



National Flood Insurance Program

# MAKING SENSE OF APRIL 2020 CHANGES



# FOREWORD

The National Flood Insurance Program (NFIP) provides an important means for property owners to protect themselves financially from damages caused by flooding. Since the NFIP's inception, Congress updates legislation to help strengthen the program, ensure its fiscal soundness and inform its mapping and insurance rate-setting through expert consultation, reports and studies.

Considering the major flooding events that have struck our nation, NFIP reauthorization, and ongoing flood map changes, we understand that navigating flood insurance can be complex. Our NFIP eBook series is designed for our WYO carrier partners and insurance agents to help you make sense of recent changes so you can help your clients make informed decisions.

Be sure to refer to [WYO Memorandum w-18021a](#) and the NFIP Flood Insurance Manual for official policy information and guidelines.

It is our goal that by helping you gain a better understanding of the NFIP program you can continue to make a difference in your clients' lives as they protect what matters most.

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## CHANGES EFFECTIVE JANUARY 1, 2020

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5%

INCREASE

Preferred Risk Policies (PRPs)

5%

INCREASE

A99 and AR Zone Policies  
eligible for the PRP

15%

INCREASE

Properties Newly Mapped  
into the Special Flood  
Hazard Area (SFHA)

Newly Mapped  
policies are charged PRP  
premiums during the first  
year following the effective  
date of the map change.



# CHANGES EFFECTIVE APRIL 1, 2020

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- 1 Primary Residence Documentation Requirements
- 2 Non-Residential Floodproofing Premium Credit
- 3 Reserve Fund Assessment & Sever Repetitive Loss
- 4 No Changes
- 5 Premium Increases

# CHANGES EFFECTIVE APRIL 1, 2020

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## PRIMARY RESIDENCE GUIDANCE

FEMA is updating its requirements regarding Primary Residence Documentation. Effective April 1, 2020 if the mailing address and the property address are the same on a policy or application and the policy or application indicates that the coverage is for a primary residence, the policy can be issued without any additional documentation.

If the addresses do not match and the policy indicates that the coverage is for a primary residence, supporting documentation must be obtained. Examples of supporting documentation include:

- Homestead Tax Credit form for Primary Residence;
- Driver's license;
- Automobile registration;
- Proof of insurance for a vehicle;
- Voter's registration;
- Documents showing where children attend school; or
- A signed and dated primary residence verification statement with the text below:

**<Insured Property Address>**

**The above address is my primary residence, and I and/or my spouse will live at this location for more than 50 percent of the 365 days following the policy effective date.**

# CHANGES EFFECTIVE APRIL 1, 2020

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## NON-RESIDENTIAL FLOODPROOFING PREMIUM CREDIT

FEMA is changing the methodology used to establish a rate for a non-residential floodproofed building. For policies with term effective dates on or after April 1, 2020, FEMA will establish the base rate from the elevation difference between the building's lowest floor elevation and the base flood elevation. FEMA will then apply a credit based on the information provided for the floodproofing components.

In addition to the flood insurance application and floodproofing certificate, the insurer must submit the following documents to FEMA for consideration of the credit:

- Elevation Certificate
- Photographs of the exterior of the building (all sides)
- Photographs of the components used to provide floodproofing protection (shields, gates, barriers)
- Flood Emergency Plan that includes:
  - Chain of command
  - Notification procedures
  - Personnel duties
  - Location of floodproofing components, install procedures, repair procedures
  - Evacuation procedures during flooding event
  - Drill and training program (at least once a year)
  - Regular review/update of Flood Emergency Plan
- Inspection and Maintenance Plan that includes:
  - Inspection procedures for entire Floodproofing System: wall systems, floor slab, openings, floodproofing components, valve operation, drainage/pump systems, equipment/tools required to engage floodproofing measures
  - Cadence of Inspection and Maintenance Plan





## CHANGES EFFECTIVE APRIL 1, 2020

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### RESERVE FUND ASSESSMENT (RFA)

Policies effective on or after April 1, 2020 will see an increase in the Reserve Fund Assessment percentage from 15% to 18%.

