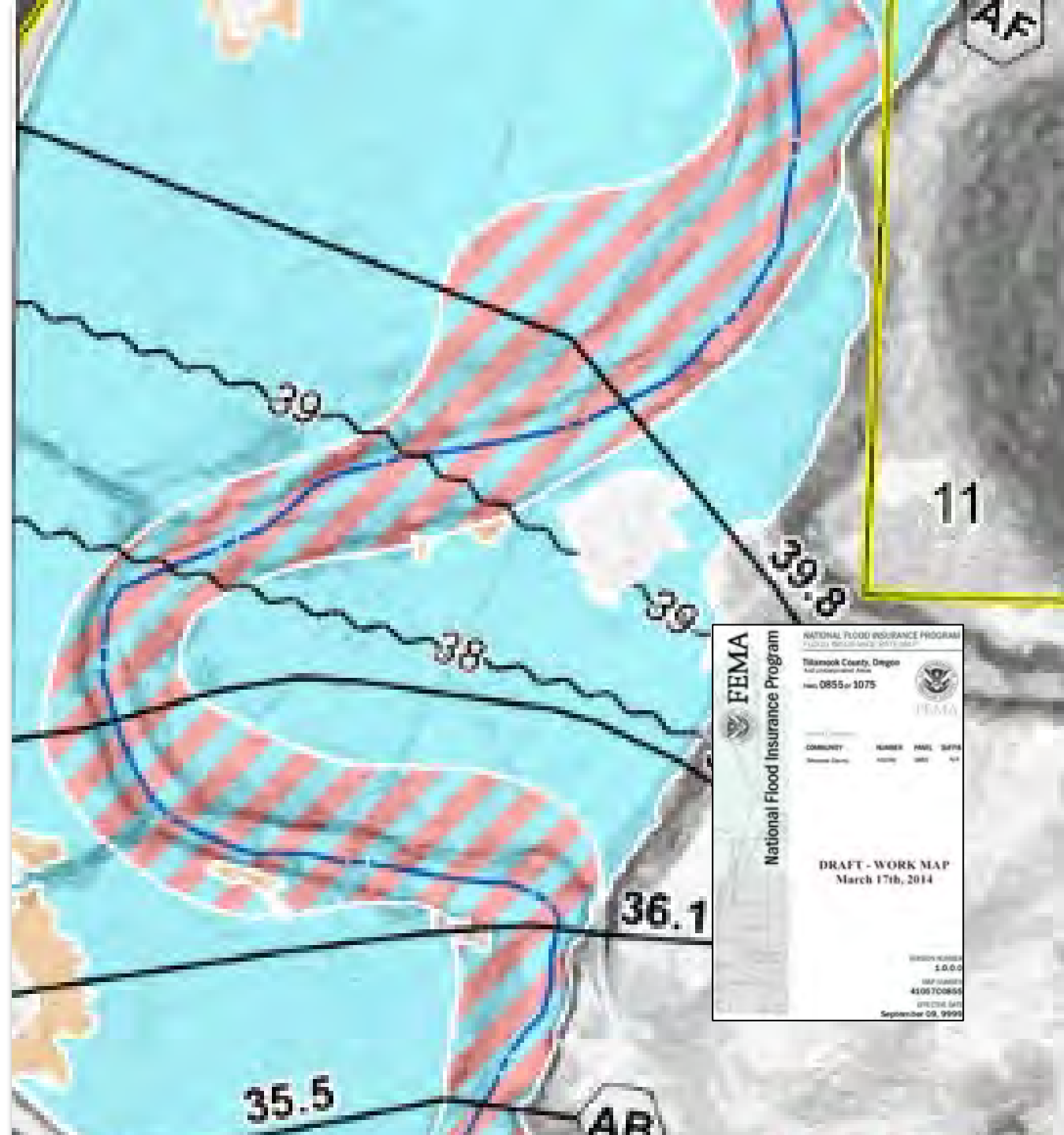


# FEMA Flood Insurance Rate Maps (FIRMs)

- Depicts flood hazard zones.
- Shows estimated height of flood waters in flood hazard zones.
- Digital FIRM can be used in GIS/interactive maps.



