

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 agent/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. Special Rates

Certain risks may be eligible for Federal Emergency Management Agency (FEMA) Special Rates consideration. This process provides a mechanism for the policyholder to submit additional information to FEMA that may result in a reduction to the rate based on specific characteristics that are not common to similarly classified buildings. The risks eligible for this consideration include Post-FIRM high-rise residential condominium buildings, eligible under the RCBAP, where the Lowest Floor Elevation is below the BFE, unfinished, and used for building access, parking, or storage only. The other eligible risks are Post-FIRM buildings with hanging floors elevated on posts, piers, pilings, or columns and with the lowest elevated floor that is below the BFE unfinished and used for building access only. (For examples of hanging floors, refer to the Lowest Floor Guide section in this manual.)

Pre-FIRM buildings in SFHAs with a partial enclosure are also eligible for Special Rate Consideration, provided the enclosure is unfinished and used solely for parking, storage, and building access, and its elevation is below the BFE. A partial enclosure is an enclosure that does not enclose the entire area under the elevated floor.

Additionally, a subgrade crawlspace that has more than 5 feet between the elevation of the top of the bottom floor and the top of the next higher floor, or where the elevation of the top of the bottom floor of the crawlspace is more than 2 feet below the elevation of the lowest adjacent grade, may be eligible for Special Rate Consideration.

To request FEMA Special Rates, the company must submit the appropriate documentation to the NFIP Bureau and Statistical Agent along with a complete Application and Elevation Certificate. The required additional documentation includes the following:

1. For High-Rise Residential Condominium Buildings
 - a. Recent photographs of the building (front and back), or a blueprint (layout of the building) if the building is under construction
 - b. Elevated Building Determination Form signed by the insured
 - c. Structural plans
 - d. Replacement cost documents
 - e. Value and use of the floor(s) below the BFE
 - f. Clear pictures of interior of the floor(s) below the BFE
 - g. List and value of machinery and equipment below the BFE
2. For Hanging Floors or Partial Enclosures
 - a. Pictures of the interior and exterior of the unfinished lowest elevated floor
 - b. Value of the unfinished lowest elevated floor
 - c. List and value of machinery and equipment and appliances.

D. NFIP "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 following question: How does the new map affect flood insurance premium rates?

1. Grandfather Rules – Eligibility: To recognize policyholders who have built in compliance with the FIRM and/or maintained continuous coverage, FEMA has "grandfather rules." These rules allow such policyholders to benefit in the rating for that building.
 - a. Built-in-Compliance: Buildings that are built in compliance with the FIRM in effect at the time of construction are eligible for grandfathering. For elevated buildings, the lowest finished floor must be at or above the BFE. In both A and

V Zones, enclosures below the BFE must be unfinished and used solely for parking, storage, or building access.

For A Zones, proper openings are required (refer to the Lowest Floor Guide section for guidance for proper openings).

For V Zones, the enclosures must be constructed with breakaway walls (refer to the Lowest Floor Guide section for guidance). In addition, there cannot be any machinery/equipment servicing the building below the BFE.

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.

- b. Continuous Coverage: Policyholders who have remained loyal customers of the NFIP by maintaining continuous coverage (since coverage was first obtained on the building) are eligible for grandfathering rules. This will result in a cost savings to insureds when the new map resulting from a map revision would result in a higher premium rate.

To document continuous coverage when policies are moved from one insurer to another, the receiving company must obtain the immediately prior year's policy declarations page from the previous insurer.

NOTE: Policies rated using Pre-FIRM subsidized rates cannot be grandfathered when there is a transfer of property ownership due to a purchase, or assignment associated with a property purchase. Effective upon the property purchase date, the Pre-FIRM building must be rated using full-risk rates based on the map information in effect on the date of property purchase. However, the buyer of a property covered by a policy that is not using Pre-FIRM subsidized premium rates is eligible for the continuous coverage grandfather rule.

To document continuous coverage when there is a transfer of property ownership, the new property owner or the agent/producer must obtain the immediately prior year's policy declarations page and submit a copy with the application.

2. General Rule of Rating

Always use the most current 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 buildings 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. Policies rated using Pre-FIRM subsidized rates lose eligibility for this rating procedure when the property is sold, or when the policy lapses. Full-risk rated policies, whether Pre-FIRM or Post-FIRM, are not impacted by a property sale, but lose eligibility for continuous coverage grandfathering if the policy lapses. Both policies using Pre-FIRM subsidized rates and policies using full-risk premium rates lose eligibility for continuous coverage grandfathering when the building has been altered to make the lowest finished floor level lower than the BFE on that FIRM. For elevated buildings, the lowest finished floor must be at or above the BFE.

The enclosures must be unfinished and used solely for parking, storage, or building access.

For A Zones, proper openings are required (refer to the Lowest Floor Guide section for guidance for proper openings).

For V Zones, the enclosures must be constructed with breakaway walls (refer to the Lowest Floor Guide section for guidance).

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 9'. 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 -3. Since the building was not altered in any way, the policy can be rated using a -1 elevation difference due to continuous coverage grandfathering.

- 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 X. A new map designated the zone as AE. The policy may continue to be rated using Zone X 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. For elevated buildings, the lowest finished floor must be at or above the BFE. The enclosures must be unfinished and used solely for parking, storage, or building access.

For A Zones, proper openings are required (refer to the Lowest Floor Guide section for guidance for proper openings).

For V Zones, the enclosures must be constructed with breakaway walls (refer to the Lowest Floor Guide section for guidance).

- 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).
- The building has not been substantially improved.

The property owner or agent/producer must provide proper documentation to the insurer. 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

Because there was no FIRM in effect on the date of construction, most Pre-FIRM construction is ineligible for the “built-in-compliance” grandfathering rule. The limited exceptions are those communities with initial FIRM dates prior to December 31, 1974. The “built-in-compliance” rule applies to Pre-FIRM construction only if the date of construction was on or before December 31, 1974, and was also on or after the FIRM date. The Flood Hazard Boundary Map (FHBM) cannot be used for grandfathering.

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.

E. 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. All policies for Pre-FIRM buildings and 1975 through 1981 Post-FIRM buildings in Zones VE and V1–V30 are allowed to be rated using the Post-'81 V-Zone rate tables (Table 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 (a breakaway wall enclosure of less than 300 square feet). All machinery and equipment located below the BFE are considered obstructions, resulting in a Submit-for-Rate risk.

F. Policies Requiring Re-Rating

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