Frequently Asked Questions

HFIAA Section 28 Clear Communications

December 2016

Q: Why is FEMA sending out these letters?

A: Section 28, *Clear Communication of Risk*, within the *Homeowner Flood Affordability Insurance Act of 2014* (HFIAA), requires FEMA to clearly communicate full flood risk determinations to individual property owners. To meet this requirement, FEMA is reviewing the flood risk for every policyholder insured under the National Flood Insurance Program (NFIP). The letters will communicate how the flood risk impacts the premium rate.

Q: Who is getting these letters?

A: NFIP policyholders will begin receiving the letters in January 2017. Policyholders will receive a letter from FEMA about two months after their policy renews, and will continue to receive one each time it renews. Policyholders who renewed after October 2016 will receive their first letter with the January mailing.

Q: Which policyholders will be receiving a letter in January?

A: All policyholders will eventually receive a letter upon the renewal of their policy. The letters fall into one of seven categories:

- Letter A: Newly mapped into the Special Flood Hazard Area (SFHA), or high risk flood zone
- Letter B: Standard X Zone (moderate risk), full-risk-rated
- Letter C: Standard X Zone (moderate risk), grandfathered
- Letter D: Pre-FIRM subsidized, primary residences
- Letter E: Pre-FIRM subsidized, non-primary residences and businesses
- Letter F: Preferred Risk Policy (PRP)
- Letter G: Post-FIRM, full-risk-rated

FEMA will mail Letters F and G to applicable policyholders whose policies renew beginning October 2017.

Q: When should policyholders expect to receive their letter?

A: Policyholders should expect to receive their letters from FEMA within about two months after their policy renews, each time it renews.

Q: Why are discounted/subsidized flood insurance rates going away?

A: The *Homeowner Flood Insurance Affordability Act of 2014* (HFIAA) requires gradual insurance rate increases to properties that currently receive artificially low (or discounted) rates, rather than immediate increases to reflect the property's full flood risk. HFIAA requires increases to discounted premiums for most properties by 5-15 percent annually, but no more than 18 percent for an individual policyholder until the premium reaches its full-risk insurance rate, with limited exceptions. Approximately 80 percent of National Flood Insurance Program policyholders paid a full-risk rate in 2014 and are minimally impacted by the law.

Q: What if a flood policy lapses?

A: To continue to receive the discounted rate, policyholders must maintain flood insurance coverage. After a policy lapse, those paying subsidized rates, grandfathered rates, or discounted rates available through the Newly Mapped procedure could lose out on the premium savings they now enjoy. Learn more at: https://edit.fema.gov/media-library/assets/documents/126395.

Q: If policyholders sell their property, can they transfer their lower, discounted rate to the new owners?

A: Yes, if the flood insurance policy is continuous and has not lapsed. Learn more by speaking with an insurance agent, or online at: https://edit.fema.gov/media-library/assets/documents/126395.

Q: How are flood insurance premiums calculated?

A: Premiums are calculated based on how high the water is expected to rise during a major flood (a flood with a 1 percent chance of occurring during any given year). The higher the water is expected to rise, the more damage is expected to occur, and the more costly the flood policy could be.

Q: The letter talks about an Elevation Certificate. What is that?

A: An Elevation Certificate is a document that helps insurers determine how much damage a building is likely to incur during a flooding event. Flood Insurance Rate Maps (FIRMS) have information about the anticipated elevation that flood waters are expected to rise during a flood. FEMA uses the Elevation Certificate, along with the flood map, to determine the building's full flood risk.

Q: Should I get an Elevation Certificate and if so, when?

A: There is a cost to purchasing a new Elevation Certificate. Until a policyholder gets one, there is no way to determine when, or if, having it will lower flood insurance premiums. FEMA has created some graphics illustrating the phase-out of discounts/subsidies compared to various full risk premiums for different types of buildings. These can be found at www.fema.gov/cost-of-flood.

Q: Could my building already have an Elevation Certificate?

A: It is possible that an Elevation Certificate already exists for your building. To find out, speak with your local floodplain manager or tax assessor's office. You can also check your property deed, or contact the developer for the property. If you're buying a new property, ask the seller if there is an Elevation Certificate for the building.