**FEMA**



# Defining Flood Zones: Moderate-to-Low Risk Areas

- *Not considered SFHA.*
- *Mandatory purchase does not apply.*
- *Account for 40% of NFIP claims over the last five years.*

## Zone X Shaded

Area of moderate flood hazard. Has 0.2%-annual-chance of flooding. Often directly adjacent to the SFHA. 6% chance of flooding over a 30-year mortgage. Flood insurance is recommended here.

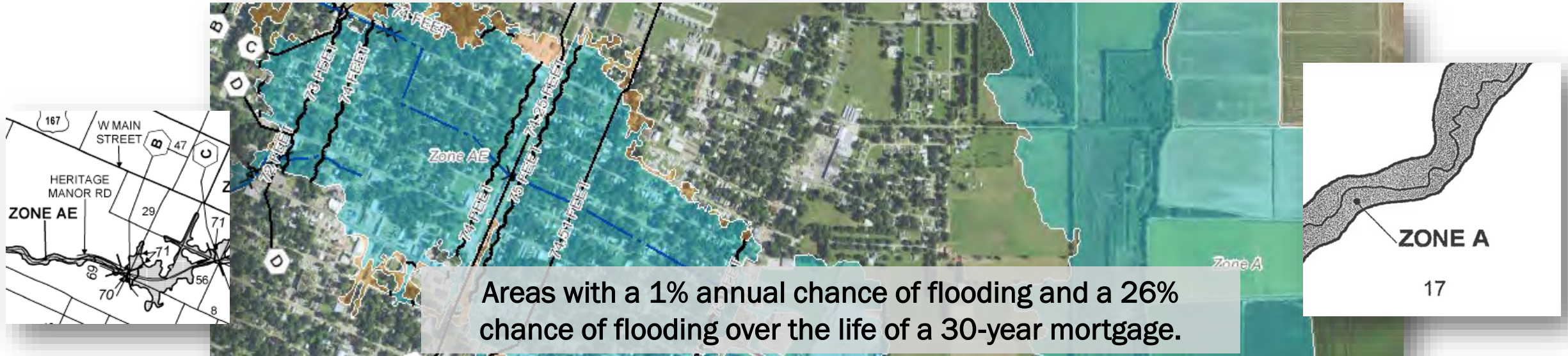
## Zone X

Areas of minimal flood hazard, not an area of “no flood hazard.” Flood insurance is recommended here.





# Defining Flood Zones: SFHA A Zones – High Risk Areas



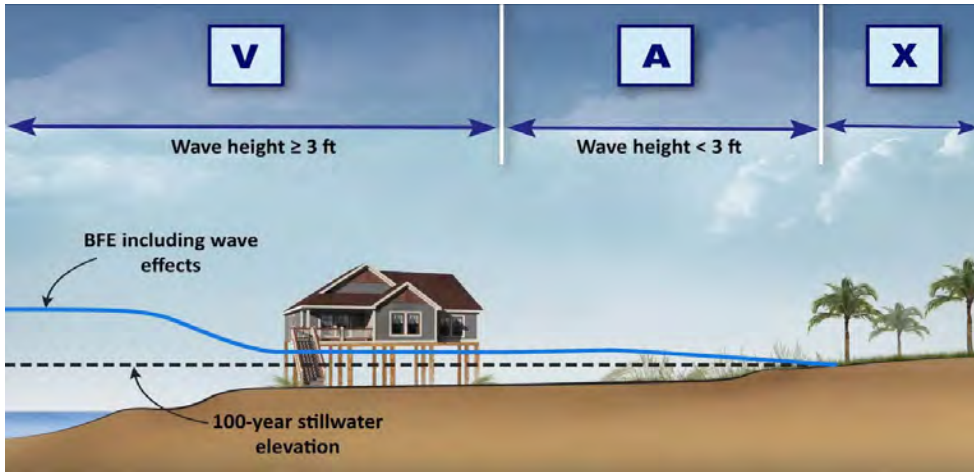
## Zone AE

The base floodplain. Base Flood Elevations are provided. Zone AE is now used on new format FIRMs instead of A1-A30 zones. Mandatory purchase applies.

