



FEMA

July 25, 2006

Dear *Flood Insurance Manual* Subscribers:

I am happy to announce that revisions have been made to the Producer's Edition of the National Flood Insurance Program (NFIP) *Flood Insurance Manual*. These revisions will become effective October 1, 2006. All of the changes are reflected on the enclosed amended pages, and related footers have been modified to reflect the October 1, 2006, effective date. Some of the significant revisions include:

- Allows use of Submit-for-Rate guidelines for Pre-FIRM buildings with subgrade crawl spaces. (RATE section); and
- Clarifies Preferred Risk Policy eligibility criteria pertaining to receipt of Federal flood disaster relief payments. (PRP section).

As we move forward to improve the NFIP, it is my goal to ensure that you have up-to-date information so you can assist your customers in securing the best flood insurance protection available for their individual needs. Thank you for your continued support of the NFIP.

Sincerely,

A handwritten signature in black ink that reads "David I. Maurstad".

David I. Maurstad  
Director  
Flood Insurance Administrator  
Mitigation Division

Attachment



## **Change Record Page** **Effective Date: October 1, 2006**

Updates and corrections to the Producer's Edition of the NFIP *Flood Insurance Manual* are distributed semiannually. Each change is highlighted by a vertical bar in the margin of the page. The effective date of each page is shown in the bottom right corner. Pages bearing the new effective date but no change bar simply indicate that text has shifted from one page to another.

Please keep this Change Record Page in your manual for reference.

<b>Remove</b>	<b>Insert</b>
GR 7-12	GR 7-12
APP 5-8, 9-11	APP 5-8, <b>9-11 (one page)</b>
RATE 1-2, 15-24, 31-32, 33-46	RATE 1-2, 15-24, 31-32, <b>33-46 (one page)</b>
PRP 1-2, 5-7	PRP 1-2, <b>5/6-7 (one page)</b>
IND 1-5	IND 1-5



Contents and personal property contained in these buildings are ineligible for coverage.

For example, section 1316 of the National Flood Insurance Act of 1968 allows the states to declare a structure to be in violation of a law, regulation, or ordinance. **Flood insurance is not available for properties that are placed on the 1316 Property List.** Insurance availability is restored once the violation is corrected and the 1316 Declaration has been rescinded.

### **B. Container-Type Buildings**

Gas and liquid tanks, chemical or reactor container tanks or enclosures, brick kilns, and similar units, and their contents are ineligible for coverage.

### **C. Buildings Entirely Over Water**

Buildings newly constructed or substantially improved on or after October 1, 1982, and located entirely in, on, or over water or seaward of mean high tide are ineligible for coverage.

### **D. Buildings Partially Underground**

If 50 percent or more of the building's actual cash value, including the machinery and equipment, which are part of the building, is below ground level, the building or units and their contents are ineligible for coverage unless the lowest level is at or above the BFE and is below ground by reason of earth having been used as insulation material in conjunction with energy efficient building techniques.

### **E. Basement/Elevated Building Enclosures**

Certain specific property in basements and under elevated floors of buildings is excluded from coverage. See the policy contract for specific information.

## **VII. EXAMPLES OF INELIGIBLE RISKS**

Some specific examples of ineligible risks are provided below. See the policy for a definitive listing of property not covered.

### **A. Building Coverage**

1. Boat Repair Dock
2. Boat Storage Over Water
- 3. Boathouses (exceptions on page GR 4)
4. Camper
5. Cooperative Unit Within Cooperative Building

6. Decks (except for steps and landing; maximum landing area of 16 sq. ft.)
7. Drive-In Bank Teller Unit (located outside walls of building)
8. Fuel Pump
9. Gazebo (unless it qualifies as a building)
10. Greenhouse (unless it has at least two rigid walls and a roof)
11. Hot tub or spa (unless it is installed as a bathroom fixture)
12. Open Stadium
13. Pavilion (unless it qualifies as a building)
14. Pole Barn (unless it qualifies as a building)
15. Pumping Station (unless it qualifies as a building)
16. Storage Tank--Gasoline, Water, Chemicals, Sugar, etc.
17. Swimming Pool Bubble
18. Swimming Pool (indoor or outdoor)
19. Tennis Bubble
20. Tent
21. Time Sharing Unit Within Multi-Unit Building
22. Travel Trailer (unless converted to a permanent onsite building meeting the community's floodplain management permit requirements)
23. Water Treatment Plant (unless 51 percent of its actual cash value is above ground)

### **B. Contents Coverage**

1. Automobiles--Including Dealer's Stock (assembled or not)
2. Bailee's Customer Goods--Including garment contractors, cleaners, shoe repair shops, processors of goods belonging to others, and similar risks
3. Contents Located in a Structure Not Eligible for Building Coverage
4. Contents Located in a Building Not Fully Walled and/or Contents Not Secured Against Flotation

5. Motorcycles--Including Dealer's Stock (assembled or not)
6. Motorized Equipment--Including Dealer's Stock (assembled or not)

**C. Non-Residential Condominium Unit**

The owner of a non-residential condominium unit cannot purchase a unit owner's policy. The association can purchase a condominium association policy to cover the entire building. Contents-only coverage may be purchased by the unit owner.

**VIII. POLICY EFFECTIVE DATE**

**A. Evidence of Insurance**

A copy of the Flood Insurance Application and premium payment, or a copy of the declarations page, is sufficient evidence of proof of purchase. The NFIP does not recognize an oral binder or contract of insurance.

**B. Start of Waiting Period**

There is a standard 30-day waiting period for new applications and for endorsements to increase coverage.

1. If the application or endorsement form and the premium payment are received at the NFIP *within 10 days* from the date of application or endorsement request, or if mailed by certified mail within 4 days from the date of application or endorsement request, then the waiting period will be calculated from the *application or endorsement date*. Use the application date or endorsement date plus 9 days to determine if the application or endorsement and premium payment were received within 10 days. When sent by certified mail, use the application date or endorsement date plus 3 days to determine if the application or endorsement and premium payment were received within 4 days.
2. If the application or endorsement form and the premium payment are received at the NFIP *after 10 days* from the date of application or endorsement request, or are not mailed by certified mail within 4 days from the date of application or endorsement request, then the waiting period will be calculated from the *date the NFIP receives the application or endorsement*.

As used in VIII.B.1. and 2. above, the term "certified mail" extends to not only the U.S. Postal Service but also certain third-party delivery services. Acceptable third-party delivery

services include Federal Express (FedEx), United Parcel Service (UPS), and courier services and the like that provide proof of mailing. Third-party delivery is acceptable if the delivery service provides documentation of the actual mailing date and delivery date to the NFIP insurer. Bear in mind that third-party delivery services deliver to street addresses but cannot deliver to U.S. Postal Service post office boxes.

**C. Effective Date**

1. New Policy (other than 2, 3, or 4 below)--The effective date of a new policy will be 12:01 a.m., local time, on the 30th calendar day after the application date and the presentment of premium. (Example: a policy applied for on May 3 will become effective 12:01 a.m., local time, on June 2.) The effective date of coverage is subject to the waiting period rule listed under B.1 or B.2 above.
2. New Policy (in connection with making, increasing, extending, or renewing a loan, whether conventional or otherwise)--Flood insurance, which is initially purchased in connection with the making, increasing, extending, or renewal of a loan, shall be effective at the time of loan closing, provided that the policy is applied for and the presentment of premium is made at or prior to the loan closing. (Example: presentment of premium and application date--April 3, refinancing--April 3 at 3:00 p.m., policy effective date--April 3 at 3:00 p.m.) This rule applies to all buildings regardless of flood zone. The waiting period rule listed under B.1 or B.2 above does not apply.
3. New Policy (in connection with lender requirement)--The 30-day waiting period does not apply when flood insurance is required as a result of a lender determining that a loan on a building in a Special Flood Hazard Area (SFHA) that does not have flood insurance coverage should be protected by flood insurance. The coverage is effective upon the completion of an application and the presentment of payment of premium. (Example: presentment of premium and application date--April 3, policy effective date--April 3.) The waiting period rule listed under B.1 or B.2 must be used.
4. New Policy (when the initial purchase of flood insurance is in connection with the revision or updating of a Flood Hazard Boundary Map or Flood Insurance Rate

Map)--During the 13-month period beginning on the effective date of the map revision, the effective date of a new policy shall be 12:01 a.m., local time, following the day after the application date and the presentment of premium. This rule only applies where the Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM) is revised to show the building to be in a Special Flood Hazard Area (SFHA) when it had not been in an SFHA. (Example: FIRM revised--January 1, 2005, policy applied for and presentment of premium--August 3, 2005, policy effective date--August 4, 2005.) The waiting period rule listed under B.1 or B.2 above must be used. This rule applies to all property owners including condominium associations.

5. New Policy (in connection with the purchase of an RCBAP)--When a condominium association is purchasing a Residential Condominium Building Association Policy (RCBAP), the 30-day waiting period does not apply if the condominium association is required to obtain flood insurance as part of the security for a loan under the name of the condominium association. The coverage is effective upon completion of an application and presentment of premium. The waiting period rule listed under B.1 or B.2 above does not apply.

Otherwise, the 30-day waiting period applies, and the waiting period rule listed under B.1 or B.2 above must be used.

6. New Policy (submit-for-rate application)--With three exceptions (described below), the effective date of a new policy will be 12:01 a.m., local time, on the 30th calendar day after the presentment of premium.

The *three exceptions* are as follows.

First, there is no waiting period if the initial purchase of flood insurance on a submit-for-rate application is in connection with making, increasing, extending, or renewing a loan, provided that the policy is applied for and the presentment of premium is made at or prior to the loan closing. The waiting period rule listed under B.1 or B.2 above does not apply.

Second, the 30-day waiting period does not apply when flood insurance is required as a result of a lender determining that a loan which does not have flood insurance

coverage should be protected by flood insurance, because the building securing a loan is located in an SFHA. The coverage is effective upon the completion of an application and the presentment of payment of premium. This exemption from the 30-day waiting period applies only to loans in SFHAs, i.e., those loans for which the statute requires flood insurance. The waiting period rule listed under B.1 or B.2 above must be applied.

