



October 2009 Flood Insurance Program Changes

Changes to the NFIP Flood Insurance Rate Manual take effect twice a year, in May and October. This fall, the October 2009 manual revisions include changes to Standard Flood Insurance Policy rates and deductibles, which may impact your clients. It's important for you to understand the changes so you can provide informed counsel to your clients and answer questions that may arise. The bullets below reflect just a few highlights. For the full [Flood Insurance Rate Manual](#) or [Producers Edition](#) that provides details for ALL of the October changes go to FEMA's website.

Rate and Premium Changes

Changes to standard flood insurance policy rates may result in premium increases for some of your customers, on policies written or renewed on or after **October 1, 2009**. On average, premiums will be increasing 8 percent; however, individual rate changes may vary – and some policyholders may see their premiums decrease. Preferred Risk Policy premiums are not changing.

It's important to inform your customers that rate increases take effect regularly to ensure premiums stay aligned with NFIP costs. Premiums are also dependent upon a variety of factors such as the amount of coverage and deductible factors, among others. Consult your Flood Insurance Manual "Rating" section for detailed rating information and examples of how to discuss rate calculations with your customers.

Another factor driving increases are changes to the basic coverage limits for both residential and non-residential properties. Standard policy basic insurance limits are increasing for all categories of building and contents coverage as follows:

- 1-4 Family Dwelling Building Coverage: Basic limit increases from \$50,000 to \$60,000.
- Residential Contents Coverage: Basic limit increases from \$20,000 to \$25,000.
- Other Residential and Non-Residential Building Coverage: Basic limit increases from \$150,000 to \$175,000.
- Non-Residential Contents Coverage: Basic limit increases from \$130,000 to \$150,000.

Deductible Changes

In addition to rate and basic coverage changes, all policyholders, including those with a Preferred Risk Policy, will see increases to their standard deductible. The NFIP is discontinuing the \$500 deductible for all properties. New deductible levels are listed below:

- Standard deductible increases from \$500 to \$1,000 for post-FIRM buildings and pre-FIRM buildings rated as post-FIRM in SFHAs.
- Standard deductible increases from \$500 to \$1,000 for buildings in non-SFHAs.
- Standard deductible increases from \$1,000 to \$2,000 for pre-FIRM buildings.

Owners of pre-FIRM properties can pay a surcharge and buy back the \$1000 deductible, so make sure to communicate this option as pre-FIRM policies come up for renewal. It's also important to alert your customers to these changes so that they are not surprised at the change in the event they need to file a claim. Be sure to remind them that while their deductibles have increased, they are still just a fraction of the cost of the average flood insurance claim. Just a few inches of water can cause tens of thousand dollars in damages.

Application Changes

- Effective on or after October 1, 2009, there will be some changes to language in the standard application and endorsement forms. Changes to the Flood Insurance Application, PRP Application, and General Change Endorsement forms will capture additional community, building, and construction information.
- New information must be provided for all grandfathered policies. Agents are asked to identify the type of grandfathering (i.e., Built in Compliance, Continuous Coverage) on the revised flood insurance application form and WYO companies must also include the grandfathering indicator on the front of the flood insurance policy declarations page. These requirements may help resolve disputes when a lender has a different flood zone determination than the agent or insured.

Other Insurance Program Changes

- Two new building diagram types have been added, elevated on crawlspace and non-elevated with subgrade crawlspace.
- Pre-FIRM buildings in Unnumbered Zone A areas with a basement, enclosure, or crawlspace may use Post-FIRM rates if the rates are more favorable to the insured. When policies affected in these zones up for renewal, you may want to consider rerating the policy applying the new rules. It may result in significant savings for your customers.
- WYO Companies must report to NFIP the source of the building construction date, e.g., Building Permit Date, Date of Construction, Substantial Improvement Date, etc.

Important DFIRM Change to Note: Paper FIRM to Digital FIRM (DFIRM) Transition

- As of October 1, 2009, FEMA will provide a single paper flood map and Flood Insurance Study (FIS) to each newly mapped NFIP community. FEMA will convert all other distribution of maps and FIS reports for digital delivery. Consequently, paper FIRMs will no longer be available besides this one copy.
- Agents, property owners and others will still be able to access the current and historic maps (for grandfathering) and print FIRMettes by visiting FEMA's **Map Service Center**:
- A more complete description of this change can be found on the **Map Service Center** website.

For more information on NFIP or Big "I" Flood – *In, Above & Outside of the NFIP!* contact program manager, Linda Mackey at 800-221-7917, Ext. 5380 or linda.mackey@iiba.net .

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