NFIP Newly Mapped Flood Areas Changes, effective April 1, 2017

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If you're an insurance agent navigating the complexities of flood insurance, you'll want to know about important map changes in the NFIP that may impact policyholders.

Background
The NFIP issued a map change, effective April 1, 2016.

Properties Newly Mapped into a Special Flood Hazard Area (or SFHA), also known as high risk flood zones will use the Preferred Risk Premium (PRP) base rate that is multiplied by a value determined by FEMA (called the 'multiplier') plus applicable fees and surcharges to determine Newly Mapped premiums.

Properties are Eligible for Newly Mapped premiums if coverage becomes effective within 12 months of the map issuance that moved the structure to the SFHA.

Updated Newly Mapped Multiplier Tables help determine which multiplier to use in calculating the premium for properties newly mapped into the SFHA through December 2018.
Here's how it works, after being newly mapped into a SFHA:
Multipliers are tied to the date the property was newly mapped into the SFHA and if it is a renewal of a policy written, in its prior term, as a Newly Mapped policy

As increases to the multiplier went into effect January 1, 2017, premiums for newly mapped policies will increase 14%.

<u>Here is how it will impact PRP rating:</u>
PRP premium tables and rating steps will follow the same format as Newly Mapped, but the multiplier value for a PRP will always be 1.0 and will not be changed annually.

Beginning January 1, 2017, the multiplier will vary based on the calendar year in which the map became effective that mapped the structure into the SFHA; it is expected that the table will be updated by FEMA effective January each following year.

FEMA's objective is to increase premiums each year through rate increases and the multiplier, until a full-risk premium is achieved. Updated Newly Mapped Multiplier Tables help determine which multiplier to use in calculating the premium for properties newly mapped into the SFHA through December 2018.

Here's how it works, after being newly mapped into a SFHA:

- Policies receive a PRP premium for the first year
- Subsequent premiums gradually increase to full-risk rates through use of a PRP premium multiplier
- Multipliers are tied to the date the property was newly mapped into the SFHA and if it is a renewal of a policy written, in its prior term, as a Newly Mapped policy

Annual increases to these policies result from the use of a "multiplier" that varies by the year of the map change; this multiplier is applied to the base premium before adding the ICC premium. The RFA is added after the ICC premium, and this subtotal is the amount subject to the annual premium rate increase cap.

The HFIAA surcharge, probation surcharge (if applicable), and the FPF will be added to the premium; they are not subject to the cap on annual premium rate increases.

As increases to the multiplier went into effect January 1, 2017, premiums for newly mapped policies will increase 14%.

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As you communicate this information to your clients, it helps to know the background for this change.

Section 6 of HFIAA provides that the premium rate for flood insurance for certain properties newly mapped into areas with special flood hazards will for the first policy year be a “Preferred Risk Premium” for the property, and will increase at no more than 15 percent by risk classification or 18 percent per policy, until a full-risk premium is achieved.

Previously, the PRP Extended Eligibility program was used to help ease the financial burden for policyholders. This has been replaced by the Newly Mapped procedure, where rates go up incrementally rather than all at once with the full actuarial rate.