



Federal Emergency Management Agency

Washington, D.C. 20472

NATIONAL FLOOD INSURANCE PROGRAM POLICY ISSUANCE 1-98

Subject: Flood Insurance Rate Map (FIRM) Revisions and Zone Used for Rating

Background:

FIRMs are essential for accurate flood insurance rating. When a FIRM is revised, a preliminary FIRM is provided to the community six months before the effective date. This allows the community time to make changes on their flood plain management regulations to comply with the new FIRM. The publication of the revised FIRM normally occurs approximately 30 days prior to its effective date.

This means policies are being written or renewed for an effective date after a map revision but before the revised map is available. At issue is whether the insurance agent and WYO companies should use the FIRM in effect at the time of application and presentment of premium, or the FIRM in effect when the coverage becomes effective to determine the flood zone for rating and for PRP eligibility. Two changes in the National Flood Insurance Program have raised this issue.

First, the implementation of Zone AR in Los Angeles and Sacramento, California, is expected to generate a large increase in new business applications before the July 6, 1998 effective date in order to qualify for zone C or zone A99 rates. The insurance agent must review the current FIRM in order to determine the zone to properly rate the risk. Second, the elimination of the administrative grandfathering rule for Preferred Risk Policy (PRP) effective May 1, 1998, will require the insurance agent or WYO Company to review the current FIRM before the policy expiration date to determine whether the building meets the new PRP flood zone eligibility requirement. Under the new rule, policies may not be renewed as PRP's if the zone is no longer B, C, or X.

In many cases because of the 30-day waiting period, the insurance agent who has the responsibility for completing and rating the flood application will not have the information regarding the revised FIRM in effect when the coverage becomes effective. The same situation applies to the writing company who generates a renewal offer 45 days or more prior to the policy expiration date.

Policy Decision:

Therefore, 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. In addition, the WYO companies may generate their PRP renewal offer based on the FIRM information

available at that time. Please note that this procedure does not apply when determining whether the policy is affected by a rate increase.

11/15/50
Date

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