Third, during the 13-month period beginning on the effective date of a map revision, the effective date of a new policy shall be 12:01 a.m., local time, following the day after the date the increased amount of coverage is applied for and the presentment of additional premium is made. This rule applies only on an initial purchase of flood insurance where the Flood Hazard Boundary Map (FHBM) or Flood Insurance Rate Map (FIRM) is revised to show the building to be in an SFHA when it had not been in an SFHA. The waiting period rule listed under B.1 or B.2 must be applied.

7. New Policy (rewrite Standard to PRP)--The 30-day waiting period does not apply when an insured decides to rewrite the existing policy at the time of renewal from Standard to a Preferred Risk Policy (PRP), provided that the selected PRP coverage limit amount is no higher than the next highest PRP amount above that which was carried on the Standard policy using the highest of building and contents coverage. In those cases where the Standard policy has only one kind of coverage, either building or contents only, the 30-day waiting period applies.

In addition, if the structure is no longer eligible under the PRP or the insured decides to rewrite the existing PRP at renewal time to a Standard policy, the 30-day waiting period does not apply provided the coverage limit amount is no more than the previous PRP coverage amount or the next higher PRP amount above that.

8. New Policy (contents only)--Unless the contents are part of the security for a loan, the 30-day waiting period applies to the purchase of contents-only coverage.
9. New Policy (documentation required)--The insurer may rely on an agent's

representation on the application that the loan exception applies unless there is a loss during the first 30 days of the policy period. In that case, the insurer must obtain documentation of the loan transaction, such as settlement papers, before adjusting the loss.

10. Community's Initial Entry or Conversion from Emergency to Regular Program--Process according to rules 1 through 9 above and 11 below.
11. Endorsements--With two exceptions (described below), the effective date for a new coverage or an increase in limits on a policy in force shall be 12:01 a.m., local time, on the 30th calendar day following the date of endorsement and the presentment of additional premium, or on such later date set by the insured to conform with the reason for the change.

The *two exceptions* are as follows.

First, during the 13-month period beginning on the effective date of a map revision, the effective date of an endorsement of an existing policy shall be 12:01 a.m., local time, following the day after the application date and the presentment of premium. This rule applies only where the FHBM or FIRM is revised to show the building to be in an SFHA when it had not been in an SFHA.

Second, the 30-day waiting period does not apply when the additional amount of flood insurance is required in connection with the making, increasing, extending, or renewing of a loan, such as a second mortgage, home equity loan, or refinancing. The increased amount of flood coverage shall be effective at the time of loan closing, provided that the increased amount of coverage is applied for and the presentment of additional premium is made at or prior to the loan closing. The waiting period rule listed under B.1 or B.2 above does not apply.

The insurer may rely on an agent's representation on the endorsement that the loan exception applies unless there is a loss during the first 30 days of the policy period. In that case, the insurer must obtain documentation of the loan transaction, such as settlement papers, before adjusting the loss.

12. Renewals (inflation increase option)--The 30-day waiting period does not apply when an additional amount of insurance is requested at renewal time that is no more than the amount of increase recommended by the insurer on the renewal bill to keep pace with inflation. If a revised renewal offer is generated at least 30 days before renewal with coverage more than the inflation increase option, the new limits will apply at policy renewal.

In either situation, the increased amount of coverage will be effective at 12:01 a.m. on the date of policy renewal provided the premium for the increased coverage is received before the expiration of the grace period.

13. Renewals (higher PRP limits)--The waiting period does not apply to a renewal offer to the insured for the next higher limits available under the PRP.
14. Renewals (deductible reduction)--The 30-day waiting period does not apply to a reduction of the deductible effective as of the renewal date.

## **IX. COVERAGE**

### **A. Limits of Coverage**

Coverage may be purchased subject to the maximum limits of coverage available under the Program phase in which the community is participating. Duplicate policies are not allowed.

### **B. Deductibles**

Deductibles apply separately to building coverage and to contents coverage.

### **C. Coverage D - Increased Cost of Compliance (ICC) Coverage**

For all new and renewal policies effective on or after May 1, 2003, the ICC limit of liability is \$30,000.

The SFIP pays for complying with a State or local floodplain management law or ordinance affecting repair or reconstruction of a structure suffering flood damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities) of the insured structure. Eligible floodproofing activities are limited to non-residential structures and residential structures



with basements that satisfy FEMA's standards published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].

ICC coverage is mandatory for all Standard Flood Insurance Policies, except that coverage is not available for:

1. Policies issued or renewed in the Emergency Program.
2. Condominium units, including townhouse/rowhouse condominium units. (The condominium association is responsible for complying with mitigation requirements.)
3. Group Flood Insurance Policies.
4. Appurtenant structures, unless covered by a separate policy.

ICC coverage contains exclusions in addition to those highlighted here. See the policy for a list of exclusions.

To be eligible for claim payment under ICC, a structure must:

- a. Be a repetitive loss structure as defined, for which NFIP paid a previous qualifying claim, in addition to the current claim. The state or community must have a cumulative, substantial damage provision or repetitive loss provision in its floodplain management law or ordinance being enforced against the structure; *OR*
- b. Be a structure that has sustained substantial flood damage. The state or community must have a substantial damage provision in its floodplain management law or ordinance being enforced against the structure.

The ICC premium is not eligible for the deductible discount. First calculate the deductible discount, then add in the ICC premium for each policy year.

#### **D. Reduction of Coverage Limits or Reformation**

In the event that the premium payment received is not sufficient to purchase the amounts of insurance requested, the policy shall be deemed to provide only such insurance as can be purchased for the entire term of the policy for the amount of premium received.

Complete provisions for reduction of coverage limits or reformation are described in:

1. Dwelling Form, section VII, paragraph G.

2. General Property Form, section VII, paragraph G.
3. Residential Condominium Building Association Policy, section VIII, paragraph G.

## **X. SPECIAL RATING SITUATIONS**

### **A. Tentative Rates**

Tentative rates are applied when producers are unable to provide all required underwriting information necessary to rate the policy. Tentatively rated policies cannot be endorsed to increase coverage limits or renewed for another policy term until required actuarial rating information and full premium payment are received by the NFIP. If a loss occurs on a tentatively rated policy, the loss payment will be limited by the amount of coverage that the premium initially submitted will purchase (using the correct actuarial rating information), and not the amount requested by application.

### **B. Submit-For-Rate**

Some risks, because of their unique underwriting characteristics, cannot be rated using this manual. Certain risks must be submitted to the NFIP Underwriting Unit to determine the appropriate rate. Refer to page GR 9 for the applicable waiting period.

Submit-for-rate policies must be rerated annually using the newest rates. If the NFIP Direct or WYO company does not have all the underwriting information, it must request the missing information from the insured in order to properly rate the risk.

Pre-FIRM risks may not be rated using the submit-for-rate process.

### **C. Provisional Rates**

Rules applicable to provisionally rated policies are provided in the Provisional Rating section of this manual.

### **D. Buildings in More Than One Flood Zone**

Buildings, not the land, located in more than one flood zone must be rated using the more hazardous zone.

This condition applies even though the portion of the building located in the more hazardous zone may not be covered under the SFIP, such as a deck.

## **XI. MISCELLANEOUS RULES**

### **A. Policy Term**

The policy term available is 1 year for both NFIP Direct business policies and policies written through WYO Companies.

### **B. Application Submission**

Flood insurance applications and presentment of premium must be mailed promptly to the NFIP. The date of receipt of premium for the NFIP insurer is determined by either the date received at its offices or the date of certified mail.

In the context of submission of applications, endorsements, and premiums to the NFIP, the term "certified mail" has been broadened to include not only the U.S. Postal Service but also certain third-party delivery services. For details, see the paragraph following VIII.B.2. on page GR 8.

Producers are encouraged to submit flood insurance applications by certified mail. Certified mail ensures the earliest possible effective date if the application and premium are received by the NFIP insurer more than 10 days from the application date. The date of certification becomes the date of receipt at the NFIP.

### **C. Delivery of the Policy**

The producer is responsible for delivering the declarations page and the policy contract of a new policy to the insured and, if appropriate, to the lender. Renewal policy documentation is sent directly to the insured.

### **D. Assignment**

A property owner's flood insurance building policy may be assigned in writing to a purchaser of the insured property upon transfer of title without the written consent of the NFIP.

Policies on buildings in the course of construction and policies insuring contents only may not be assigned.

### **E. Producers' Commissions (Direct Business Only)**

The earned commission may be paid only to property or casualty insurance producers duly licensed by a state insurance regulatory authority. It shall not be less than \$10 and is computed for both new and renewal policies as follows: Based on the Total Prepaid Amount (less the Federal Policy Fee) for the policy term, the commission will be 15 percent of the first \$2,000 of annualized premium and 5 percent on the excess of \$2,000.

Calculated commissions for mid-term endorsements and cancellation transactions will be based upon the same commission percentage that was paid at the policy term's inception.

Commissions for all Scheduled Building Policies are computed as though each building and contents policy was separately written.

For calculation of commission on an RCBAP, see the CONDO section.

substantial improvement started or the building permit date.

If the building was substantially damaged, enter the actual month, day, and year that substantial damage occurred. Substantial improvement includes buildings that have incurred "substantial damage" regardless of the actual repair work performed. The agent must obtain and submit a statement from a community official before the building can be considered substantially damaged.

If the policy is for a manufactured (mobile) home or travel trailer located outside a manufactured (mobile) home park or subdivision, enter the date of permanent placement of the manufactured (mobile) home. See the Rating section of this manual for rules for manufactured (mobile) homes located in manufactured (mobile) home parks and subdivisions.

Compare the date of construction or substantial improvement with the effective date of the initial FIRM to determine if the building was constructed Pre- or Post- the effective date of the initial FIRM.

- Substantial Improvement Exception

For new applications, renewal applications, and endorsements when making a *rating correction concerning a substantial improvement* to a Pre-FIRM building where the improvement is an addition to the building and it meets the conditions of Pre-FIRM construction, found on pages RATE 15-16 of this manual, the producer should complete the Construction Data section of the Application as follows:

- a. Enter the date of construction for the Pre-FIRM part of the building (not the date of construction of the addition). This date will be shown as the construction date on the declarations page.
- b. Do not respond to the question IS BUILDING POST-FIRM CONSTRUCTION? Instead, complete the top part of this section as follows:

"Substantial Improvement but continues to be Pre-FIRM."