## Zone A

The base floodplain. Because detailed analyses are not performed for such areas, no depths or Base Flood Elevations are shown within these zones. Mandatory purchase applies.

# Defining Flood Zones: SFHA Coastal V Zones — High Risk Areas



## Zone VE

Coastal areas with a 1% or greater chance of flooding and an additional hazard associated with storm waves. These areas have a 26% chance of flooding over the life of a 30-year mortgage. Base Flood Elevations derived from detailed analyses are shown at selected intervals within these zones. Mandatory purchase applies.

## Zone V

Coastal areas with a 1% or greater chance of flooding and an additional hazard associated with storm waves. These areas have a 26% chance of flooding over the life of a 30-year mortgage. No Base Flood Elevations are shown within these zones. Mandatory purchase applies.





# Flood Zone, Map Change and Insurance Resources

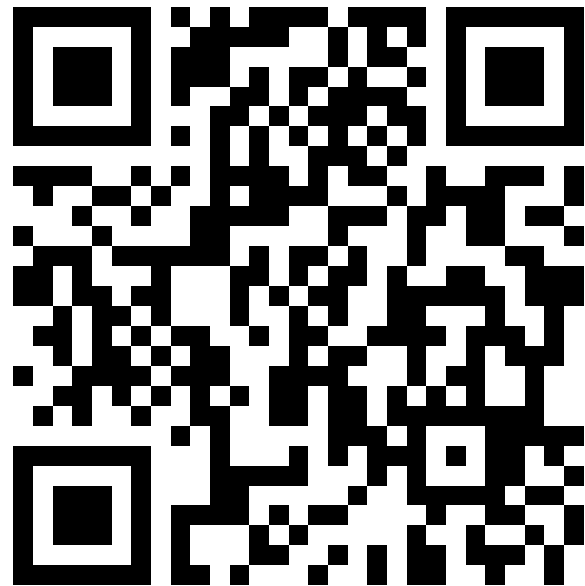
## FEMA Mapping and Insurance eXchange

Map Specialists at the [FEMA Mapping and Insurance eXchange](#) (FMIX) support the public and other FEMA stakeholders with inquiries pertaining to a wide variety of flood hazard mapping and floodplain management topics including how to find and read flood maps, preliminary flood hazard data, LOMCs, Elevation Certificates, and the National Flood Hazard Layer.



**1-877-FEMA MAP (1-877-336-2627)**

# Find Flood Zone Using the FEMA Map Service Center (MSC)



 Navigation

 Search

 Languages

[MSC Home](#)

[MSC Search by Address](#)

[MSC Search All Products](#)

▼ [MSC Products and Tools](#)

[Hazus](#)


[LOMC Batch Files](#)

[Product Availability](#)

[MSC Frequently Asked Questions \(FAQs\)](#)

[MSC Email Subscriptions](#)

## FEMA Flood Map Service Center: Welcome!

Looking for a Flood Map? 

**Enter an address, a place, or  
longitude/latitude coordinates:**

[Search](#)



Looking for more than just a current flood map?

Visit [Search All Products](#) to access the full range of flood risk products for your community.

