

Ways to Ensure Your Flood Insurance Premium is Properly Rated

For Real Estate Professionals | November 2021



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AREA WITH REDUCED FLOOD RISK DUE TO LEVEE
Zone X

Instructors



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*Presentation in
Partnership with
Louisiana
REALTORS®,
FEMA, and the
Louisiana
Department of
Transportation and
Development.*



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Overview of Risk Rating 2.0— Equity in Action

- Reflects an individual property's risk
- Reflects more types of flood risk in rates
- Uses the latest actuarial practices to set risk-based rates
- Provides rates that are easier to understand for agents and policyholders, and
- Reduces complexity for agents to generate a flood insurance quote



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Individuals will no longer pay more than their share in flood insurance premiums based on the value of their homes.



Roughly 2/3 of policyholders with older pre-FIRM homes will see a premium decrease.

Risk Rating 2.0 Methodology Communicates Full-Risk Premiums

All policies will show the full-risk premium.

- New business policies:
 - Policies will be at their full risk premiums, showing any applicable mitigation or [Community Rating System](#) discounts.
 - May qualify for [Newly Mapped](#) discount, [Pre-FIRM](#) discount, or other statutory discounts.
- Renewals:
 - Policies will be on a glidepath to their full risk rate.
 - Most rates will not increase more than 18% per year.

Example: Renewal with Risk Rating 2.0

Building Premium	\$1,100
Contents Premium	\$490
Increased Cost of Compliance (ICC) Premium	\$10
Mitigation Discount	(\$100)
Community Rating System (CRS) Discount	(\$300)
Full-Risk Premium	\$1,200
Statutory Discounts	
Annual Increase Cap	(\$200)
Pre-FIRM Discount	(\$200)
Newly Mapped Discount	\$0
Other Statutory Discounts	\$0
Adjusted Premium	\$800
Reserve Fund Assessment	\$144
Premium [HFIAA] Surcharge	\$25
Federal Policy Fee	\$47
Probation Surcharge	\$0
Total Annual Payment	\$1,016



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New Rating Elements/Building Variables (Physical Building Characteristics)



- Replacement Cost
- First Floor Height
- # of floors
- # of prior claims
- Distance to flooding source (geospatial information)
- Construction Type (Frame, Masonry, other)
- Square Footage



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Example Declaration Page Rated With Risk Rating 2.0 Methodology

COVERAGE AND RATING			
	Coverage	Deductible	Premium Details
Building	\$75,000	\$2,000	Building Premium \$391
Contents	\$30,000	\$2,000	Contents Premium \$210
ICC Premium \$11			
Mitigation Discounts (\$21)			
CRS Discount (\$0)			
Full-Risk Premium \$591			
Statutory Discounts			
Annual Increase Cap Discount (\$0)			
Pre-FIRM Discount (\$0)			
Newly Mapped Discount (\$0)			
Other Statutory Discounts (\$0)			
Discounted Premium \$591			
Fees and Surcharges			
Reserve Fund Assessment \$106			
HFIAA Surcharge \$25			
Federal Policy Fee \$47			
Probation Surcharge \$0			
Total Annual Premium \$769			
PROPERTY INFORMATION			
Primary Residence	Yes		
Building Occupancy	Single Family		
Building Description	Main Dwelling		
Building Description Detail			
First Floor Height	2.6000000832 Feet		
Method Used for 1st Floor Height	TOOL		
Property Description	Above Ground Crawlspace, 2 Floors, Frame		
Date of Const/Substantial Imp	1/1/1906		
Replacement Cost Value	\$233,000		
Prior NFIP Claims	0 claims		
Number of Units	1		
Your property's NFIP flood claims history can affect your premium.			

Note: this is an example of a Declaration Page. A quote for flood insurance may not show you detailed information. Ask your insurance agent what numbers they are using to produce the quote.



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Check for Data Input Errors: Replacement Cost & Geolocation

- **Replacement cost:** Double check as extra zeros can spike quote
 - Example: \$300,000 replacement cost input as \$3,000,000 will increase the premium
- **Geolocation:** Double check for accuracy when input by agent
 - Typically, FEMA will successfully geolocate the provided property address. Insurers also have the option to provide the building's [latitude and longitude](#).