- c. Supply the elevation data for the ADDITION.

- d. Complete the remainder of both parts of the Construction Data section in the usual manner.

If a policyholder elects to use the normal Post-FIRM rating for substantial improvement, the producer must complete Part 2 of the Application as indicated.

## 2. Elevation Information

Elevation information must be completed in the second part of the Construction Data section.

- Post-FIRM Construction

Check YES if the building is Post-FIRM construction or substantial improvement; otherwise, check NO.

- Building Diagram Number and Lowest Adjacent Grade

Provide the building diagram number and lowest adjacent grade from the Elevation Certificate (EC).

NOTE: All new business applications for elevation-rated risks with a policy effective date of January 1, 2007, or later must be accompanied by the new EC form. The EC must meet all photo requirements described on pages CERT 1-2 of this manual. *An EC submitted without the required photographs is not considered valid for rating.*

The lowest adjacent grade is not required for buildings without estimated BFE located in AO and unnumbered A and V zones. Policies rated using the Floodproofing Certificate do not require either the lowest adjacent grade or the diagram number.

In communities that participate in the NFIP's Community Rating System (CRS), building elevation information may be available from the community office in charge of building permits or floodplain management.

- Elevation Information for Buildings in the Course of Construction

When the building is in the course of construction, the elevation information provided by the surveyor on the EC must be based on the proposed architectural plans. The NFIP requires the agent to describe and rate the structure based on the proposed plans.

Buildings in the course of construction are to be rated the same as completed construction. A renewal application and a new EC are required at renewal time. For example, if the building is elevated and the proposed plans show an enclosure, the building must be described as elevated with an enclosure. The only exception is when an EC was prepared in the course of construction, and the surveyor was able to provide all elevation information required on the EC.

- Lowest Floor Elevation and Related Items

Use the eight building diagrams on pages CERT 18-19 to determine the correct lowest floor. See pages LFG 1-7 for information about determining the lowest floor for rating. When entering elevation data, **drop hundredths of a foot** and show only tenths of a foot. For example, if the elevation difference is 10.49', enter 10.4'; do not round up to 10.5'.

- Wave Height Adjustment

In Zones V, V1-V30, and VE, if NO is checked for the question about Effects of Wave Action, refer to page RATE 29 for guidelines for FIRMS with wave heights.

- Floodproofing

If YES is checked for Floodproofed and the FIRM zone entered in the Community section of the Application is V, V1-V30, or VE, the Application must be submitted to the NFIP for underwriting and rating. For all other zones, refer to pages RATE 30-31 for elevation difference and rating guidelines.

- Elevation Certification

Enter the elevation certification date for all new business applications.

## M. Coverage and Rating

Check desired coverage against the "Amount of Insurance Available" table on page RATE 1. Then enter the limits, indicate the rates and rate type, and add additional charges/credits, i.e., deductible reduction/increase, ICC Premium, CRS Premium Discount, Probation Surcharge (if any), and Federal Policy Fee. Calculate the Total Prepaid Amount.

## N. Signature

The producer must sign the Application and is responsible for the completeness and accuracy of the information provided on it. Enter the date of application (month/day/year). The waiting period is added to this date to determine the policy effective date of the policy listed in the Policy Term section. A check or money order for the Total Prepaid Amount, payable to the NFIP, must accompany the application.

A credit card payment by VISA, MasterCard, Diner's Club, or American Express will also be acceptable if a disclaimer form, signed by the insured, is submitted with the Flood Insurance Application. The disclaimer will state that cancellation of a policy due to a billing dispute will be permitted only for a billing error or fraud. If the credit card information is taken over the telephone by the producer, the producer may sign the authorization form on behalf of the payor only after having read the disclaimer to the payor.

## V. COMPLETING PART 2 OF THE FLOOD INSURANCE APPLICATION FORM

After completing Part 1 of the Flood Insurance Application, the producer must complete all relevant items in Part 2 of the Application for the following risks:

- Post-FIRM construction located in Zones A1-A30, AE, AH, AO, A, V1-V30, VE, and V.
- Pre-FIRM construction using optional Post-FIRM rating located in Zones A1-A30, AE, AH, AO, A, V1-V30, VE, and V.

Part 2 of the Application collects information about risk factors affecting the building, occupancy information, and elevation data

relative to the ground level. A completed Elevation Certificate must be attached to the Application before sending it to the NFIP.

To complete Part 2 of the Application, the producer must:

- Obtain all necessary information from the applicant. Then select the building diagram that best illustrates the applicant's building. These diagrams are shown in the Elevation Certificate and Instructions, which are reproduced in the Special Certifications section of this manual.
- Transcribe the information from the applicant and Elevation Certificate onto Part 2 of the Application. For renewal applications, enter the policy number in the space at the top of the form. Be sure to have the applicant or the applicant's representative sign and date the bottom of the form.

The applicant or the applicant's representative must complete all numbered sections of the form, check all appropriate boxes, provide all information, and respond to all YES/NO questions that are applicable to the building. (For example, Section II should be completed only for Elevated Buildings.)

### **SECTION I—ALL BUILDING TYPES**

1. The number of the building diagram selected is entered here. Use the diagrams shown at the end of the Elevation Certificate and Instructions.
- 2-4. The agent may obtain the requested elevation information from Section C of the Elevation Certificate, or the applicant or the applicant's representative may provide this information. If the applicant or the applicant's representative furnishes these measurements, they must be taken with a ruler or tape measure. All measurements are rounded to the nearest foot using the ground (grade) immediately next to the building.

NOTE: The terms "grade" and "ground" are used interchangeably. The intent is that man-made alterations of the grade, such as a declining driveway into a building or a dugout entrance to a basement, do not represent ground level.

5. If "OTHER" is checked in Question 5b, a brief description of the source must be provided.

6. If the answer to Question 6a is NO, Question 6b should be disregarded.
7. If the answer to Question 7a is NO, Questions 7b, 7c, 7d, and 7e should be ignored.

### **SECTION II—ELEVATED BUILDINGS**

If the building is a manufactured (mobile) home/travel trailer that has been elevated, complete this section in addition to Sections I and III.

8. Check the type of foundation used for the building.
9. If YES is checked, check the appropriate item(s).
10. **Refer to page LFG 1** to verify that the area below the elevated floor satisfies the definition of an enclosed area.

If Question 10a is NO, do not answer Questions 10b through 10f.

In Question 10b, enter the size of the area in square feet.

If Question 10c is YES, check the single most appropriate of boxes 1-4.

In Question 10d, check YES if the area is constructed with openings (excluding doors), within 1 foot of adjacent grade, to allow the passage of flood waters. Enter the number of openings and their total area in square inches.

If Question 10e is YES, provide a description.

In Question 10f, check YES if the enclosed area has more than 20 linear feet of finished wall, paneling, etc.; otherwise, check NO.

### **SECTION III—MANUFACTURED (MOBILE) HOMES/TRAVEL TRAILERS**

11. Fill in the make, year of manufacture, model number, and serial number.
12. Enter the dimensions, excluding any permanent addition or extension to the manufactured (mobile) home or travel trailer.

13. Check YES if permanent additions or extensions are present; otherwise, check NO. If YES, enter dimensions.
14. If OTHER is checked, describe the anchoring system.
15. Check the appropriate box for how the manufactured (mobile) home was installed.
16. Check YES if the manufactured (mobile) home is located in a manufactured (mobile) home park or subdivision; otherwise, check NO.

## **VI. MAILING INSTRUCTIONS**

After completing all sections on the Application, attach all required certifications or other documents to the applicant's check, draft, or money order, payable to the NFIP for the Total Prepaid Amount.

A credit card payment by VISA, MasterCard, Diner's Club, or American Express will also be acceptable if a disclaimer form, signed by the insured, is submitted with the Flood Insurance Application. The disclaimer will state that cancellation of a policy due to a billing dispute will be permitted only for a billing error or fraud. If the credit card information is taken over the telephone by the producer, the producer may sign the authorization form on behalf of the payor only after having read the disclaimer to the payor.

Mail the original copy of the Application with the Total Prepaid Amount to the NFIP. Distribute copies of the Application to the agency file, the applicant, and the mortgagee. A copy of the Application and a copy of the premium payment are sufficient to satisfy the mortgagee's proof-of-purchase requirements.

After receipt of the Application and total prepaid amount, the NFIP will process the Application

and issue the policy. The policy contract and declarations page will be mailed to the insured. Copies of the declaration page will be mailed to the producer and mortgagee(s).

## **VII. HANDLING OF INCOMPLETE OR INCORRECT APPLICATIONS**

If an Application is not complete, or if the information presented on the Application is not correct, the Application will not be processed but will be placed in a pending file until the completed or corrected information is provided by the producer. For the NFIP direct business, if the missing information is not provided, a policy will be issued using Tentative Rates. If insufficient information is available to tentatively rate the policy, the flood insurance will be rejected and the premium remittance refunded.

For NFIP direct business, in the case of incomplete applications, the NFIP Servicing Agent will send the producer a transmittal document and a letter requesting the incomplete or missing information. Copies of this letter will be provided to the named insured and mortgagee(s). The producer should provide the additional or corrected information to the NFIP Servicing Agent along with the transmittal document.

Since coverage cannot be conferred in excess of the coverage that can be purchased for the amount presented (received by the NFIP), it is important that underpayment errors be corrected immediately. In the case of an underpayment, when both building and contents coverage have been requested, the coverage reduction will be prorated between building and contents in accordance with NFIP rules. The ratio of building to contents coverage for the full requested coverage will be used to determine the portion of the submitted premium available to purchase building and contents coverage.

The NFIP **Flood Insurance Application** does not appear in this revision,  
pending OMB approval of a new expiration date.







## RATING

This section contains information, including rate tables, required to accurately rate a flood insurance policy. Information and rates for the Preferred Risk Policy (PRP) and Residential Condominium Building Association Policy (RCBAP) are found in their respective sections.

The detailed drawings, and accompanying text and tables, in the Lowest Floor Guide section are to be used as a guide for identifying the lowest floor for rating buildings. This guide will assist in developing the proper rate for the building.

Examples of some rating situations are shown on pages RATE 47 through RATE 61.