### About Flood Map Service Center

# Mandatory Purchase of Flood Insurance

## Frequently Asked Questions - Disputes

- **What are the bank's responsibilities if the borrower disputes the property is in a special flood hazard area?**
  - There is no flexibility in the flood insurance requirements. If the determination shows the improvements are in a special flood hazard area, flood insurance is required.
  - The borrower can pursue a Letter of Map Amendment (LOMA) from FEMA. Until a LOMA is obtained, insurance is required.

FEDERAL DEPOSIT INSURANCE CORPORATION

- Mandatory purchase rules and regs are published by FDIC.
- [FDIC Law, Regulations, Related Acts - Rules and Regulations](#)
- FEMA is not responsible for the enforcement of mandatory purchase.



# Risk Rating 2.0 Introduction

National Flood Insurance Program | 06/22/2021



# FEMA



# Why Risk Rating 2.0



**RESPONSIBILITY:** FEMA has the statutory mandate to set actuarially sound rates and clearly communicate risk.



**EQUITY:** Individuals will no longer pay more than their share in flood insurance premiums based on the value of their homes. Roughly 2/3 of policyholders with older pre-FIRM homes will see a premium decrease.



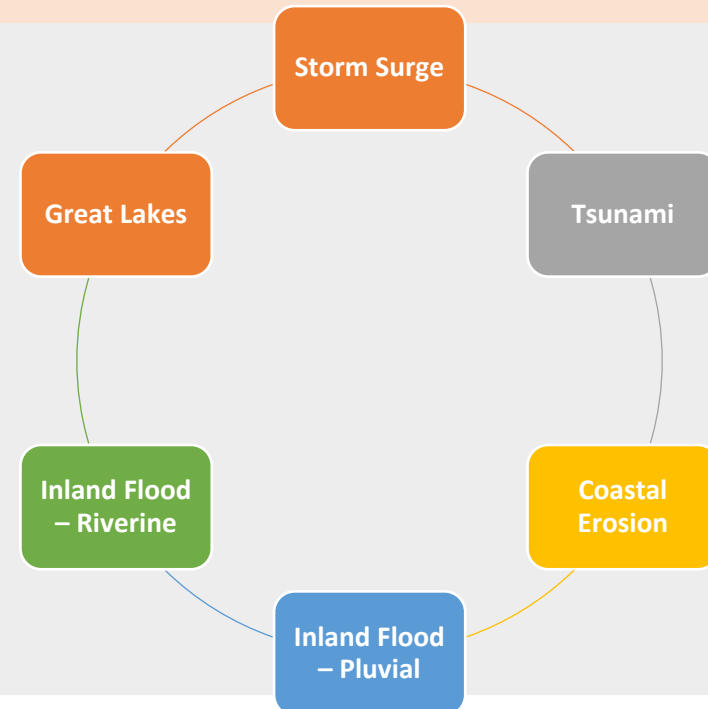
**SUSTAINABILITY:** Risk Rating 2.0 sets the NFIP on a path to become more financially resilient.