Replacement Cost Information in the Flood Insurance Manual

i. **Occupancy Type:** Single-Family Home, Residential Manufactured/Mobile Home, Residential Unit, and Two-to-Four Family Building

FEMA will determine Building Replacement Cost Value for the building or unit by using Application Form data and insurance industry data connected with the property address. If FEMA is unable to determine the Building Replacement Cost Value, the insurer must obtain the Building Replacement Cost Value for the building or unit (including, for a building, the cost of the foundation) based on appraisals commonly used in the insurance industry, and report it on the Application Form. FEMA reassesses its determination of Building Replacement Cost Value at every renewal.

ii. **Occupancy Type:** Other Residential Building, Residential Condominium Building, Non-Residential Building, Non-Residential Manufactured/Mobile Building, Non-Residential Unit

FEMA will not determine the Building Replacement Cost Value for these building occupancies. The insurer must obtain the Building Replacement Cost Value for the building or unit (including, for a building, the cost of the foundation) based on appraisals commonly used in the insurance industry. The insurer must maintain supporting documentation of the Building Replacement Cost Value. The insurer must validate the Building Replacement Cost Value information at least every 3 years. See the sample Building Replacement Cost Value notification letter in Appendix I: Policyholder Communications.

[Sections 1-6 Oct2021 RR 2.0 NFIP Flood Insurance Manual \(fema.gov\)](#)



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Check for Data Input Errors: Square Footage

Square Footage: Provide the total finished living area. Do not include the following areas in the square footage calculation:

- Any garage area;
- Basement or enclosure area; or
- Porches or decks

Table 19. Square Footage Calculation

Building Occupancy	Guidance
Single-Family Home, Residential Manufactured/Mobile Home, Residential Unit, and Two-to-Four Family Building	Provide the total finished living area. Do not include the following areas in the square footage calculation: <ul style="list-style-type: none">• Any garage area;• Basement or enclosure area; or• Porches or decks.
Building Occupancy	Guidance
Other Residential Building, Residential Condominium Building, Non-Residential Building, Non-Residential Manufactured/Mobile Building, Non-Residential Unit	Provide the square footage of the building: <ul style="list-style-type: none">• Include stairwells and elevator shafts.• Do not include areas such as basements and mezzanines.• If all of the floors are the same size, first calculate the ground floor area; then compute gross floor area by multiplying the ground floor area by the total number of floors.• If the floor sizes vary, calculate each floor's area, then provide the sum of all floors.

Note: For a unit policy, provide the square footage for the unit and not the entire building.

[Sections 1-6 Oct2021 RR 2.0 NFIP Flood Insurance Manual \(fema.gov\)](#)



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Check for Data Input Errors: Construction Type

Construction Type: Double check

- For Single-Family Homes, the building’s Construction Type is based on the construction used for the wall on the building’s first floor.

Table 7. Construction Type Determination

Construction Type	Guidance
Frame	Use Frame as the construction type when: <ul style="list-style-type: none">• The first floor above ground level is constructed with wood or metal frame walls; or• Other materials such as exterior brick or masonry veneer are connected to frame construction.
Masonry	Use Masonry as the construction type when the: <ul style="list-style-type: none">• First floor above ground level is constructed with masonry including brick, or concrete block walls for the full story;• Building has a floor below the ground (for example a basement or walkout basement); or• Bottom floor is masonry and the next higher floor has frame construction.
Other	Use Other as the construction type when: <ul style="list-style-type: none">• The first floor above ground level is constructed with materials other than wood or metal frame walls or masonry walls for the full story; or• Any portion of the wall between ground level and next higher floor is frame construction (for example, “knee walls” whose lower wall is concrete block with frame wall on the higher portion).

Sections 1-6 Oct2021 RR 2.0 NFIP Flood Insurance Manual ([fema.gov](https://www.fema.gov))



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Check for Data Input Errors: Foundation

Foundation: Double check

- FEMA recognizes [six foundation type options](#) on the Application Form. The foundation types are:
 - Slab on Grade (Non-Elevated)
 - Basement (Non-Elevated)
 - Elevated Without Enclosure on Posts, Piles or Piers
 - Elevated With Enclosure on Posts, Piles or Piers
 - Elevated With Enclosure Not on Posts, Piles, Piers (Solid Foundation Walls)
 - Crawlspace (Elevated or Non-Elevated Subgrade Crawlspace)



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Provide an Elevation Certificate (EC) for a Higher First Floor Height

- The First Floor Height is the height of the building's first lowest floor above the adjacent grade.
- The First Floor Height is determined by FEMA, or the policyholder has the option to provide an EC. If the policyholder provides an EC, FEMA's system will compare both values and use the First Floor Height that is more favorable to the policyholder.