A premium table for single family Pre-FIRM buildings located in Special Flood Hazard Areas (SFHAs) is located on page RATE 11. These premiums were calculated using Rate Table 2. This premium table is included in this manual to help the agent more easily quote premiums for buildings that do not require elevation certification.

### I. AMOUNT OF INSURANCE AVAILABLE

	EMERGENCY PROGRAM	REGULAR PROGRAM		
		Basic Insurance Limits	Additional Insurance Limits	Total Insurance Limits
<b>BUILDING COVERAGE</b>				
Single Family Dwelling	\$ 35,000 *	\$ 50,000	\$200,000	\$250,000
2-4 Family Dwelling	\$ 35,000 *	\$ 50,000	\$200,000	\$250,000
Other Residential	\$100,000**	\$150,000	\$100,000	\$250,000
Non-Residential	\$100,000**	\$150,000	\$350,000	\$500,000
<b>CONTENTS COVERAGE</b>				
Residential	\$ 10,000	\$ 20,000	\$ 80,000	\$100,000
Non-Residential	\$100,000	\$130,000	\$370,000	\$500,000

\* In Alaska, Guam, Hawaii, and U.S. Virgin Islands, the amount available is \$50,000.

\*\* In Alaska, Guam, Hawaii, and U.S. Virgin Islands, the amount available is \$150,000.

**NOTE: For RCBAP, refer to CONDO Section for basic insurance limits and maximum coverage available.**

### II. RATE TABLES

Rate tables are provided for the Emergency Program and for the Regular Program according to Pre-FIRM, Post-FIRM, and zone classifications. Tables 1-5 show annual rates per

\$100 of coverage. Table 6 provides precalculated Pre-FIRM premiums for various coverage limits. See Table 7 for Federal Policy Fee and Probation Surcharge.

**TABLE 1. EMERGENCY PROGRAM RATES**  
**ANNUAL RATES PER \$100 OF COVERAGE**  
**(Basic/Additional)**

	Building	Contents
Residential	.76	.96
Non-Residential	.83	1.62

**TABLE 2. REGULAR PROGRAM -- PRE-FIRM CONSTRUCTION RATES<sup>1, 2</sup>**  
**ANNUAL RATES PER \$100 OF COVERAGE**  
**(Basic/Additional)**

**FIRM ZONES A, AE, A1-A30, AO, AH, D**

OCCUPANCY		Single Family		2-4 Family		Other Residential		Non-Residential	
		Building	Contents	Building	Contents	Building	Contents	Building	Contents
BUILDING TYPE	No Basement/Enclosure	.76 / .40	.96 / .72	.76 / .40		.76 / .83		.83 / .71	
	With Basement	.81 / .59	.96 / .60	.81 / .59		.76 / .69		.88 / .69	
	With Enclosure	.81 / .71	.96 / .72	.81 / .71		.81 / .88		.88 / .88	
	Manufactured (Mobile) Home <sup>3</sup>	.76 / .40	.96 / .72					.83 / .71	
CONTENTS LOCATION	Basement & Above				.96 / .60		.96 / .60		1.62 / 1.20
	Enclosure & Above				.96 / .72		.96 / .72		1.62 / 1.44
	Lowest Floor Only - Above Ground Level				.96 / .72		.96 / .72		1.62 / .63
	Lowest Floor Above Ground Level and Higher Floors				.96 / .49		.96 / .49		1.62 / .53
	Above Ground Level - More than One Full Floor				.35 / .12		.35 / .12		.24 / .12
	Manufactured (Mobile) Home <sup>3</sup>								1.62 / .63

**FIRM ZONES V, VE, V1-V30**

OCCUPANCY		Single Family		2-4 Family		Other Residential		Non-Residential	
		Building	Contents	Building	Contents	Building	Contents	Building	Contents
BUILDING TYPE	No Basement/Enclosure	.99 / 1.03	1.23 / 1.79	.99 / 1.03		.99 / 1.93		1.10 / 1.93	
	With Basement	1.06 / 1.55	1.23 / 1.50	1.06 / 1.55		1.06 / 2.89		1.16 / 2.89	
	With Enclosure	1.06 / 1.83	1.23 / 1.79	1.06 / 1.83		1.06 / 3.23		1.16 / 3.23	
	Manufactured (Mobile) Home <sup>3</sup>	.99 / 4.76	1.23 / 1.79					1.10 / 7.92	
CONTENTS LOCATION	Basement & Above				1.23 / 1.50		1.23 / 1.50		2.14 / 3.43
	Enclosure & Above				1.23 / 1.79		1.23 / 1.79		2.14 / 3.70
	Lowest Floor Only - Above Ground Level				1.23 / 1.79		1.23 / 1.79		2.14 / 3.09
	Lowest Floor Above Ground Level and Higher Floors				1.23 / 1.57		1.23 / 1.57		2.14 / 2.65
	Above Ground Level - More than One Full Floor				.47 / .29		.47 / .29		.45 / .39
	Manufactured (Mobile) Home <sup>3</sup>								2.14 / 7.44

**FIRM ZONES A99, B, C, X**

OCCUPANCY		Single Family		2-4 Family		Other Residential		Non-Residential	
		Building	Contents	Building	Contents	Building	Contents	Building	Contents
BUILDING TYPE	No Basement/Enclosure	.64 / .17	.99 / .30	.64 / .17		.61 / .17		.61 / .17	
	With Basement	.73 / .24	1.12 / .35	.73 / .24		.78 / .24		.78 / .24	
	With Enclosure	.73 / .28	1.12 / .40	.73 / .28		.78 / .28		.78 / .28	
	Manufactured (Mobile) Home <sup>3</sup>	.64 / .31	.99 / .30					.78 / .32	
CONTENTS LOCATION	Basement & Above				1.26 / .46		1.26 / .46		1.30 / .50
	Enclosure & Above				1.26 / .53		1.26 / .53		1.30 / .60
	Lowest Floor Only - Above Ground Level				.99 / .48		.99 / .48		.80 / .35
	Lowest Floor Above Ground Level and Higher Floors				.99 / .30		.99 / .30		.80 / .25
	Above Ground Level - More than One Full Floor				.35 / .12		.35 / .12		.22 / .12
	Manufactured (Mobile) Home <sup>3</sup>								.70 / .43

<sup>1</sup> Start of construction or substantial improvement on or before 12/31/74, or before the effective date of the initial Flood Insurance Rate Map (FIRM). If FIRM Zone is unknown, use rates for Zones A, AE, A1-A30, AO, AH, D.

<sup>2</sup> Pre-FIRM buildings with subgrade crawl spaces that are below the Base Flood Elevation (BFE) may use optional Post-FIRM elevation rating. Follow the procedures from the Specific Rating Guidelines for policy processing.

<sup>3</sup> The definition of Manufactured (Mobile) Home includes travel trailers. See page APP 3.

## V. RATING STEPS

A. Determine the exact location of the building and/or contents to be insured. IF THE MAILING ADDRESS DIFFERS FROM THE PROPERTY ADDRESS, USE THE PROPERTY ADDRESS ONLY.

B. Determine if the building is located in an eligible community.

Not all communities participate in the NFIP. There is NO COVERAGE available in non-participating communities. If you are uncertain, call the NFIP insurer, consult a local community official, or check the NFIP *Community Status Book* online (<http://www.fema.gov/fema/csb.shtm>).

C. Determine the NFIP program phase (Emergency or Regular) and the community in which the property is located.

Some communities may be eligible for premium discounts under the Community Rating System (CRS). See the CRS Section for a list of eligible communities, the corresponding discounts, and an example showing how to apply the CRS discount.

D. Determine the location of the contents in the building.

E. Determine the date of construction as described below.

- Date of Construction—Buildings

For flood insurance purposes, the date of construction for buildings under the NFIP must be determined in order to establish whether the building is Pre-FIRM or Post-FIRM construction.

The start of construction or substantial improvement for insurance purposes means the date the building permit was issued, provided the actual start of construction, repair, reconstruction, or improvement was within 180 days of the permit date.

For the Coastal Barrier Resources System, the start of construction or substantial improvement, for insurance purposes, must be determined in accordance with the documentation requirements set forth by the Coastal

Barrier Resources Act (CBRA). (See the Coastal Barrier Resources System Section.)

- Date of Construction—Manufactured (Mobile) Homes/Travel Trailers

The date of construction for a manufactured (mobile) home is different from a standard building and depends upon the location of the manufactured (mobile) home.

For manufactured (mobile) homes located in manufactured (mobile) home parks or subdivisions, the date of construction is the date facilities were constructed for servicing the manufactured (mobile) home site, or the date of the permit, provided that construction began within 180 days of the permit date. This rule applies to all manufactured (mobile) homes even if the manufactured (mobile) home is rated and classified as single family.

For manufactured (mobile) homes not located in manufactured (mobile) home parks or subdivisions, but located on individually owned lots or tracts of land, the date of construction is the date the manufactured (mobile) home was permanently affixed to the site or the permit date if affixed to the site within 180 days of the date of permit.

- Pre-FIRM Construction

For the purpose of determining insurance rates, buildings for which the start of construction or substantial improvement was on or before December 31, 1974, or before the effective date of the initial FIRM for the community, are considered Pre-FIRM construction. However, for insurance purposes, manufactured (mobile) homes that are located or placed in existing manufactured (mobile) home parks or subdivisions, or expansions to existing manufactured (mobile) home parks or subdivisions, are considered Pre-FIRM.

All historic buildings are considered Pre-FIRM as long as the building meets the definition of a historic building. (See the Definitions Section.)

Pre-FIRM buildings that are substantially improved may continue being rated as Pre-FIRM if certain conditions are satisfied. Pre-FIRM rating is applicable ONLY when ALL of the following conditions are met:

- The building must be Pre-FIRM.
- The substantial improvement must be an ADDITION to the building. (This condition excludes substantial improvements made as interior remodeling or repair projects.)
- The ADDITION and extension must be next to and in contact with the existing building. (This condition does not apply to substantial improvements consisting of the construction of additional floors.)
- An Elevation Certificate must be submitted to the NFIP Underwriting Unit with the application or renewal. The Elevation Certificate must verify that the lowest floor elevation of the ADDITION is at or above the applicable base flood elevation in effect at the time the addition is started.

