

## Saving on Flood Insurance



### Information About the NFIP's Grandfathering Rule

*Flood risks can change over time, altering floodplain boundaries. Changes in the status of dams or levees, surface erosion, land use and development can all change the size and shape of a floodplain.*

*FEMA is currently updating and modernizing the nation's flood maps. The new maps will reflect recent changes to floodplains and flood risks, and will drive changes in flood insurance requirements for some property owners.*

#### FLOOD MAPS AND FLOOD INSURANCE

Flood maps, also known as Flood Insurance Rate Maps (FIRM), show the high-risk areas where there is at least a one-percent-annual-chance of flooding. In these areas, also known as Special Flood Hazard Areas, flood insurance is required for mortgages from a federally regulated lender. The maps also show the low- or moderate-risk areas where flood insurance is optional but recommended.

When risk designations change, flood insurance rates will change as well. However, property owners may be able to take advantage of certain cost saving options available through the National Flood Insurance Program (NFIP).

Owners of properties that move from a high-risk zone to a low- or moderate-risk zone may be eligible for reduced insurance rates by converting to a Preferred Risk Policy (PRP). A PRP covers both a structure and its contents, and offers substantial savings. A PRP can be obtained for as little as \$112 a year.

There are also ways for owners of some structures moving into high-risk zones to save. Existing policyholders may be able to use the rate charged for the lower-risk zone through a process known as grandfathering.

#### GRANDFATHERING OFFERS SAVINGS

The NFIP's grandfathering provision offers savings for structures that were built before a flood map was issued for the community, or that were built in compliance with the flood map in effect at the time of construction. The simplest way to grandfather is to purchase a flood insurance policy before the new map takes effect and maintain coverage without a lapse.

If a structure was built in compliance with the requirements in place at the time of construction, the zone and Base Flood Elevation (BFE)\* that was in effect can be used for rating purposes, if either is affected due to a map change. Sometimes using the new zone can provide a better rate than using the older one, so property owner should always ask their agent to look at both options.

#### LEVEES AND FLOOD INSURANCE

FEMA urges *all* people living behind levees to purchase and maintain flood insurance coverage, whether it is required or not. The fact is, levees can and do decay over time if not properly maintained. They can also fail, or be overtopped by flood events larger than those which they were built to protect against.

FEMA and the Army Corps of Engineers are working to identify risks associated with the nation's levees. If a levee is found to be deficient or unsafe, structures located behind it will be mapped into high-risk areas and flood insurance will be required for most mortgage holders. Property owners can contact their insurance agents for more information.

\*BFE is the level flood waters have a 1% chance of reaching any given year