First Floor Height	2.6000000832 Feet
Method Used for 1st Floor Height	TOOL

SECTION C – BUILDING ELEVATION INFORMATION (SURVEY REQUIRED)	
C1. Building elevations are based on: <input type="checkbox"/> Construction Drawings* <input type="checkbox"/> Building Under Construction* <input type="checkbox"/> Finished Construction	
*A new Elevation Certificate will be required when construction of the building is complete.	
C2. Elevations – Zones A1–A30, AE, AH, A (with BFE), VE, V1–V30, V (with BFE), AR, AR/A, AR/AE, AR/A1–A30, AR/AH, AR/AO. Complete Items C2.a–h below according to the building diagram specified in Item A7. In Puerto Rico only, enter meters.	
Benchmark Utilized: _____ Vertical Datum: _____	
Indicate elevation datum used for the elevations in items a) through h) below.	
<input type="checkbox"/> NGVD 1929 <input type="checkbox"/> NAVD 1988 <input type="checkbox"/> Other/Source: _____	
Datum used for building elevations must be the same as that used for the BFE.	
Check the measurement used.	
a) Top of bottom floor (including basement, crawlspace, or enclosure floor)	<input type="checkbox"/> feet <input type="checkbox"/> meters
b) Top of the next higher floor	<input type="checkbox"/> feet <input type="checkbox"/> meters
c) Bottom of the lowest horizontal structural member (V Zones only)	<input type="checkbox"/> feet <input type="checkbox"/> meters
d) Attached garage (top of slab)	<input type="checkbox"/> feet <input type="checkbox"/> meters

Table 14 and 15 beginning on page 3.21 in the [NFIP Flood Insurance Manual](#) will show the insurance agent the steps to take when using an EC for First Floor Height.



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Assignment of a Flood Policy

- The owner of an insured building may provide written consent to assign a flood insurance policy with building coverage to the purchaser of the building. Owners may not assign contents-only policies or policies on buildings under construction. The seller must sign the assignment endorsement on or before the closing date, and the new building owner has up to 30 days beyond the closing date (closing date plus 29 days) to submit the Endorsement Form to the insurer for processing.
- If the building is a primary residence, the insurer must validate the primary residence status at the time of assignment for the assignee to be eligible for the primary residence status.
- For more information, see page 4.14 in the [*NFIP Flood Insurance Manual*](#).



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Mitigation Discounts: Elevating Machinery & Equipment

Policyholders may receive a mitigation discount if certain covered Machinery and Equipment (M&E) servicing the building, inside or outside the building, is elevated to at least the elevation of the floor above the building’s first floor. See page 3.27 in the [NFIP Flood Insurance Manual](#) for which M&E must be elevated and to see examples of where the M&E should be located to be eligible for the discount.


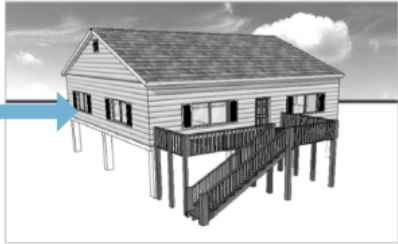

Table 17. M&E Location for Discount Eligibility	
Diagram Showing Location	Guidance on Location
	<p>Slab on Grade (Non-Elevated)</p> <ul style="list-style-type: none">• One floor: Elevated at least to the height of the attic• More than one floor: Elevated to the height of the second floor or higher

Table 17. M&E Location for Discount Eligibility <i>continued</i>	
Diagram Showing Location	Guidance on Location
	<p>Elevated Without Enclosure on Posts, Piles or Piers</p> <ul style="list-style-type: none">• Elevated to the height of the lowest elevated floor or higher
	<p>Elevated With Enclosure on Posts, Piles or Piers</p> <ul style="list-style-type: none">• Elevated to the height of the lowest elevated floor or higher



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Mitigation Discounts: Proper Flood Openings



FEMA provides a discount for buildings, in any flood zone, with proper flood openings in enclosures. To obtain the proper flood opening discount, all enclosures below the elevated floor must meet the following requirements:

- There must be a minimum of two openings positioned on at least two exterior walls. For partially subgrade floors, there must be a minimum of two openings positioned on a single exterior wall adjacent to the lowest grade next to the building.
- The bottom of all openings must be no higher than one foot above the higher of the exterior or interior adjacent grade or floor immediately below the openings.
- The openings must have a total net area of not less than one square inch for every one square foot of enclosed area.