NOTE: All new business applications or renewals for elevation-rated risks with a policy effective date of January 1, 2007, or later must be accompanied by the new EC form. The EC must meet all photo requirements described on pages CERT 1-2 of this manual. *An EC submitted without the required photographs is not considered valid for rating.*

If all of the above conditions are satisfied, the entire building is eligible for Pre-FIRM rates. (Except for some V-Zone risks and some manufactured [mobile] home risks, Post-FIRM rates provide less costly coverage and, therefore, the coverage may be rated using the lower Post-FIRM rates.)

If the above conditions are not satisfied, the entire building MUST be rated as Post-FIRM.

- Post-FIRM Construction

For insurance rating purposes, buildings for which the start of construction or substantial improvement was after December 31, 1974, or on or after the effective date of the initial FIRM for the community, whichever is later, are considered Post-FIRM construction. This would include all manufactured (mobile) homes located in either new manufactured (mobile) home parks or subdivisions or outside of existing manufactured (mobile) home parks or subdivisions.

## VI. PREMIUM CALCULATION

### A. Emergency Program

1. Determine Occupancy Type: Residential or Non-Residential.
2. Calculate premium using appropriate rates.
3. Apply appropriate deductible factor if an Optional Deductible is selected.
4. Add Federal Policy Fee.

### B. Regular Program

1. Determine if the property to be insured is Pre-FIRM or Post-FIRM. A Pre-FIRM premium table for standard risk, single family property is located on page RATE 11.
2. Determine Zone.
3. Determine Occupancy: Single Family, 2-4 Family, Other Residential, Non-Residential, or Manufactured (Mobile) Home.
4. Determine Building Type (including basement or enclosure, if any): one floor, two floors, three or more floors, split level, or manufactured (mobile) home on foundation.
5. Determine if building has basement (or enclosed area below an elevated building): none, finished, or unfinished.
6. Determine Elevation Difference.
7. Calculate premium using the appropriate rates.
8. Apply appropriate deductible factor if an Optional Deductible is selected.

9. The ICC premium is not subject to deductible factors. First calculate the deductible amount, then add in the ICC premium, for each policy year.
10. Apply CRS discount, if applicable.
11. Add \$50.00 Probation Surcharge if building is located in a community on probation.
12. Add Federal Policy Fee.

## **VII. KEY POINTS FOR RATING**

### **A. Basic Limits and Additional Limits**

For rating purposes in the Regular Program, separate rates have been established for the Basic Limits and the Additional Limits.

### **B. Whole Dollars**

NFIP accepts premium only in WHOLE DOLLARS. If the discount for an optional deductible does not result in a whole dollar premium, round up if 50¢ or more; round down if less. ALWAYS SUBMIT GROSS PREMIUM.

### **C. Increased Cost of Compliance (ICC) Premium**

Total Prepaid Amount will include ICC premium. The ICC premium is not subject to deductible factors, but the CRS discount will apply.

### **D. Federal Policy Fee**

A Federal Policy Fee shall be charged for all new and renewal policies, including the Preferred Risk Policy. This fee is fully earned on the effective date of the policy, except as indicated in the Cancellation/Nullification Section. This fee is not subject to earned commissions and, as such, is not considered part of the Total Prepaid Premium. The Federal Policy Fee must, however, be added to the Total Prepaid Premium in order to figure the Total Prepaid Amount.

Under the Residential Condominium Building Association Policy, the Federal Policy Fee is based on the number of units (see CONDO Section).

### **E. Buildings in More Than One Flood Zone**

Buildings, not the land, located in more than one zone must be rated using the more hazardous zone.

This condition applies even though the portion of the building located in the more hazardous zone may not be covered under the SFIP, such as a deck.

### **F. Mortgagee on Policy—Higher Deductible Requested**

When a mortgagee is listed on the policy, their WRITTEN CONSENT should be secured before requesting a deductible higher than the applicable SFIP deductible.

## **VIII. REGULAR PROGRAM, POST-FIRM ELEVATION-RATED RISKS**

### **A. Elevation Difference**

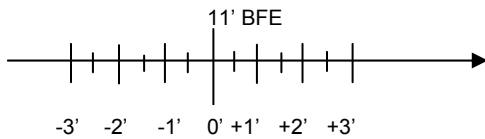
The elevation difference is the difference between the lowest floor used for rating and the Base Flood Elevation (BFE). The elevation difference must be determined if the building is Post-FIRM located in a Special Flood Hazard Area (SFHA) and within a Regular Program community.

Refer to the Lowest Floor Guide section for a guide to determining the lowest floor. Note that, in Puerto Rico, elevations are based on meters rather than feet. Before rating the flood insurance premium, the agent must convert the meter elevations into feet.

For rating purposes, the elevation difference is the difference, measured in feet, between the lowest floor elevation of the building to be rated, and the BFE for that zone. The elevation difference can be a number of feet above (+) or below (-) the BFE.

If the BFE and/or the lowest floor elevation is shown in tenths (e.g., 10.5'), the agent must apply the rounding rule to the difference between the BFE and the lowest-floor-for-rating elevation. If the difference is negative, the final figure is rounded up from .5. If the difference is positive, the final figure is rounded up from .5. Always round to the higher elevation. For example, -3' is higher than -3.5' and +4' is higher than +3.5'.

**Rounding Rule Example:**



$10.5' \text{ LF} - 11.0' \text{ BFE} = -0.5'$

Because the difference is negative, it is rounded up to 0'.

$11.5' \text{ LF} - 11.0' \text{ BFE} = +0.5'$

Because the difference is positive, it is rounded up to 1.0'.

**B. Examples**

Examples to illustrate how to determine the elevation difference are provided below.

1. Zones A1-A30, AE, AR, AR Dual Zones, Post-'81 V1-V30, VE, and A (With Estimated BFE)

$\text{Lowest Floor Elevation} - \text{Base Flood Elevation (BFE)} = \text{Elevation Difference}$

*Examples:*

- a. Lowest Floor Elevation (+10') - BFE (+6') = Elevation Difference of (+4').
- b. Lowest Floor Elevation (+8.3') - BFE (+6.0') = Elevation Difference of (+2.3'); therefore, (+2.3') is rounded down to (+2.0').
- c. Lowest Floor Elevation (+12.4') - BFE (+8.8') = Elevation Difference of (+3.6'); therefore, (+3.6') is rounded up to (+4.0').
- d. Lowest Floor Elevation (+9.5') - BFE (+12.0') = Elevation Difference of (-2.5'); therefore, (-2.5') is rounded down to (-2').

2. Zone AH

$\text{Lowest Floor Elevation} - \text{Base Flood Elevation (BFE)} = \text{Elevation Difference}$

*Examples:*

- a. Lowest Floor Elevation (+4') - BFE (+2') = (+2'); use With Certification of Compliance rates.
- b. Lowest Floor Elevation (+6') - BFE (+8') = (-2'); use Without Certification of Compliance rates.
- c. Lowest Floor Elevation (+4') - BFE (+4') = (0'); use With Certification of Compliance rates.

3. Zone AO

In AO zones, the difference between the top of the bottom floor and the highest adjacent grade is the lowest floor elevation used for rating. If the lowest floor elevation is equal to or greater than the Base Flood Depth printed on the FIRM, use With Certification of Compliance rate. If the elevation difference is less than the Base Flood Depth, use Without Certification of Compliance rates. When no Base Flood Depth is printed on the FIRM, a depth of 2 feet must be used for rating purposes.

*Examples:*

- a. Lowest Floor Elevation (distance between the top of the bottom floor and the highest adjacent grade) (+5') - Base Flood Depth (3') = (+2'); use With Certification of Compliance rates.
- b. Lowest Floor Elevation (0') - Base Flood Depth (+1') = (-1'); use Without Certification of Compliance rates.
- c. Lowest Floor Elevation (+2') - (+2') (no published Base Flood Depth) = (0'); use With Certification of Compliance rates.

4. Zone A (With No Estimated BFE)

In Zone A where there is no established BFE, the difference between the top of the bottom floor and the highest adjacent grade is the lowest floor elevation used for rating.

*Examples:*

- a. Lowest Floor Elevation (distance between the top of the bottom floor and the highest adjacent grade) (+3') = (+3') for rating purposes (use No Estimated BFE rate table). The top of the bottom floor is 3' above the highest adjacent grade.

- b. Lowest Floor Elevation (-2') = (-2') for rating purposes. The top of the bottom floor is below the highest adjacent grade by 2'.

5. Zones V1-V30, VE Post-FIRM 1975-81

Lowest Floor Elevation - Base Flood Elevation (BFE) = Elevation Difference

### C. Optional Elevation Rating

Pre-FIRM construction, at the option of the applicant, may be rated using Pre- or Post-FIRM rating. Once it is determined which rating will provide a lower premium, a policy may be endorsed to obtain a lower rate.

Pre-FIRM buildings with subgrade crawl spaces that are below the Base Flood Elevation (BFE) may use optional Post-FIRM elevation rating. For policy processing, follow the Submit-for-Rate procedures on pages RATE 23-24. This is the only Pre-FIRM construction that can be rated using the Submit-for-Rate procedure.

### IX. PRE-FIRM ELEVATED BUILDING RATED AT PRE-FIRM RATES

Pre-FIRM elevated buildings **with no enclosures** beneath the lowest elevated floor are to be rated using the No Basement rates.

Pre-FIRM elevated buildings **with enclosures** beneath the lowest elevated floor are to be rated using the With Enclosure rates.

### X. AR ZONE AND AR DUAL ZONE RATING

NOTE: AR Dual Zones appear on the FIRM as AR/AE, AR/AH, AR/AO, AR/A1-A30, and AR/A.

For Pre-FIRM construction and Post-FIRM non-elevation rated risks, use the rates provided in Table 4.

Structures in AR and AR Dual Zones with an Elevation Certificate may be rated using the rates provided in Table 5.

### XI. POST-FIRM AO ZONE RATING

In Zone AO, when the base flood depth number is not printed on the FIRM, a base flood depth of 2 feet is an acceptable standard unless modified by community ordinance or state law. The difference from the top of the lowest floor to the highest adjacent ground (grade) must be greater than or equal to 2 feet in order to use the more favorable With Certification of Compliance rates. If the difference is less than 2 feet, the Without Certification of Compliance rates are to be used.