# Under the New Pricing Methodology, a Building Can be Subject to Multiple Perils

## Legacy Pricing Methodology Perils

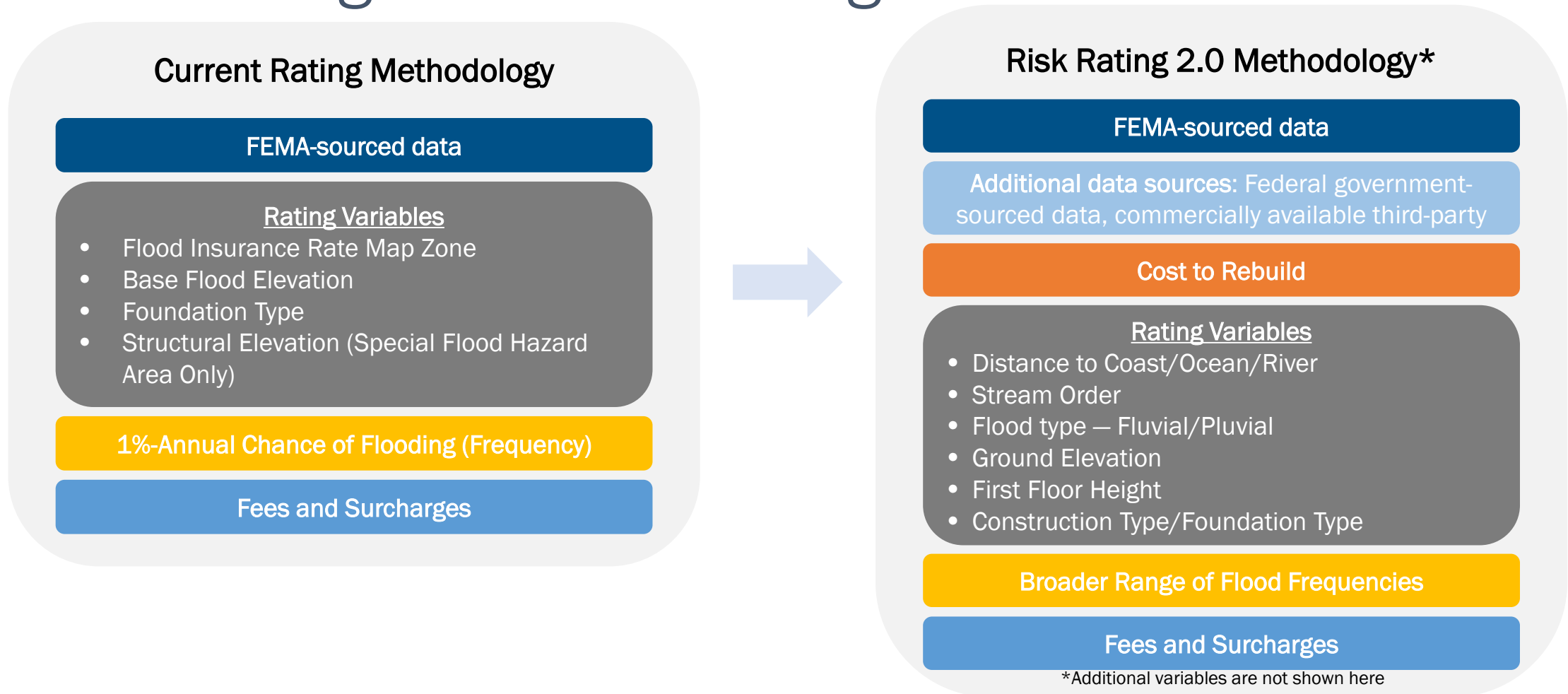
Takes into consideration predominantly two perils:  
Riverine or Coastal

## New Pricing Methodology Perils





# Risk Rating 2.0 premiums will more accurately reflect a property's unique flood risk by considering a broader range of variables.



# What is Changing? (1/3)

## FEMA is reducing complexity in the Program by:



Simplifying the Quote Process through the Risk Rating Engine

~~Required~~



Eliminating the Elevation Certificate Requirement for Rating

## FEMA is increasing investment in Mitigation by:



Expanding Mitigation Discounts



Expanding Community Rating System (CRS) Discounts

- No longer differentiated based on inside/outside of SFHA

# What is Changing? (2/3)

## FEMA is assessing and reflecting more information:



Leveraging More Information on Flood Hazards and Levees



Reflecting Prior NFIP Claims for all Properties in the Book-of-Business



Factoring in Replacement Cost Value (RCV) to Calculate a Premium

## FEMA is phasing out:



The Preferred Risk Policy (PRP) and Grandfathering



The Mortgage Portfolio Protection Program (MPPP)

– Rarely used (~100 policies)



Submit for Rates (SFR)



# What is Changing? (3/3)

## FEMA is communicating full-risk premiums:

The New Pricing Methodology communicates every policy's full-risk premium.