Q: Does an Elevation Certificate save policyholders money?

A: For many policyholders it will save them money, either immediately or eventually. The Elevation Certificate provides the information needed to determine a full risk premium. For many policyholders, there will come a time—either immediately, or at some point in the future—when full risk rates will be more beneficial than discounted/subsidized rates.

Q: Can policyholders keep paying the lower rate even if they get an Elevation Certificate?

A: Yes. Once policyholders get an Elevation Certificate, they can pay either the amount that reflects the property's full flood risk, or the discounted/subsidized rate, whichever is less**.**

Q: Will policyholders need another Elevation Certificate in the future?

A: As long as the elevation of the lowest floor of the building does not change, policyholders can continue to use the same Elevation Certificate. It can also be transferred to a new owner.

Q: Will an Elevation Certificate be beneficial when selling a property?

A: Yes. An Elevation Certificate may be helpful because the buyer will know the property's full flood risk, and will have a better idea of how much they may be charged for flood insurance in the future. Learn more by speaking with your insurance agent or company, or online at: https://edit.fema.gov/media-library/assets/documents/126395.

Q: What happens after a policyholder gets an Elevation Certificate?

A: Policyholders can work with their insurance agent to determine when it will be financially beneficial to switch to a rate based on the property's full flood risk. As long as the subsidized rate is lower than the rate based on the Elevation Certificate, policyholders can continue to pay the lower rate.

Q: What is the grandfather rating option?

A: Grandfathered properties are shown on a current flood map to be at higher risk of flooding than a previous flood map indicated. However, the policy covering the property continues to be rated using the information from the previous map. Grandfathering allows individuals mapped into a higher risk area to share the financial impact of the increased risk with policyholders who were not impacted by the map change. As more policies are grandfathered, the rates for grandfathered policies will increase to reflect the risk. An Elevation Certificate will help a policyholder in determining whether grandfathering is really the best rating option.

Q: When is the grandfather rating no longer an option for rating purposes?

A: Policyholders lose their grandfathering rating option if they:

- Fail to maintain continuous coverage;
- Substantially improve the building more than 50 percent of the building's market value.

Q: What is a Preferred Risk Policy (PRP)?

A: The Preferred Risk Policy (PRP) is less expensive than other types of policies or subsidies. The PRP is a full risk rate for properties at low risk of flood damage.

The PRP offers multiple coverage combinations for both buildings and contents (or contents-only, for renters) located in moderate-to-low risk areas (B, C and X Flood Zones on the effective date of the policy). Preferred Risk Policies are available for residential or non-residential buildings located in these zones, and that meet eligibility requirements based on the building's entire flood loss history.

Q: What does it mean to have a flood loss history?

A: A building's eligibility for the PRP is based on a number of requirements including the building's flood loss history, regardless of ownership. If one of the following conditions exists, then the building is NOT eligible for the PRP:

- 2 flood insurance claim payments, each more than $1,000
- 3 or more flood insurance claim payments, regardless of the amount;
- 2 Federal flood disaster relief payments (including loans and grants), each more than $1,000;
- 3 Federal flood disaster relief payments (including loans and grants), regardless of the amount;
- 1 flood insurance claim payment and 1 Federal flood disaster relief payment (including loans and grants), each more than $1,000.

Q: How does a policyholder appeal PRP eligibility status?

A: The policyholder should send a request for review and appeal, along with the applicable supporting documentation, contact information, the policy number, and name of the writing company to underwriting@nfipservices.com or to the address below:

NFIP Bureau and Statistical Agent
Attn: Underwriting
8400 Corporate Drive, Suite 350
Hyattsville, MD 20785

To appeal PRP eligibility status, a policyholder should attach or include any **ONE** (only one is necessary) of the following documents regarding the mitigation of their NFIP-insured building:

- Photos of structure before demolition (Color)
- Photos of new construction (Color)
- Copy of Elevation Certificate
- Copy of demolition permit
- Copy of construction (building) permit
- Documentation of Fair Market Value (FMV) (Tax document)
- Letter from community official
- Enclosure venting information
- Documentation to verify property address (Tax document)
- Documentation to verify property address (Tax document)