### XII. POST-FIRM RATING OF ELEVATED BUILDINGS IN ZONES B, C, X, A99, AND D

Post-FIRM elevated buildings in the above zones **with no enclosures** beneath the lowest elevated floor are to be rated using the No Basement/Enclosure rates.

Post-FIRM elevated buildings in the above zones **with enclosures** beneath the lowest elevated floor are to be rated using the With Enclosure rates.

### XIII. REGULAR PROGRAM V ZONE POST-FIRM CONSTRUCTION

#### A. Rating All V Zone Buildings

For an elevated building (building on posts, piles, or piers only) rated without an enclosure or obstruction, the Zone V, V1-V30, and VE rates do not take into consideration the flood risk associated with any addition of a habitable area (finished or used as living or work area) below the lowest elevated floor. Further, rates do not allow for any flood risk to the machinery or equipment used to service the building located below the lowest elevated floor.

NOTE: A 1975-81 risk with an unfinished enclosure under 300 square feet, with breakaway walls, and without machinery or equipment, can be rated without taking into account the enclosure, but a 1981 Post-FIRM risk cannot.

#### B. Zones VE and V1-V30—Enclosure Containing Machinery or Equipment Below BFE

Follow these steps when determining the lowest floor for rating in Zones **VE and V1-V30** where there is an enclosure containing machinery or equipment located below the BFE:

- The bottom of the enclosure slab is the correct floor for rating. Determine whether the elevation in Item C2.c on the new Elevation Certificate (EC) or Item C3.c on the old EC (bottom of lowest horizontal structural member) reflects the top or the bottom of the slab.
- If the lowest horizontal structural member is equal to or higher than Item C2.f on the new EC or Item C3.f on the old EC (lowest

adjacent grade), deduct (for 1-4 family residences) 12 inches from the elevation found in Item C2.c or Item C3.c and 18 inches for buildings other than 1-4 family. This estimated elevation is the elevation figure used for rating the flood insurance policy.

If the surveyor has used Item C2.a on the new EC or Item C3.a on the old EC (top of bottom floor including basement or enclosure) to indicate the elevation of the enclosure slab, then:

- The bottom of the enclosure slab is the correct floor for rating. Determine whether the elevation in Item C2.a or Item C3.a reflects the top or the bottom of the slab.
- If Item C2.a is equal to or higher than Item C2.f, or if Item C3.a is equal to or higher than Item C3.f, deduct (for 1-4 family residences) 12 inches from the elevation found in Item C2.a or Item C3.a and 18 inches for buildings other than 1-4 family. This estimated elevation is the elevation figure used for rating the flood insurance policy.

#### **C. 1975-81 Post-FIRM V Zone Construction**

1975-81 Post-FIRM V-Zone Construction refers to any V-Zone Post-FIRM building for which the start of construction or substantial improvement began January 1, 1975, through September 30, 1981.

#### **D. 1981 Post-FIRM V Zone Construction**

1981 Post-FIRM V-Zone Construction refers to any V Zone Post-FIRM building for which (1) the permit application date for the construction or substantial improvement is on or after October 1, 1981, or (2) the permit was issued before October 1, 1981, and the actual start date of construction did not begin within 180 days of the permit date.

#### **E. Elevated Buildings—1981 Post-FIRM V Zone Construction**

##### **1. Elevated Building Without Obstruction**

The area below the lowest elevated floor is open, with no obstruction, to allow the flow of floodwaters. Insect screening is permissible. Wooden or plastic lattice, slats, or shutters are also permissible if at least 40 percent of their area is open. Lattice can be no thicker than ½ inch; slats or shutters can be no thicker than 1 inch. Any machinery or equipment below the lowest elevated floor

must be at or above the BFE. Use the rates from Table 3E. For unnumbered Zone V, use Submit-for-Rate guidelines.

##### **2. Elevated Building With Obstruction**

The area below the Elevated Floor is enclosed, either partially or fully by solid perimeter foundation walls or breakaway walls. Use the rates from Table 3F provided that the enclosure is less than 300 square feet or contains machinery or equipment below the BFE. For unnumbered Zone V, use Submit-for-Rate guidelines.

##### **NOTE:**

- Equipment located below the lowest elevated floor constitutes an obstruction.
- For all non-elevated buildings, elevated buildings with non-breakaway walls below their lowest elevated floors, and elevated buildings with habitable or finished areas located below their lowest elevated floors, the submit-for-rate procedures should be followed. Producers should be sure to include a recent photograph or blueprints, including a site grading plan if ocean front, a copy of the variance, and an Elevation Certificate with the Application form.
- Any additions during the policy term or any subsequent policy term that would change the applicable rates must be endorsed to the policy. Any additional premium must be paid by the insured.

##### **3. Replacement Cost Ratio**

The replacement cost ratio is needed to select the proper rate for insurance on buildings in 1981 Post-FIRM Construction V, V1-V30, and VE Zones on or after October 1, 1981. The estimated building replacement cost is used in conjunction with the amount of the building insurance desired to determine the insurance-to-replacement-cost ratio.

Replacement cost is defined as the amount of money required to replace or repair the insured building in the event of loss or damage, without a deduction for depreciation. The replacement cost ratio is determined by dividing the amount of building coverage by the replacement cost of the building.



If the replacement cost of the building exceeds the maximum statutory building limit, use the replacement cost, not the maximum statutory building limit, in calculating the ratio. For example, if the building replacement cost is \$1,000,000 and the amount of building coverage requested is the maximum statutory building limit of \$250,000, the rate is .25, so use the rate listed for "Replacement Cost Ratio Under .50."

Place the rate in the appropriate box on the Application and continue with the premium calculation.

#### 4. Elevation Information

The lowest floor elevation must be identified for buildings in Zones V, V1-V30, and VE. Note that the lowest floor elevation is measured at the *bottom* of the lowest floor beam or slab, whichever is appropriate.

The BFE, including wave height, must be identified for any building located in Zones V1-V30 and VE.

### XIV. SPECIAL RATING SITUATIONS

#### A. Tentative Rates

Tentative rates are used to issue policies when producers fail to provide the required actuarial rating information. With tentative rates, a policy will be generated with coverage limits based on the actual premium received. Tentatively rated policies cannot be endorsed to increase coverage limits, or renewed for another policy term, until the required actuarial rating information and full premium payment are received.

Tentative rates are generally higher than the rates published in this manual (ranging from \$2 to \$10 per \$100 of coverage). When tentative rates are applied, a Declarations Page and a Tentative Rate Letter will be forwarded to the policyholder, producer, and mortgagee (if any), requesting the necessary information so that the proper rate can be determined.

If a loss occurs on a tentatively rated property, payment will be limited by the amount of coverage that the initially submitted premium will purchase using the correct actuarial rating information.

#### B. Alternative Rates

When a building is Pre-FIRM and the FIRM zone is unknown, an alternative rating procedure can be used only if the building is located in a community that does not have any V Zones. In these cases, the NFIP will presume that the building is located in a Special Flood Hazard Area, and the FIRM zone should be shown as Zone AA. AA is not a valid flood zone designation; rather, it is a rating method used when the flood zone is unknown. The rates for FIRM Zone A for Pre-FIRM properties should then be used to compute the premium.

The alternative rating procedure is also used by the NFIP for renewal of policies in communities that have converted from the Emergency Program to the Regular Program during a policy's term. Again, this procedure can be used only when the community has no V Zones. In these cases, the NFIP assigns an AS Zone designation, which is not a valid flood zone designation, but rather a rating method, and uses the Pre-FIRM Zone A rates to compute the premium.

In both of the above situations, the producer should determine the actual FIRM zone and submit a General Change Endorsement to correct the FIRM zone and premium. All corrections should be made as soon as possible within the initial policy term after an AA or AS Zone designation has been made. If the correct flood zone is not provided, no Renewal Premium Notice will be issued.

#### C. Map "Grandfather" Rules--Effect of Map Revisions on Flood Insurance Rates

A community will occasionally make structural improvements (dams, levees, etc.) to reduce the potential effects of flooding; experience new development aggravating the flooding situation, thereby expanding the floodplain; revise geographical boundaries resulting in the designation of additional flood hazard areas; or provide information to better delineate the BFE and/or flood insurance risk zones. When these situations occur, the FIRM is revised and republished.

The implementation of a new FIRM raises the question--HOW DOES THE NEW MAP AFFECT FLOOD INSURANCE RATES?

##### 1. Grandfather Rules

To recognize policyholders who have built in compliance with the FIRM and/or remained loyal customers of the NFIP by

maintaining continuous coverage, the Federal Emergency Management Agency has "Grandfather rules." These rules allow such policyholders to benefit in the rating for that building. For such buildings, the insured would have the option of using the current rating criteria for that property or having the premium rate determined by using the BFE and/or flood zone on the FIRM (old map) in effect when the building was originally constructed (for those built in compliance) or when coverage was first obtained (for those with continuous coverage). This results in a cost savings to insureds when the new map resulting from a map revision would result in a higher premium rate.

The conditions that must be met for an insured to be eligible to receive the rating benefit from the "Grandfather rules" after a map revision (new map) becomes effective are described below.

## 2. General Rule of Rating

Always use the new map if it will provide a more favorable premium (lower rate).

## 3. Existing Business--Renewal Policies

Policies written to cover either Post-FIRM or Pre-FIRM construction may be renewed and rated based on the FIRM and/or BFE in effect when the policy was initially rated as long as the coverage is continuous and the building has not been altered to make the reference level lower than the BFE on that FIRM. (NOTE: Alteration does not apply to Pre-FIRM construction or to risks grandfathered to a B, C, or X Zone.)

### a. Examples--Post-FIRM Construction

- A building was constructed in 1980. Coverage was purchased at the time of construction. The FIRM zone in effect was A1. The BFE was 10'. The Lowest Floor was 11'. The elevation difference was +1, and the policy was rated using a +1 elevation difference.

This policy was written and continuously renewed for 3 years. In 1983 a new map for the community was issued.

The property remained in an A1 Zone. However, the BFE became 12'. Because the lowest floor did not change, the elevation

difference was -1. Since continuous coverage existed on the policy and the building was not altered in any way, the policy can be rated using a +1 elevation difference.