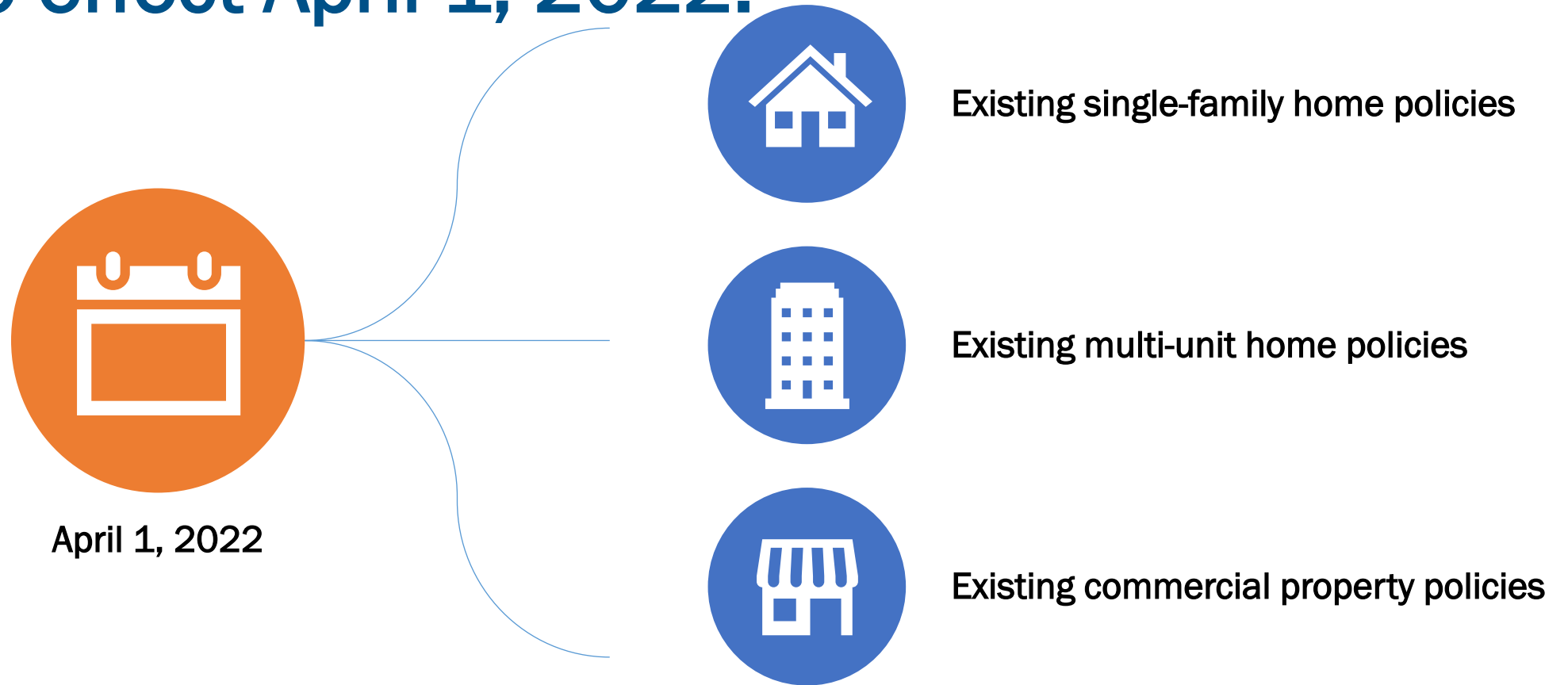
Building Premium	\$1,100
Contents Premium	\$490
Increased Cost of Compliance (ICC) Premium	\$10
Mitigation Discount	(\$100)
Community Rating System (CRS) Discount	(\$300)
<b>Full-Risk Premium</b>	<b>\$1,200</b>
Statutory Discounts	
Annual Increase Cap	(\$200)
Pre-FIRM Discount	(\$200)
Newly Mapped Discount	\$0
Other Statutory Discounts	\$0
<b>Adjusted Premium</b>	<b>\$800</b>
Reserve Fund Assessment	\$120
Premium [HFIAA] Surcharge	\$25
Federal Policy Fee	\$50
Probation Surcharge	\$0
<b>Total Annual Payment</b>	<b>\$995</b>



