BUSINESS AND OTHER NON-RESIDENTIAL FLOOD INSURANCE POLICIES

WHAT INSURANCE AGENTS SHOULD KNOW

FEMA

NATIONAL FLOOD INSURANCE PROGRAM

On November 1, 2015, the National Flood Insurance Program (NFIP) began collecting additional information about non-residential properties in order to separate business buildings from other non-residential buildings. The additional information allows the NFIP to phase out subsidies for business buildings more quickly, as required by recent NFIP reform legislation. This fact sheet details changes affecting your non-residential book of business, and suggests ways to help your business clients save on flood insurance.

WHAT IS A BUSINESS?

A business building is a building in which the policyholder is a licensed commercial enterprise that is carried out to generate income. Coverage is for one of the following:

- A building designed as a non-habitational building.
- A mixed-use building in which the total floor area devoted to commercial uses exceeds 25 percent of the building's total floor area.
- A building designed for use as office, retail, wholesale, or hospitality space, or for similar uses.

Buildings such as schools, churches, hospitals, farm buildings, community recreation buildings, and garages are categorized as "other non-residential."

SUBSIDIZED RATES WILL INCREASE FASTER FOR PRE-FIRM BUSINESSES THAN FOR OTHER PRE-FIRM SUBSIDIZED NON-RESIDENTIAL PROPERTIES

At renewal, the subsidized rates for pre-FIRM business buildings in high-risk areas will increase by 25 percent per year until rates reflect the property's true (elevation-rated) risk. Pre-FIRM subsidized rates for other non-residential properties, as well as post-FIRM rates, will increase by no more than 18 percent a year in compliance with a cap on premium increases introduced by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA).

Note that certain fees and surcharges—the Federal Policy Fee, the HFIAA Surcharge, and, if applicable, the Probation Surcharge—are not included in premium rate cap limitations. As a result, in some cases your business client's total annual increase may exceed 25 percent.

A $250 HFIAA SURCHARGE FOR ALL BUSINESS AND OTHER NON-RESIDENTIAL PROPERTIES

The HFIAA surcharge will remain in effect until the subsidized pre-FIRM rating classes are eliminated, other than those excepted in the statutory language. A policy for a business or other non-residential property must include the $250 HFIAA Surcharge.

HFIAA AT A GLANCE

- Subsidized rates for businesses increase 25 percent annually on renewal until reaching full-risk rates.
- Rate increases for other non-residential properties are capped at 18 percent, unless they fall into one of the other categories of subsidized properties subject to premium rate increases.
- All business and other non-residential policies continue to be subject to an additional $250 HFIAA Surcharge.
- After a policy lapses more than 90 days, most subsidized and Newly Mapped procedure–rated policies must reinstate at full-risk rates. There are two exceptions, which are described on the other side of this fact sheet.

From 2010 to 2014, the average NFIP commercial flood claim was nearly $89,000. Flood insurance is an important safeguard for business continuity and recovery.

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FIRST-YEAR SAVINGS FOR NEWLY MAPPED PROPERTIES

For the first year after a new flood map becomes effective, a business newly mapped into a high-risk area may qualify for the lower rates available through FEMA's Newly Mapped procedure, even if the owner had not previously carried flood insurance. After the first year, the transition to full-risk rates will be subject to the 18 percent annual rate cap. In order to be eligible for the Newly Mapped procedure, coverage must be effective within 1 year of the newly mapped date.

LIMITATIONS ON REINSTATEMENT AT SUBSIDIZED RATES AFTER A LAPSE

After a lapse in coverage of more than 90 days—or two policy lapses, regardless of the number of days—policies on pre-FIRM subsidized-rated buildings, and policies rated using the Newly Mapped procedure, will be rewritten using full-risk rates. There are two exceptions:

- The lender no longer required the insured to obtain and maintain flood insurance when the policy lapsed; OR
- The insured is in a community that was suspended from the NFIP and the policy was reinstated within 180 days of the community's reinstatement.

FEMA will also consider a policy lapsed if coverage was switched from an NFIP policy to a non-NFIP policy.

REDUCE THE RISK TO REDUCE THE RATE

For clients who want to lower their flood insurance premium, elevating the building's first floor above the Base Flood Elevation (BFE) can be a money-saving option. Dry floodproofing a commercial building can also lead to lower rates if an engineer certifies that the design, construction methods, and materials make the building watertight to at least 1 foot above the BFE. The higher above BFE that it can be certified, the lower the rates.

To obtain the rating credit, the design professional must complete a floodproofing certificate form. To learn more, visit **FEMA.gov/floodproofing-certificate**.

FOR MORE INFORMATION

To keep current as FEMA implements changes to the NFIP based on recent legislation, visit **FEMA.gov/Flood-Insurance-Reform**. For specific information about writing NFIP flood insurance, review the latest version of the NFIP Flood Insurance Manual at **FEMA.gov/flood-insurance-manual**.