Engineered openings (certified by a design professional or by the International Code Council Evaluation Service) can be used, but documentation is required, which may be found on the Elevation Certificate. See page 3.28 in the [NFIP Flood Insurance Manual](#) for more information.



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Ways to Pay Less for Flood Insurance

- **Lower your flood risk - mitigate**
 - Elevate M&E
 - Install flood openings
 - Fill in basements
 - Elevate your property on posts, piles or piers
 - Relocate your home or business
- **Choose a higher deductible**
 - Consider carefully: Lower your premiums but pay more to rebuild
- **Provide an Elevation Certificate (EC)**
 - Can provide beneficial first floor height information
 - Can provide proper flood opening documentation
- **Encourage your Community to Mitigate Risk**
 - If your community is enrolled in the Community Rating System (CRS) you may receive a discount on flood insurance
 - Discount is calculated based on community efforts to reduce the risk of flooding



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Encourage Higher Floodplain Management Standards

Real estate professionals can help advocate for higher local floodplain management standards, in all flood zones, which can help reduce losses and reduce flood insurance premiums.

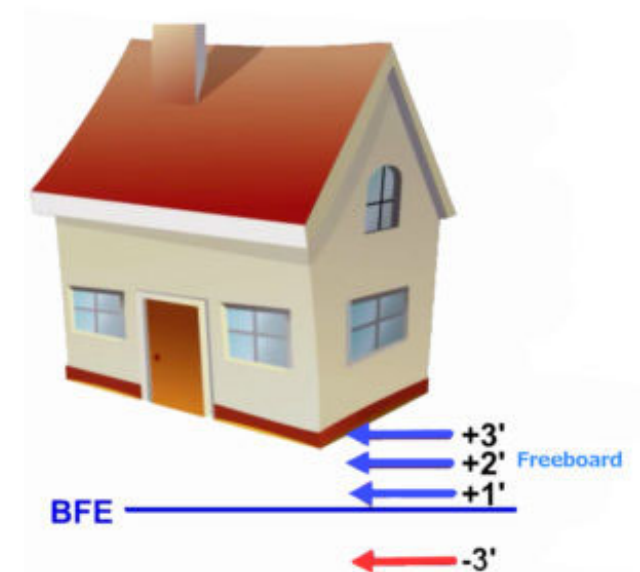
Freeboard: Lowest floor is elevated above the base flood elevation (BFE)

Setback: No development within a pre-determined distance of the flood boundary

Preservation: Floodway and/or floodplain is reserved as community open space

Safeguard: Elevation in B, C, and X Zones

Forecasting: BFE and floodway designations based on estimates of fully-developed, maximum built-out conditions



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What is the Community Rating System (CRS)?

- Voluntary program of the National Flood Insurance Program (NFIP)
- Communities undertake floodplain management activities that exceed the minimum floodplain management requirements of the NFIP
- 19 creditable activities, organized in four categories:
 - Public Information
 - Mapping and Regulations
 - Flood Damage Reduction
 - Warning and Response

Louisiana

318 NFIP-participating communities.

41 CRS-participating communities.



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How Do People Benefit from CRS?



- Whole community approach to floodplain management
- Community resilience
- Increased flood insurance coverage and public safety
- Protection of natural floodplain functions
- Reductions in flood insurance premiums: from a 5% discount for Class 9 communities up to a 45% discount for Class 1 communities



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Louisiana CRS Communities: Classes 5, 6 and 7 as of October 2021

Community Name	Current Class	% Discount for SFHA*
Jefferson Parish	5	25
Gretna, City of	6	20
Kenner, City of	6	20
Mandeville, City of	6	20
Carencro, City of	7	15
Central, City of	7	15
East Baton Rouge Parish	7	15
Houma, City of	7	15
Jean Lafitte, Town of	7	15
Lafayette, City of	7	15
Lafayette Parish	7	15
St. Charles Parish	7	15
St. James Parish	7	15
St. John The Baptist Parish	7	15
St. Tammany Parish	7	15
Terrebonne Parish	7	15
Westwego, City of	7	15

* With Risk Rating 2.0, Equity in Action, the CRS discounts that apply inside the Special Flood Hazard Area (SFHA) today will now apply community-wide. Policies outside of the SFHA must first be at their full-risk rate to get the discount.



