



NFIP/CRS UPDATE

Winter 2007–2008

High-risk Structures to Lose CRS Discount

The Community Rating System (CRS) provides a flood insurance premium discount in participating communities that implement floodplain management activities above and beyond the minimum criteria of the National Flood Insurance Program (NFIP). Policy holders receive 5 to 45% discounts on their annual premiums, depending on their flood zone and the community’s CRS classification. In short, the more communities do to prevent and reduce flood losses, the more their residents benefit with reduced premiums.

One problem with this approach is that everyone benefits from the community’s rating, even those who own buildings that are at high risk and may not be compliant with the NFIP’s construction criteria. Accordingly, the Federal Emergency Management Agency (FEMA) is initiating a change in the way CRS premium discounts are applied.

Effective May 1, 2008, FEMA will institute this new policy: Flood insurance policies for buildings that are rated as having the lowest floor one foot or more below the base flood elevation will no longer be eligible for the community’s CRS discount. Some clarifications:

- In most cases, the affected structures are non-compliant, i.e., in violation of the NFIP construction criteria. They may have received a variance from the community. If so, the variance applicant was advised that “the issuance of a variance to construct a structure below the base flood level will result in increased premium rates for flood insurance” as required by 44 *CFR* 60.6(a)(5).
- This new policy only affects elevation-rated buildings. Typically, these are new construction or “post-FIRM” buildings, not older buildings that qualify for the pre-FIRM “subsidized” rates.
- Only buildings in the mapped Special Flood Hazard Area are affected. Buildings in B, C, or X Zones are not rated based on the elevation of their lowest floors.
- It does not affect those V-Zone properties that have approved breakaway walls surrounding unfinished enclosures used only for building access, storage, and parking, but that were rated based on the enclosed area’s being the lowest floor.

The policy does not affect buildings that were compliant when they were built, but whose flood zone has been changed and/or whose base flood elevation has been raised to a level above the lowest floor through the issuance of a new map. These structures can be “grandfathered” so they keep premiums based on the flood zone and/or base flood elevation at the time of construction.

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The new policy will affect about 38,000 structures in 830 of the 1,080 CRS communities. Local CRS Coordinators will be sent a list of the properties that will be affected before May. Policy holders with May or June renewals will receive renewal billing notices in March or April.

Most policy holders will not know why there is an increase because their renewal statement may not mention it or their premiums are paid by a mortgage escrow account. However, upon receipt of payment of the annual renewal, the issued declaration page will have a zero for the CRS discount. If policy holders are curious about this loss of the discount, they may contact their community's CRS Coordinator.

If you are contacted, it is recommended that you tell the policy holders two things:

1. They should talk to their insurance agent to verify how the structure has been rated. It is possible that there is an error in the lowest floor or base flood elevation. It is possible that the building has not been fully "grandfathered" to reflect that it was built in compliance before a map change (they may need your help to determine the flood zone and/or the base flood elevation at the time of construction). If these errors can be corrected to show that the building is not one foot or more below the base flood elevation, then the property owner should ask his or her agent to correct the policy. You may need to help with supporting documentation to correct the errors.
2. If the policy is correctly rated already, advise the person that there may be ways to retrofit the structure to bring it into compliance. For example, the lowest floor used for rating may be the floor of an attached garage or an enclosed parking area in a high rise structure. If the owner puts in flood openings or otherwise modifies the enclosure to reduce or eliminate the potential for water damage, the building can be re-rated. Not only will the policy have the CRS discount, but also the fact that the lowest floor for rating purposes is above the base flood elevation will greatly reduce the premium. If your community is receiving credit for Activity 360 (Flood Protection Assistance), be sure to document your advice to the policy holder.

You may want to have a supply of the publication, *Homeowner's Guide to Retrofitting: Six Ways to Protect Your House from Flooding*, FEMA-312. Chapter 6, for example, describes how flood openings can be installed to wet floodproof the lowest floor and bring the building into compliance.

This book can be downloaded from FEMA's website at <http://www.fema.gov/hazard/flood/pubs/lib312.shtm>.

Communities are welcome to put a link to this site on their own websites. Hard copies can be ordered using the order form in Appendix E of the *CRS Coordinator's Manual*.

