

# National Flood Insurance Program

## Changes Effective October 1, 2009

On October 1, 2009, important changes to the National Flood Insurance Program (NFIP) will take effect. There will be an increase in rates, the standard deductibles, and the basic insurance limits. These combined changes will result in an average premium increase of 8 percent. The increases will apply only to policies that are written or renewed after October 1, 2009.

Please read the additional information below which provides more detail and explanation regarding these significant October changes.

The standard deductible of \$500 is being discontinued for all properties. The new standard deductible for Post-FIRM (Flood Insurance Rate Map) properties will be \$1,000 and Pre-FIRM properties will be \$2,000. Owners of Pre-FIRM properties have the option to buy back the \$1,000 deductible within 60 days of the renewal of their flood insurance policy. Otherwise, deductibles cannot be reduced midterm unless required by the mortgagee. It is important to remember that there is a 30-day waiting period unless it is a requirement for loan closing. In most cases the deductible is only a fraction of the average flood insurance claim, which can be substantial.

Just as with other lines of insurance with high claim potential, such as wind insurance, it is not unusual for minimum deductibles to increase to foster the soundness of the program. The NFIP's previous deductibles were in place for almost a decade. In taking inflation into consideration over time, the new standard deductibles being changed effective October 2009 are comparable in value to the previous deductibles when they were first established.

The basic insurance limits are also increasing for all categories of buildings and contents:

- The basic limit for 1-4 Family Dwelling Coverage will increase from \$50,000 to \$60,000. Additional insurance limits are \$190,000 for a total limit of \$250,000.
- Other Residential Building Coverage basic limit will increase from \$150,000 to \$175,000 with additional insurance limits of \$75,000 for a total limit of \$250,000.
- Non-Residential Building Coverage will increase from \$150,000 to \$175,000 for the basic limit. Additional insurance limits are \$325,000 for a total of \$500,000.
- Residential Contents Coverage basic limit will increase from \$20,000 to \$25,000. Addition limits are \$75,000 for a total insurance limit of \$100,000.
- Non-Residential Contents Coverage basic limit will increase from \$130,000 to \$150,000. Additional insurance limits are \$350,000 for a total insurance limit of \$500,000.

The emergency program building coverage will remain unchanged. For 1-4 family dwellings this coverage is \$35,000\* and for other residential and non-residential it is \$100,000\*\*. Emergency program contents coverage for residential is \$10,000 and nonresidential is \$100,000.

\* In Alaska, Guam, Hawaii, and U.S. Virgin Islands, the amount available is \$50,000

\*\* In Alaska, Guam, Hawaii, and U.S. Virgin Islands, the amount available is \$150,000

The premium increases vary by Zone. V Zones are coastal high-velocity zones and will have larger rate increases as a result of the Heinz Center's Erosion Zone Study, which clearly indicates that current rates significantly underestimate the increasing hazard from steadily eroding coastlines. The premium increases by zones are as follows:

### **V Zones**

V Zone premiums will increase 10 percent.

### **A Zones**

A Zones, which are non-velocity zones that are primarily riverine zones, will increase by 8 to 10 percent.

- Post-Firm A1-A30 and AE Zones will increase 10 percent.
- Pre-FIRM AE Zones premiums will increase 10 percent to decrease the amount of subsidy in our Pre-FIRM rate.
- AO, AH, AOB, and AHB, which are shallow flooding zones, will have an 8 percent increase in premiums.
- Unnumbered A Zones, which are remote A Zones where elevations have not been determined, will have increase of 10 percent in premiums.
- A99 Zones, which are approved flood mitigation projects, e.g., levees still in the course of construction, and AR Zones will have premium increases of 10 percent.

### **X Zones and Miscellaneous**

- X Zones, which are zones outside the Special Flood Hazard Area, will have an increase of 8 percent for a Standard Risk Policy and no increase in premiums for a Preferred Risk Policy (PRP).
- Mortgage Portfolio Protection Program (MPPP) will have an increase in premiums of 10 percent.

## **Discontinuance of Paper Flood Insurance Rate Maps**

Effective October 1, 2009 FEMA will discontinue the distribution of paper maps. The paper maps will be replaced with Digital Flood Insurance Rate Maps (DFIRMs). Replacing the paper map products with digital versions is more environmentally friendly and will improve the usability of FEMA's flood hazard data. It also provides users with a more powerful tool for insurance activities and flood risk management

### **Why are all of these changes being made?**

The NFIP has implemented these changes in order to prepare for future flooding events and to lessen the burden on taxpayers of paying for future flood damage. To ensure the viability of the program it is necessary to have premium levels that correspond to the risk that is being assumed. Most insurance carriers impose annual rate increases on products such as auto insurance, homeowners insurance, etc. and some insurance carriers may refuse coverage to certain high risk prospects, in order to continue to thrive. However, unlike other forms of insurance, the NFIP, whose policies are sold through various insurance companies and agents, will not refuse to offer coverage as a result of multiple claims or any large sustained loss. The NFIP continues to provide reasonable rates to people who purchase flood insurance to protect their homes and businesses against the Nation's number one natural disaster.

For more information about the NFIP, please visit [www.FloodSmart.gov](http://www.FloodSmart.gov). Please feel free to contact us with your questions or concerns at [info@femaflodsmart.com](mailto:info@femaflodsmart.com).

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