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Louisiana CRS Communities: Classes 8 & 9 as of October 2021

Community Name	Current Class	% Discount for SFHA*
Ascension Parish	8	10
Calcasieu Parish	8	10
Covington, City of	8	10
Denham Springs, City of	8	10
Gonzales, City of	8	10
Harahan, City of	8	10
Lutcher, Town of	8	10
Morgan City, City of	8	10
New Orleans/Orleans Parish	8	10
Shreveport, City of	8	10
Slidell, City of	8	10
Walker, Town of	8	10
West Baton Rouge Parish	8	10
Zachary, City of	8	10

Community Name	Current Class	% Discount for SFHA*
Baker, City of	9	5
Bossier City, City of	9	5
Caddo Parish	9	5
Lake Charles, City of	9	5
Ouachita Parish	9	5
Rayne, City of	9	5
Ruston, City of	9	5
Scott, City of	9	5
Sorrento, Town of	9	5
Tangipahoa Parish	9	5

* With Risk Rating 2.0, Equity in Action, the CRS discounts that apply inside the Special Flood Hazard Area (SFHA) today will now apply community-wide. Policies outside of the SFHA must first be at their full-risk rate to get the discount.



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How Can Real Estate Professionals Get Involved?

- If your community does not participate in CRS, encourage them to.
- Volunteer to be on the Program for Public Information (PPI) committee if your community does this activity.
- Make yourself available to your community to do things that can get them activity points, for example:
 - Receiving and promoting flood map information services.
 - Passing flood hazard and flood insurance information to your clients. Real estate agents' brochure, pictured right.

Hazard Disclosure

Figure 340-2 has language that communities can use to develop their own locally tailored brochure. Sellers, in particular, may appreciate as complete a description as possible, especially if the flooding is shallow and slow-moving and retrofitting or other protective measures would be appropriate and inexpensive. Purchasers of vacant land should be well aware of factors such as the depth, velocity, and warning time of the base flood.

It is recommended that real estate agents or communities provide the brochures to lenders, because they would be valuable to people seeking pre-approval for a mortgage before they start house hunting.

Credit Criteria for REB

- (1) The real estate agents' brochure must advise the reader to check to see if a property is in a floodplain or has a history of flooding.
- (2) Additional credit is provided if the brochure is described in the community's Program for Public Information document credited in element PPI under Activity 330 (Outreach Projects). The PPI document must include a discussion of the brochure. Continued credit for the extra PPI points under this activity is dependent upon receiving continued credit for the Program for Public Information under Activity 330. If the community does not have a credited Program for Public Information, the extra 4 points can be provided if community staff worked with local real estate agents to develop the brochure and the staff meet with real estate agents annually to evaluate and improve it.
- (3) This credit is available even if the community receives no DFH credit in Section 342.a.

Credit Points for REB

REB = EITHER

8 points, if real estate agents are providing brochures or handouts that advise potential buyers to investigate the flood hazard for a property

OR

12 points, if the credited brochure or handout is described in the community's PPI



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Resources

- Risk Rating 2.0 Equity in Action website: <https://www.fema.gov/flood-insurance/risk-rating>
- Risk Rating 2.0 Fact Sheet, including mitigation options: https://www.fema.gov/sites/default/files/documents/fema_rr-2.0-equity-action_0.pdf
- NAR Myth Buster: FEMA Risk Rating 2.0: <https://www.nar.realtor/national-flood-insurance-program/nar-myth-buster-fema-risk-rating-2-0>
- NAR Town Hall on Risk Rating 2.0: <https://www.nar.realtor/videos/nar-town-hall-featuring-fema-senior-executive-david-maustad>
- Flood Insurance Manual, October 2021: https://www.fema.gov/sites/default/files/documents/fema_nfip-flood-insurance-manual-sections-1-6_oct2021.pdf
- Contact your local floodplain manager to ask about CRS: http://wwwapps.dotd.la.gov/multimodal/public_works/lafoods/Community_Contacts.aspx
- Find a list of participating communities and general CRS information: <https://www.fema.gov/floodplain-management/community-rating-system>
- View CRS success stories: <https://successwithcrs.us/>



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Thank you. Any questions?

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