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NFIP Grandfathering Rules for Agents

Know the Options

To reflect current flood risks, the Federal Emergency Management Agency (FEMA) is updating the nation's Flood Insurance Risk Maps (FIRMs) using the latest data-gathering and mapping technology. New FIRMs are being issued nationwide. When the new FIRMs take effect, some residents and business owners will learn that their properties' flood risks have changed and that their homes or buildings are now shown in high-risk areas. Such zones are known as Special Flood Hazard Areas (SFHAs) and are noted on FIRMs as zones beginning with the letters "A" or "V." In these zones, property owners with mortgages from federally regulated or insured lenders are required to purchase flood insurance. Other property owners will learn that the Base Flood Elevations (BFEs) for their properties have increased. These changes also could result in higher flood insurance premiums. As an insurance professional, it is important for you to know the best option for your client.

What Is the Grandfathering Rule?

When flood map changes occur, the National Flood Insurance Program (NFIP) provides a lower-cost flood insurance rating option known as "grandfathering." It is available for property owners who:

- Already have flood insurance policies in effect when the new flood maps become effective and then maintain continuous coverage; or
- Have built in compliance with the FIRM in effect at the time of construction.

While grandfathering typically will provide cost savings to a property owner when the new FIRM takes effect, there may be cases when using the rating based on elevation will result in lower premiums. So both options should always be evaluated.

Timing is important as owners of most pre-FIRM buildings (built before the first flood map became effective) have only one chance to grandfather and lock in the existing zone for future rating. For a pre-FIRM property in a high-risk area that is mapped into a higher-risk zone (e.g., Zone AE to Zone VE), the last chance to qualify for grandfathering is to buy or renew a policy *before* the new FIRM becomes effective. The same applies for a pre-FIRM property newly mapped into a high-risk area for the first time (e.g., Zone X to Zone AE or VE) that does not qualify for a Preferred Risk Policy (PRP).

Newly Mapped into the SFHA Option

Buildings newly mapped into a high-risk flood area initially may be eligible for a lower-cost PRP rate in the year following a map change.

However, premiums may increase up to 18 percent each year as part of the premium rate revisions put in place by the Homeowner Flood Insurance Affordability Act of 2014.

If a building has been substantially damaged or improved, it is not eligible to be grandfathered to the FIRM in effect at the time of the building's original construction date. The FIRM in effect at the time of the last substantial improvement or damage must be used.

FEMA