# What is Not Changing

- Statutory rate caps on annual premium increases.
- Availability of premium discounts (i.e., Newly-Mapped/CRS etc.).
- Transfers of policy discounts to new homeowners.
- Use of FIRMs for mandatory purchase and Floodplain Management.
- Availability of premium discounts for CRS participation.

# Risk Rating 2.0 rates for EXISTING flood insurance policies nationwide are scheduled to go into effect April 1, 2022.





# Risk Rating 2.0 rates for NEW flood insurance policies nationwide went into effect October 1, 2021.

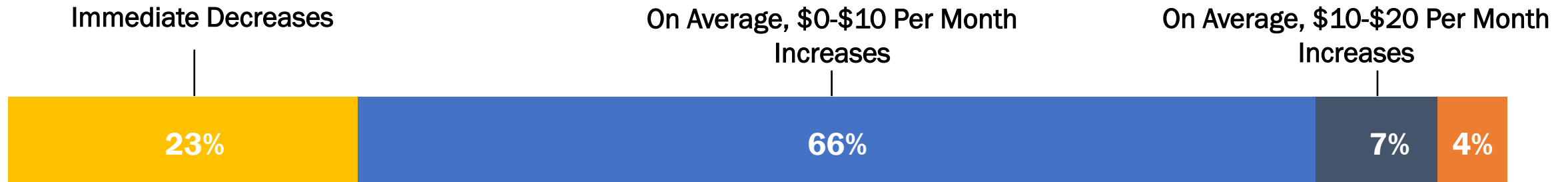


# Can I Get an Average Policy Cost to Quote?

- Each structure is different.
- Contact a licensed property insurance agent or broker to get a quote.
- Get quotes from two or three different agencies and ask for quotes at different levels of coverage.
- An elevation certificate will help the agent accurately quote a premium for Post-FIRM structures



# Risk Rating 2.0 – National Rate Analysis



- ➔ **23%** of current policyholders will see immediate premium decreases.
- ➔ An additional **66%** of current policyholders will see, on average, **\$0 - \$10 per month** increases.
- ➔ **7%** of current policyholders under Risk Rating 2.0 will see, on average, **\$10 - \$20 per month** increases.
- ➔ And **4%** of current policyholders under Risk Rating 2.0 will see, on average, a **\$20 or more per month** increase.

Under the current methodology, premium increases average **11.3% per year or \$8 per month.**



# What can policyholders with high flood insurance costs today expect under the new pricing methodology?

Methodology	Single-Family Home Maximum Policy Cost*
Legacy Pricing Methodology	\$45,925
New Pricing Methodology	\$12,125

**Policyholders paying the most under the Legacy Pricing Methodology will see dramatic decreases when they transition to the New Pricing Methodology.**

\*Amounts shown include premium, fees, assessments, and surcharges

# You Are a Key Player

You help communicate and educate the public on flood risk. You are often the first to interact with the public.

Please help us spread the word that flooding can happen anywhere and homeowners, renters and businessowners should cover themselves with flood insurance no matter their flood zone.

# Thank you! Any questions?

Bob Desaulniers, CFM CPCU ANFI AAI  
*Region 1 - Sr. Insurance Specialist*  
[Robert.Desaulniers@fema.dhs.gov](mailto:Robert.Desaulniers@fema.dhs.gov)

Thomas Young, CFM, ANFI  
**NFIP Regional Manager**  
[Thomas.Young@Associates.fema.dhs.gov](mailto:Thomas.Young@Associates.fema.dhs.gov)



# FEMA