### SEVERE REPETITIVE LOSS (SRL PREMIUM)

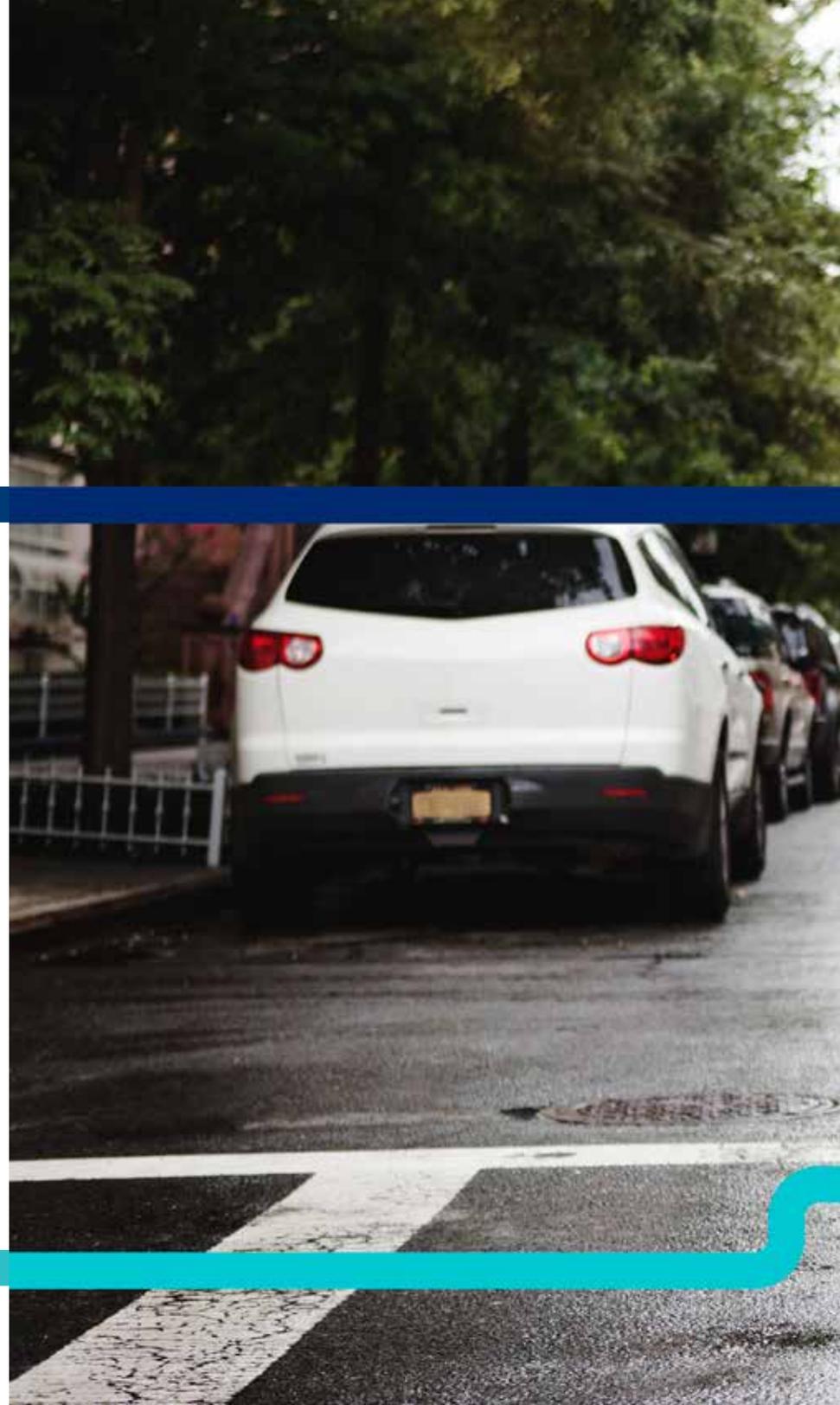
Also effective on or after April 1, 2020 FEMA is increasing the SRL premium from 5% to 10% for all properties that have been designated an SRL.

## CHANGES EFFECTIVE APRIL 1, 2020

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### NO CHANGES THIS CYCLE FOR THE FOLLOWING ITEMS:

- Tentative or MPPP Rates
- Deductible Factors
- ICC Premium
- HFIAA Surcharge
- Federal Policy Fee, or
- Probation Surcharge





# CHANGES EFFECTIVE APRIL 1, 2020

## PREMIUM INCREASES & SURCHARGES

NFIP  
PREMIUMS  
INCREASED  
9.9%  
OVERALL.

### BELOW IS A BREAKDOWN OF THE PREMIUM INCREASE BY FLOOD ZONE:

**Preferred Risk Policies (PRPs) – Premiums will increase 12.5%**

**Pre-FIRM Subsidized Policies - SFHA Zones (A, A1-30, AE, AH, AO, AR, AR/A, AR/A1-30, AR/AE, AR/AH, AR/AO, V1-30, VE )**

- Primary Residences **+7.5%**
- Non-Primary Residences **+23.1%**
- Substantially Improved **+23.8%**
- Severe Repetitive Loss (SRL) Properties **+24%**
- Non-Residential Business **+24.2%**

#### **Other Subsidized Policies**

- A99 & AR Zones - Premiums will increase **4.2%**

#### **Post-FIRM V Zones**

- V Zones **+5.6%**

#### **Post-FIRM A Zones**

- A1-30 AE **+4.1%**
- AH, AHB, AO, AOB **+2.7%**
- Unnumbered A Zones **+5.1%**

#### **X Zones**

- Standard Rated X zones **+3.8%**

## CHANGES EFFECTIVE JANUARY 1, 2021

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### PREFERRED RISK POLICIES (PRPS):

Premiums will increase 12.5%

### A99 AND AR ZONE POLICIES ELIGIBLE FOR THE PRP:

Premiums will increase 12.2%

### PROPERTIES NEWLY MAPPED TO THE SFHA:

Premiums will increase 12.5%

(Newly Mapped policies are initially charged PRP premiums during the first year following the effective date of the map change.)



Annual increases to these policies result from the use of a “multiplier” which varies by the year of the map change. This multiplier is applied to the base premium before adding the Increased Cost of Compliance (ICC) premiums. The Reserve Fund Assessment (RFA) is added after the ICC premium, and this subtotal is the amount subject to the annual premium rate increase cap. The Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) surcharge, probation surcharge (if applicable), and the [Federal Policy Fee \(FPF\)](#) is added to the premium: they are not subject to the cap on annual premium rate increases.



# NATIONAL FLOOD SERVICES.

A leader in the flood industry for more than three decades, National Flood Services provides a broad range of flood insurance options and private flood solutions designed to meet the evolving needs of property owners in today's complex regulatory environment.

Making a difference in people's lives by helping protect what is important is the core value behind our efforts in helping to rebuild lives after flooding events. As we continue fostering partnerships with WYO carriers, educating insurance agents on flood risk and providing value-added policyholder services, our ultimate goal at NFS is to truly make a difference with each and every person we serve.

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