- A building was constructed in 1980. The FIRM zone in effect was A. In 1983 the map was revised, which placed the building in a VE zone. Since continuous coverage existed and the building was not altered, the policyholder can continue to use Zone A in determining the rate.

### b. Example--Pre-FIRM Construction

At the time flood insurance coverage was applied for, the building was located in Zone A99. A new map designated the zone as AE. The policy may continue to be rated using Zone A99 rates on the old map as long as there is no interruption in coverage.

## 4. New Business--Applications for Coverage

### a. Post-FIRM Construction

NOTE: These rules apply to buildings in all zones, including Zone D.

If a new policy is applied for, the rates can be based on the FIRM zone and the BFE on the old map in effect on the date the building was constructed provided that:

- The building was built in compliance with the map in effect at the time of construction; and
- The building has not been altered in any way that has resulted in a lowest floor, for rating purposes, lower than the BFE on that FIRM (e.g., enclosing the area below an elevated building); and
- The building has not been substantially improved.

The property owner or producer must provide proper documentation to the WYO company or NFIP Servicing Agent. The documentation must show: the date of the FIRM; the zone on that FIRM in which the property is located; the BFE, if any, for that zone; a copy of the map panel showing the location of the building; and the rating element that is to be grandfathered. A letter from a community official verifying this information, or an Elevation Certificate, also is acceptable. ■

*Example:*

A building was constructed in 1980 and, according to the FIRM in effect at that time, was located in Zone AE. No insurance policy was purchased until 1990. At that time remapping had occurred and the zone had been changed to a more hazardous area, Zone VE. The new policy can use Zone AE as the rating zone if the required documentation is provided.

b. Pre-FIRM Construction

This “built in compliance” rule also applies to Pre-FIRM construction if the date of construction was on or before December 31, 1974, and was on or after the FIRM date.

*Example:*

A building was constructed in November 1974 and the FIRM date was May 3, 1973. The old map showed the building’s location as Zone C. Ten years later in 1984, a new map placed the building in an A zone. Flood insurance coverage was applied for after the map was revised. To use the old map showing Zone C as the rating zone, proper documentation must be submitted.

**D. Post-'81 V Zone Optional Rating**

This optional rating is available for new and renewal policies and endorsements with effective dates on or after October 1, 1997. Policies for 1975 through 1981 Post-FIRM and Pre-FIRM buildings in Zones VE and V1-V30 are allowed to use the Post-'81 V Zone rate tables (Tables 3E or 3F) if the rates are more favorable to the insured. In order to qualify, the following criteria must be met:

1. The policy must be rated using the BFE printed on the FIRM panel that includes wave height. The effective date of the FIRM panel must be on or after 10/1/81.
2. The building rates are determined based on the ratio of the estimated building replacement cost and the amount of insurance purchased.
3. The building must be elevated free of obstruction or with obstruction less than 300 square feet. All machinery and equipment

located below the BFE are considered obstructions.

**E. Policies Requiring Re-Rating**

The following conditions require that the policies be rated using the new map:

1. If an elevation-rated building is altered, making the lowest floor for rating purposes below the BFE.

*Example:*

An elevated building is located in an AE Zone at the time of construction. The Lowest Floor Elevation (LFE) was 18'. The BFE was 10'. The Lowest Floor rating was a +8 elevation differential. The map was revised, changing the BFE to 11'. The insured decided to enclose the area beneath the elevated floor and use it as a living area. This changed the LFE to 9'. Due to the alteration, the new map must be used and the building is rated as -2.

2. If a Pre-FIRM or Post-FIRM building is substantially improved or substantially damaged, the building must be re-rated using the FIRM in effect at the time that the substantial improvement occurred. A newer FIRM can always be used if it will result in a more favorable rating.

*Example:*

A building was constructed in 1972 and, when flood insurance was applied for in 1976, was found to be located in Zone C. The FIRM was revised in 1984. The building was substantially improved in 1985. Due to the improvement, the building must now be re-rated as Post-FIRM construction using the 1984 map, or the most recent map can be used if it will result in a more favorable rating.

If ineligible for renewal as a Preferred Risk Policy because of a map change, the risk must be rewritten as a Standard Flood Insurance Policy.

**F. Submit-for-Rate**

Certain properties at high flood risk, because of peculiarities in their exposure to flooding, do not lend themselves to preprogrammed rates. These risks require an in-depth underwriting analysis and must be submitted to the NFIP for an individual (specific) rate. As

with other lines of property insurance, the underwriter requires documentation to evaluate those risk characteristics that make up the basis for a proper rate.

The NFIP's two-fold goal of establishing sound actuarial rates and obtaining information for enforcing floodplain management requires that the following documentation be supplied for risks that fall within the submit-for-rate category:

1. Completed NFIP Flood Insurance Application.
2. Completed current Elevation Certificate.
3. Variance issued by the local community stating that permission was granted to construct the building. If no variance was granted, a statement to that effect signed by the applicant or the applicant's representative is required.
4. Recent photographs of the building (front and back), or a blueprint (layout of the building) if the building is under construction.
5. The square footage of any enclosure(s) or crawl spaces(s) below the elevated floor, the use of the enclosure/crawl space, a list of machinery and equipment, and the approximate value of each item located in the enclosure/crawl space.
6. If the area below the elevated floor is enclosed using masonry walls and these walls are represented as being breakaway walls in V Zones, a signed letter of verification from a local building official, an engineer, or an architect.
7. A statement from the applicant or the applicant's representative that the enclosure was built at the time that the building was originally constructed, or at a later date (give date).
8. If the building has a basement, a list of machinery and equipment located in the basement and each item's approximate value.
9. For elevated buildings, an Elevated Building Determination Form signed by the insured.
10. For all Post '81 V-Zone, non-elevated buildings, foundation/structural plans or, if foundation/structural plans are not available, a written statement from the applicant or agent providing the same information.

For Submit-for-Rate policies written as NFIP direct business, all of the appropriate documentation listed above must be mailed to the NFIP Servicing Agent, P.O. Box 2965, Shawnee Mission, KS 66201-1365.

If the building is insurable, the Servicing Agent will deliver a written rate and the applicable ICC premium to the producer. Since a rate must be determined on these risks, no premium is to accompany the submission. Coverage will be effective 30 days after the receipt of the premium at the NFIP, with the following two exceptions:

- If the coverage is in conjunction with the making, increasing, extending, or renewing of a loan, the effective date is on the day and time of the loan closing, provided that the policy is applied for and the presentment of premium is made at or prior to the loan closing.
- If the new policy is being obtained as a result of a revision to a community's flood map, during the 13-month period beginning on the effective date of the map revision, the effective date shall be 12:01 a.m., local time, following the day after the presentment of premium. For the NFIP direct business, the presentment of premium is the same as the receipt date of the full premium at the NFIP Servicing Agent.

Submit-for-Rate quotations, excluding the ICC premium, Federal Policy Fee, and Probation Surcharge, if applicable, are valid for 90 days. After 90 days, the Flood Insurance Application and supporting documentation must be resubmitted for another determination of the rating.

#### **G. Crawl Space**

A building with a "crawl space" (under-floor space) has its interior floor area (finished or not) no more than 5 feet below the top of the next higher floor. If a crawl space is below grade on all sides, and the elevation of the crawl space floor is below the Base Flood Elevation (BFE), the crawl space must be rated according to the guidelines found on pages LFG 24-25. For the purpose of completing the Flood Insurance Application, the building must be described as a "non-elevated building with basement."

NFIP rules and regulations specify that a crawl space with its interior floor below grade on all sides is considered a "basement"; therefore, the Standard Flood Insurance Policy basement coverage limitations apply to such crawl spaces.

A building with a crawl space that is not subgrade must be described as an elevated building.

Pre-FIRM buildings with subgrade crawl spaces that are below the BFE may use optional Post-FIRM elevation rating. Follow the Submit-for-Rate procedures when using this optional rating.

- Be floodproofed to an elevation of 4 feet above HAG (1 foot above the community's minimum standard of 3 feet above HAG).
- The floodproofing must be certified by a registered professional engineer or architect on the Floodproofing Certificate or by a responsible local official in a letter containing the same information requested on the Floodproofing Certificate.
- The certification, certificate, or letter must accompany the NFIP Flood Insurance Application.

In order to be eligible for lower rates, the insured must have a registered professional engineer or architect certify that the floodproofing conforms to the minimum floodproofing specifications of FEMA. This means that the building must be floodproofed to at least 1 foot above the BFE. If floodproofed to 1 foot above the BFE or flood depth, it can then be treated for rating purposes as having a "0" elevation difference from the BFE. This certification must be submitted with the Application for flood insurance.

To further illustrate, if the building is certified to be floodproofed to 2 feet above the BFE, flood depth, or comparable community approved floodplain management standards, whichever is highest, then it is credited for floodproofing and is to be treated for rating purposes as having a +1 foot elevation.

## **XVIII. THE V-ZONE RISK FACTOR RATING FORM**

### **A. Use**

In conjunction with Table 10 (V-Zone Risk Rating Relativities Table), this *optional* form (see page RATE 33) may be used to evaluate the coastal risk when it is believed that the design, placement, and/or construction of a building is such that the usual criteria used to establish actuarially appropriate rates do not reflect the lessened risk of a particular structure. The form may be used to either:

- Establish a rate prior to issuing a new policy, or
- Appeal the rate charged on an existing policy.

Submit the V-Zone Risk Factor Rating Form for review, along with a copy of the site grading and structural plans, the Elevation Certificate (EC), and photographs. See pages CERT 1-2 of this manual for photo requirements pertaining to the new EC, which becomes mandatory for use effective January 1, 2007.

### **B. Submission**

The completed form should be submitted to the NFIP Bureau and Statistical Agent, Underwriting Department, P.O. Box 310, Lanham, MD 20703.

Confirmation of the relativity and established rate will be returned to the submitting producer, engineer, and builder/applicant in approximately 30 business days.

