



FEMA

W-08013

March 14, 2008

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators
and the NFIP Servicing Agent

FROM: WYO Clearinghouse

SUBJECT: NFIP Talking Points on CRS Community Premium Increases and
Federal Policy Fee and Premium Increases

The NFIP has developed the talking points in the attached documents to provide clarification about increases in certain NFIP fees and premiums effective May 1, 2008. Please distribute this information to your agents and throughout your organization as appropriate.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Marketing, Underwriting

FEMA National Flood Insurance Program NFIP Talking Points for Insurance Agents – CRS Community Premium Increases



2008

New CRS Discount Policy

Flood insurance policyholders may be affected by premium increases, beginning in May 1, 2008.

- Our community is currently a part of FEMA's Community Rating System, a voluntary incentive program that rewards residents with discounted flood insurance premiums when their community takes steps beyond minimum requirements to reduce the local flood risk.
- FEMA recently issued a new policy to address buildings within these communities that aren't compliant with local and national construction requirements.
- As of May 1, 2008, flood insurance policies for buildings that are rated as having the lowest floor one foot or more below the base flood elevation (BFE), and located in a high-risk flood area (Special Flood Hazard Area), will no longer be eligible for the community's CRS discount. If your building falls within this category, your bill will reflect an increase at policy renewal.
- An additional, annual premium increase will also be applied to all flood insurance policies nationwide, starting May 1, 2008, averaging around 8 percent. However, if your building is compliant, you will continue to receive any discounted premiums your community has earned. Your bill will reflect the rate increase at renewal.

FEMA's new policy will help ensure that annual flood insurance premiums accurately reflect the flood risk for properties that don't meet safe building standards set by local and national ordinances.

- If your property is affected by FEMA's new compliance policy, you should first ensure your renewal payment is accurate, and also consider steps to reduce your property's flood risk.
 - **Verify how the flood insurance policy was rated.** If the structure was built to comply with flood zone and base flood elevations at the time it was constructed, the building may not be in violation of the new policy and you should still receive the discounted premium rate.
 - **Retrofitting is an option.** If your home is currently a foot or more below the base flood elevation, there may be ways to retrofit the structure to bring it into compliance.
 - For more information, or to determine steps to reduce your home's flood risk, reference *Homeowner's Guide to Retrofitting: Six Ways to Protect Your House from Flooding*. You can access a copy at www.fema.gov/hazard/flood/pubs/lib312.shtm
 - Retrofitting is not just about reducing your flood insurance premium; it also reduces your risk of damage from future flooding.
- For more information on FEMA's new policy, contact your local government official.

North Carolina CRS Class Retrogrades

Starting May 1, 2008, flood insurance policyholders in [Oak Island, Ocean Isle Beach, New Hanover County, Wrightsville Beach, Currituck County, Dare County, and Manteo] will see an increase in their flood insurance premiums due to a drop in their Community Rating System class rating.

- North Carolina's new building code amendment isn't compliant with the international standards required by the CRS program, resulting in a class rating drop for seven communities across the state.
- However, at the community's new class 8 rating, policyholders will still enjoy a 10 percent discount on their flood insurance premiums.
- It is also important to be aware that the National Flood Insurance Program is increasing flood insurance premiums by an average of 8 percent for policies written or renewed on or after May 1, 2008.
- The Federal Policy Fee (FPF) will increase from \$30 to \$35; its first increase since 1995.
- For more information on the CRS class change, and the implications of the new state rules established by the North Carolina Building Code Council, contact your local government official.

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FEMA National Flood Insurance Program NFIP Talking Points – Federal Policy Fee and Premium Increases



2008

Recent NFIP Federal Policy Fee and premium increases may result in questions from both agents and consumers concerned about rising rates. The talking points below provide clarification in terms of why costs have increased and how the additional expenses will be used to benefit NFIP communities.

The National Flood Insurance Program (NFIP) Federal Policy Fee will increase by five dollars, from \$30 to \$35, effective May 1, 2008.

- The Federal Policy Fee supports ongoing expenses of the NFIP, with more than two-thirds of the total collected fee invested back in local communities to help prevent and prepare them for floods.
- Initiatives supported by the Federal Policy Fee include increasing needs for flood hazard reduction, mitigation grants, flood plain management and flood mapping research and analysis.
- The Federal Policy Fee was last increased in 1995.

The National Flood Insurance Program (NFIP) premiums will increase by an average of 8 percent for policies written or renewed on or after May 1, 2008.

- Exact increases will be dependent on each property's flood zone.
- Premium increases in A zones (primarily riverine areas) and B, C and X zones (property outside of Special Flood Hazard Areas) are being implemented to help keep rates for structures built after FEMA flood maps were developed at actuarial levels, which will reflect the true heightened flood risk.
- Larger premium increases in V zones (coastal areas) are a result of the Heinz Center's Erosion Zone Study, which indicates that current rates significantly underestimate the increasing hazard from steadily eroding coastlines.