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

- 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

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
Full Risk Rating

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

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!!!!
Subsidized Rates – Phasing Out Over Time

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

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

**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)
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

<table>
<thead>
<tr>
<th>If Original LFE is:</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 feet below BFE</td>
<td>$9,874</td>
<td>$3,417</td>
</tr>
<tr>
<td>4 feet below BFE</td>
<td>$8,254</td>
<td>$1,568</td>
</tr>
<tr>
<td>3 feet below BFE</td>
<td>$6,537</td>
<td>$896</td>
</tr>
<tr>
<td>2 feet below BFE</td>
<td>$5,022</td>
<td>$676</td>
</tr>
<tr>
<td>1 foot below BFE</td>
<td>$3,417</td>
<td>$599</td>
</tr>
</tbody>
</table>
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)

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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 – Before Venting
LFE – After Venting
**Elevated With Enclosure (AE zone) – Post-FIRM Building**

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

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<tr>
<td>8 feet below BFE</td>
<td>$2,313</td>
<td>$1,720</td>
</tr>
<tr>
<td>7 feet below BFE</td>
<td>$1,603</td>
<td>$1,049</td>
</tr>
<tr>
<td>6 feet below BFE</td>
<td>$1,338</td>
<td>$ 830</td>
</tr>
<tr>
<td>5 feet below BFE</td>
<td>$1,223</td>
<td>$ 753</td>
</tr>
<tr>
<td>4 feet below BFE</td>
<td>$1,166</td>
<td>$ 728</td>
</tr>
</tbody>
</table>

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.

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<td>8 feet below BFE</td>
<td>$12,527</td>
<td>$1,720</td>
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<tr>
<td>7 feet below BFE</td>
<td>$11,711</td>
<td>$1,049</td>
</tr>
<tr>
<td>6 feet below BFE</td>
<td>$10,797</td>
<td>$830</td>
</tr>
<tr>
<td>5 feet below BFE</td>
<td>$9,814</td>
<td>$753</td>
</tr>
<tr>
<td>4 feet below BFE</td>
<td>$8,299</td>
<td>$728</td>
</tr>
</tbody>
</table>

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

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</thead>
<tbody>
<tr>
<td>5 feet above BFE</td>
<td>$4,938</td>
<td>$7,212</td>
</tr>
<tr>
<td>4 feet above BFE</td>
<td>$4,938</td>
<td>$7,212</td>
</tr>
<tr>
<td>3 feet above BFE</td>
<td>$5,742</td>
<td>$8,482</td>
</tr>
<tr>
<td>2 feet above BFE</td>
<td>$7,212</td>
<td>$10,333</td>
</tr>
<tr>
<td>1 foot above BFE</td>
<td>$9,008</td>
<td>$12,290</td>
</tr>
<tr>
<td>Same as BFE</td>
<td>$11,173</td>
<td>$14,566</td>
</tr>
</tbody>
</table>

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 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