**TABLE 10. V-ZONE RISK RATING RELATIVITIES TABLE**

Building Point Total <sup>1</sup>	No Obstruction Rates			With Obstruction Rates		
	Replacement Cost Ratio .75 or More	Replacement Cost Ratio .50 to .74	Replacement Cost Ratio Under .50	Replacement Cost Ratio .75 or More	Replacement Cost Ratio .50 to .74	Replacement Cost Ratio Under .50
Less than 225	1.200	1.200	1.200	1.150	1.150	1.150
225 – 275	1.100	1.100	1.100	1.050	1.050	1.100
276 – 325	1.000	1.000	1.000	0.950	0.950	1.000
326 – 375	0.900	0.950	1.000	0.950	0.975	1.000
376 – 425	0.800	0.850	0.900	0.875	0.925	0.950
426 – 475	0.700	0.750	0.800	0.800	0.850	0.900
476 – 525	0.600	0.650	0.700	0.725	0.775	0.825
526 – 575	0.500	0.575	0.650	0.650	0.700	0.750
576 – 625	0.400	0.500	0.600	0.600	0.650	0.700

<sup>1</sup>Subtract from your Building Point Total all points assigned for Item I. LOWEST FLOOR ELEVATION and Item IV.A.1. Free of Obstruction because these factors are included in the rate prior to application of any V-Zone Risk Factor Rating Credit.

The NFIP **V-Zone Risk Factor Rating Form** does not appear in this revision,  
pending OMB approval of a new expiration date.







## PREFERRED RISK POLICY

### I. GENERAL DESCRIPTION

The Preferred Risk Policy (PRP) offers low-cost coverage to owners and tenants of eligible buildings located in the moderate-risk **B, C, and X Zones** in NFIP **Regular Program communities**.

The maximum one- to four-family residential coverage combination is \$250,000 building and \$100,000 contents. Up to \$100,000 contents-only coverage is available for other residential properties. The maximum non-residential coverage combination is \$500,000 building and \$500,000 contents.

Only one building can be insured per policy, and only one policy can be written on each building.

### II. ELIGIBILITY REQUIREMENTS

#### A. Flood Zone

To be eligible for building/contents coverage or contents-only coverage under the PRP, the building must be in a B, C, or X Zone **on the effective date of the policy**. The flood map available at the time of the renewal offer determines a building's continued eligibility for the PRP. NFIP map grandfathering rules do not apply to the PRP. For the purpose of determining the flood zone, the agent may use the FIRM in effect at the time of application and presentment of premium.

#### B. Occupancy

Combined building/contents amounts of insurance are available for owners of single-family, two- to four-family, and non-residential properties. Combined building and contents coverage is not available for other residential.

Contents-only coverage is available for tenants and owners of all eligible occupancies, except when contents are located entirely in a basement.

### C. Loss History

A building's eligibility for the PRP is based on the preceding requirements and on the building's flood loss history. If one of the following conditions exists, regardless of any change(s) in ownership of the building, then the building is **not eligible** for the PRP:

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

In reviewing a building's flood loss history for PRP eligibility, be aware that:

- A flood insurance claim payment (building and/or contents) and a Federal flood disaster relief payment (including loans and grants) for the same loss are considered a single payment.
- Federal flood disaster relief payments (including loans and grants) are considered only if the building suffered flood damage.

#### D. Exclusions

- The PRP is **not available** in Special Flood Hazard Areas or in Emergency Program communities.
- Other residential properties are **not eligible** for building coverage.

### THE PRP AT A GLANCE

POLICY TYPE	OCCUPANCY/MAXIMUM LIMITS		
	1-4 Family	Other Residential	Non-Residential
Combined Building/ Contents	\$250,000/ \$100,000	No Coverage	\$500,000/ \$500,000
Contents Only	\$100,000	\$100,000	\$500,000

NOTES: Condominium associations are not eligible for the Preferred Risk Policy. Individual condominium units are not eligible unless they qualify under one of the exceptions on page PRP 2.

- Contents located entirely in a basement are **not eligible** for contents-only coverage. However, contents located entirely in an enclosure are eligible.
- Condominium associations, unit owners, and their tenants are **not eligible** for the PRP, **except** for:
  - A townhouse/rowhouse building insured under the unit owner's name;
  - A detached, single-family dwelling insured under the unit owner's name.
  - Contents-only coverage for tenants occupying townhouse/rowhouse buildings or detached, single-family dwellings.
- Increased Cost of Compliance (ICC) coverage is **not available** for condominium units. (See footnote 3 on page PRP 3.)

### III. DOCUMENTATION

All Preferred Risk Policy new business applications must include documentation of eligibility for the PRP. Such applications must be accompanied by one of the following:

- A Letter of Map Amendment (LOMA)
- A Letter of Map Revision (LOMR)
- A Letter of Determination Review (LODR)
- A copy of the most recent flood map marked to show the exact location and flood zone of the building
- A letter indicating the exact location and flood zone of the building, and signed and dated by a local community official
- An elevation certificate indicating the exact location and flood zone of the building, and signed and dated by a surveyor, engineer, architect, or local community official
- A flood zone determination certification that guarantees the accuracy of the information.

An agent writing through a Write Your Own (WYO) company should contact that company for guidance.

### IV. RENEWAL

An eligible risk renews automatically without submission of a new application. If, during a policy term, the risk fails to meet the eligibility requirements, it will be ineligible for renewal as a PRP. Such a risk must be nonrenewed or rewritten as a conventional Standard Flood Insurance Policy (SFIP).

### V. COVERAGE LIMITS

The elevated building coverage limitation provisions do not apply to a policy written as a PRP.

### VI. REPLACEMENT COST COVERAGE

Replacement cost coverage applies **only if** the building is the principal residence of the insured and the building coverage chosen is at least 80 percent of the replacement cost of the building at the time of the loss, or the maximum coverage available under the NFIP.

### VII. DISCOUNTS/FEES/ICC PREMIUM

- No Community Rating System discount is associated with the PRP.
- Probation fees will be charged.
- The Federal Policy Fee of \$11.00 is included in the premium and is not subject to commission.
- The ICC premium is included.

### VIII. DEDUCTIBLES

The standard deductible for PRPs is \$500. Optional deductibles are not available for PRPs.

### IX. ENDORSEMENTS

The PRP may be endorsed to:

- Increase coverage mid-term, subject to the coverage limits in effect when the policy was issued or renewed. See page END 5 for an example.
- Correct misratings, such as incorrect building description or community number.

### X. CONVERSION OF STANDARD RATED POLICY TO PRP DUE TO MISRATING

A policy written as a Standard B, C, or X Zone policy and later found to be eligible for a PRP may be endorsed or rewritten as a PRP for only the current policy term.

When the risk has been rated with other than B, C, or X Zone rates, but is later found to be in a B, C, or X Zone and eligible for a PRP, the writing company will be allowed to endorse or cancel/rewrite up to 6 years.

The policy may be canceled/rewritten using Cancellation Reason Code 22 if both of the following conditions are met:

- The request to endorse or cancel/rewrite the policy is received during the current policy term.
- The policy has no open claim or closed paid claim on the policy term being canceled.

2. If more than one additional mortgagee or disaster assistance agency exists, provide the requested information on the producer's letterhead.

#### **H. Property Location**

1. Check YES if the location of the property being insured is the same as the address entered in the "Insured's Mailing Address" section. Leave the rest of this section blank unless there is more than one building at the property location.
2. If more than one building is at the location of the insured property, use this section to specifically identify the building to be insured. Briefly describe the building or submit a sketch showing the location of insured buildings to assist the NFIP in matching the policy number to the specific building insured.
3. If NO, provide the address or location of the property to be insured.
4. If the insured's mailing address is a post office box or rural route number, give the street address, legal description, or geographic location of the property.

#### **I. Community**

1. Enter the name of the county or parish where the property is located.
2. Check YES if the property is located in an unincorporated area of a county; otherwise, check NO.
3. Enter the community identification number, map panel number, and revision suffix for the community where the property is located. Use the FIRM in effect and that has been published at the time of presentment of premium and completion of application. Community number and status may be obtained by calling the writing company, consulting a local community official, or referencing the NFIP *Community Status Book* online at [www.fema.gov/fema/csb.shtm](http://www.fema.gov/fema/csb.shtm).
4. Enter the Flood Insurance Rate Map zone.

#### **J. Building and Contents**

Complete all required information in this section.

1. Check building occupancy: Single Family, 2-4 Family, Other Residential, or Non-Residential (incl. Hotel/Motel).
2. Enter date of construction.
3. Check building type. If the building has a basement or enclosure, count the base-

ment or enclosure as a floor. If the building type is a manufactured (mobile) home/travel trailer on foundation, enter the make, model, and serial number in the block at the bottom of this section.

4. Check the "Y" box (YES) or the "N" box (NO) for "CONDO UNIT" and "TOWNHOUSE/ROWHOUSE CONDO UNIT."
5. Check location of building's contents. (Contents located entirely in a basement are not eligible for contents-only coverage.)
6. Check YES if the building is the insured's principal residence; otherwise, check NO.
7. Using normal company practice, estimate the replacement cost value and enter the value in the space provided. Include the cost of the building foundation when determining the replacement cost value.

#### **K. Notice**

If the answer to either question A or question B is YES, this risk is not eligible for the Preferred Risk Policy.

#### **L. Premium**

1. Enter the coverage selected, and the premium, from the appropriate table on the back of the application form.
2. Add the \$50.00 Probation Surcharge, if applicable. Deduct \$1.00 if this is an application for a townhouse/rowhouse condominium unit.

#### **M. Signature**

The producer must sign the Preferred Risk Policy Application and is responsible for the completeness and accuracy of the information provided on it. Enter the date of application (month/day/year). The waiting period is added to this date to determine the policy effective date of the policy listed in the Policy Term section. A check or money order for the Total Prepaid Amount, payable to the NFIP, must accompany the application.

A credit card payment by VISA, MasterCard, Diner's Club, or American Express will also be acceptable if a disclaimer form, signed by the insured, is submitted with the Preferred Risk Policy Application. The disclaimer will state that cancellation of a policy due to a billing dispute will be permitted only for a billing error or fraud. If the credit card information is taken over the telephone by the producer, the producer may sign the authorization form on behalf of the payor only after having read the disclaimer to the payor.

The NFIP **Preferred Risk Policy Application** does not appear in this revision, pending OMB approval of a new expiration date.

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