

Effects of Map Changes on Flood Insurance in a Risk Rating 2.0 World

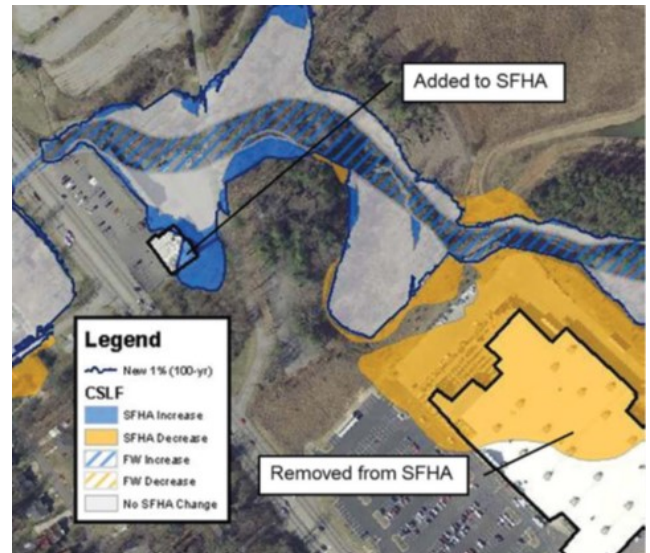
When a community receives a new flood map, many property owners will find that their mapped flood risk hasn't changed; however, others will find that the updated, more accurate maps show they have a higher risk (e.g., Zone X to A, Zone A to V, increase in Base Flood Elevation, or BFE) or lower risk (Zone A to X, Zone V to A, decrease in BFE). When this occurs, the top questions a floodplain manager hears revolve around flood insurance; e.g., *Do I have to buy flood insurance now? Do I still need flood insurance? How much more expensive is it going to be?* With Risk Rating 2.0 (RR 2.0), insurance rating options have changed—and so has the messaging. Let's look at these more closely.

Newly Identified as High-Risk from Moderate-Low Risk

For property owners and renters that are newly identified as being in a high-risk flood area from the moderate- to low- risk flood area, the National Flood Insurance Program (NFIP) offers a one-time cost-saving option called the Newly Mapped Discount.

If there is a federally backed loan on the property, the federal mandatory purchase requirement applies. As a result, most lenders will require flood insurance. Property owners and renters previously designated in Zones B, C, X, D, A99 or AR and newly identified to be in a Special Flood Hazard Area (or A99 or AR zone), and whose policy is effective within 12 months of the effective date of the new map, may be eligible for a one time Newly Mapped Discount.

Upon renewal, policy rates will then increase on a 15% annual glide path until they reach their full-risk rate. If the property is sold, the discounted policy can be transferred to the new owners. Property owners must maintain continuous coverage to keep their Newly Mapped discount.



Changes Since Last FIRM (CSLF) example from FEMA's [CSLF Viewer](#)

Other Increases in Flood Risk

Some property owners and renters may be in an area where the BFE increases or the high-risk flood zone increases to a higher risk; e.g., Zone AE to Zone VE. In the days of Risk Rating 1.0 (RR 1.0), you could "lock in" the lower risk zone or lower BFE for future rating. This was known as grandfathering, and has been eliminated in RR 2.0.

- Policies already grandfather-rated will be on a glide path of 18% annual increases until they reach full-risk rates (except those that are statutorily on a 25% glidepath, like pre-FIRM secondary homes and businesses).
- For other existing policies, since flood zones and BFEs are no longer a rating variable under RR 2.0, this means there would be **no change** in their RR 2.0 premium when the map changes.



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Decreases in Flood Risk

Prior to RR 2.0, changing to a lower risk zone or BFE could result in a lower premium...but not anymore.

- Under RR 2.0, going from Zone VE to Zone AE, or a decrease in BFE, will result in **no change** in premium when the map changes because flood zones and BFEs are no longer a rating variable.
- When going from a high-risk zone (e.g., Zone A or V) to a moderate-low risk zone (i.e., Zone X), the mandatory purchase requirement is removed, though lenders always reserve the right to require it. Under RR 1.0, a high-risk policy could be converted to a Preferred Risk Policy (PRP) so there was no gap in coverage. Under RR 2.0, since PRPs no longer exist and flood zones and BFEs are no longer a rating variable, there is **no change** in premium when the map changes.

So, What Do I Say to the Property Owners?

To help you communicate map changes, below are some sample talking points based on the type of change in risk.

A graphic with the text "Talking Points" in blue, set against a white background with a blue border that tapers to the right.

Newly Identified to be at High-Risk from Moderate-Low Risk

- Flood hazards change over time due to changing weather patterns, land erosion, and construction in and around your community. Updated maps use the latest modeling and technology to provide a more accurate picture of a property owner's flood risk.
- Due to newly identified flood hazards in your area, the updated flood maps indicate that your property is at increased risk of flooding – you are now in the high-risk flood area.
- Flood insurance is mandatory if you have a federally backed loan and your structure is in or touching the high-risk zone. If you don't have a federally backed loan, you should still protect your home or business with flood insurance due to the increased risk. You should also consider flood mitigation options to lower your risk (visit [ReduceFloodRisk.org](https://www.reducefloodrisk.org)).
- Act now to secure a lower-cost flood insurance policy. Property owners and renters whose flood policy is effective within 12 months of the new flood map effective date, are eligible for a one-time discounted premium. The premium will then increase slowly to its full-risk rate, which is shown on the policy's declaration page.
- Don't forget to renew your policy; if your policy lapses for more than 30 days, you will lose your discounted policy and will pay the full-risk rate on the new policy.
- If your building is sold, your policy can be transferred to the new owner, allowing them to continue to enjoy the discounted policy and not pay the higher full-risk premium at the time of sale.

Other Increases in Flood Risk (Zone A to V or Increased BFE)

- Flood insurance is mandatory when your building is in a high-risk flood zone and you have a federally backed loan. Even if you don't have a federally backed loan, you should still protect your home or business with flood insurance as there is greater than a 1-in-4 chance of flooding in these zones. You should also consider flood mitigation options to lower your risk (visit [ReduceFloodRisk.org](https://www.reducefloodrisk.org)).
- Under NFIP's new rating methodology, an increase in the Base Flood Elevation or change to a higher risk flood zone (e.g., Zone A to Zone V) will not affect your premium when the map changes.

Decreases in Flood Risk (Zone A or V to Zone X or Decreased BFE)

- Under the NFIP's new rating methodology, a decrease in mapped flood risk (e.g., decrease in BFE, Zone V to Zone A, Zone A or V to Zone X) will not result in a lower premium when the map changes.
- If your property is no longer located in a high-risk flood zone, the requirement for flood insurance by lenders is removed (at the lender's discretion); however, the risk remains. About 40% of NFIP flood claims come from these moderate-low risk areas. You should strongly consider continuing to carry at least some coverage to help protect the life or business you've built.

No Change in Flood Risk

- While there may be no change in flood risk, you are still at risk of flooding.
- If you are in a moderate-low risk area, flood insurance may not be required, but that doesn't mean it is not needed. About 40% of NFIP flood claims come from these areas.
- If you're in a high-risk area and don't have coverage, you should seriously consider coverage, even if you don't have a federally backed loan. You need to protect the life or business you've built.

Additional Resources



FEMA has posted some updated Risk Rating 2.0 publications on its FloodSmart page. Although this website is largely intended for insurance agents, these resources are highly informative and useful for other stakeholders, including local officials. The documents include different guides covering Rate Explanations, Discounts, and Renewals. There are also a series of two-page Simple Guides that provide an overview of what goes into rating the nine types of buildings commonly covered under the NFIP; e.g., Single Family Homes, Two-to-Four Family Buildings, Non-Residential Buildings. Go to agents.floodsmart.gov/agents-guide/risk-rating.