

FLOOD INSURANCE TOOLKIT

*What Oregon REALTORS® Need to Know About
Flood Insurance and the Risk Rating 2.0 System*

Who Needs Flood Insurance?

Homes and businesses in high-risk flood areas with mortgages from government-backed lenders are required by federal law to have flood insurance. Even when not required by federal law, lenders may require flood insurance. And even when not required by federal law or a lender, flood insurance may be a wise investment because most homeowner's insurance does not cover flood damage. Small amounts of flood water can lead to tens of thousands of dollars in property damage. According to the Federal Emergency Management Agency (FEMA), even homeowners in low to moderate flood risk areas are 5 times more likely to experience a flood than a fire in their home over the next 30 years.



Homeowners are 5X more likely to experience a **flood** than **house fire**.

How Can Home Buyers Learn About the Flood Risk of the Home and if Flood Insurance is Required?

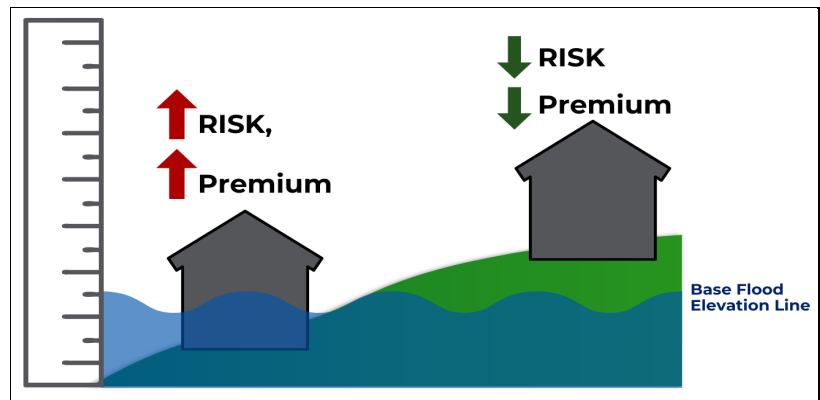
For most buyers obtaining a loan, the lender will notify the buyer if flood insurance is required by the lender. The Oregon Seller Property Disclosure Statement (SPDS) also contains a question about whether the home is in a designated floodplain. However, **buyers should not rely on others to determine their flood risk. Buyers should independently determine their flood risk** by reviewing FEMA maps [here](#) and by visiting [FloodFactor™](#).

[FloodFactor™](#) ratings are also included with many property listings on sites such as realtor.com®. Buyers can use [this calculator](#) to determine how much a flood could cost them. Buyers should consider purchasing flood insurance to protect against losses even if it is not required.

How are Flood Insurance Rates Set?

(Policies Issued Before October 1, 2021)

Until October 1, 2021, flood insurance rates are based primarily on the risk level of the area in which the home is located on the [Flood Insurance Rate Map \(FIRM\)](#), and the elevation of the home compared to the base flood elevation (BFE) for that map area. Homeowners may be able to reduce their premiums by obtaining an [elevation certificate](#). The elevation certificate confirms how high the lowest floor of the home is compared to the BFE. The higher the lowest floor is above the BFE, the lower the risk of flooding, which typically means lower flood insurance premiums.



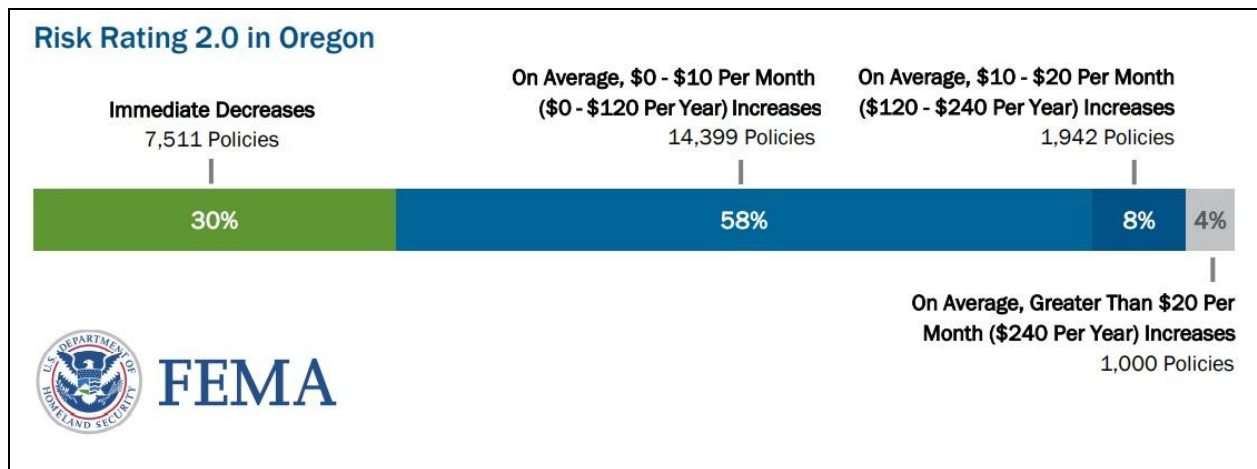
(New Policies Issued Beginning October 1, 2021)

A new methodology called [Risk Rating 2.0](#) will be used to determine flood insurance premiums for all new policies beginning October 1st, 2021 and existing policies renewing on or after April 1st, 2022. Existing policyholders renewing on or after October 1, 2021 can also voluntarily opt-in to the new rates.

Risk Rating 2.0 will abandon the outdated flood maps used since the 1970s that formulated generalized flood risk for flood prone areas. FEMA plans to employ new technology that more accurately captures the risk of individual properties by analyzing specific factors such as type of flood risk, distance from a flood source, foundation type, and cost of restoration. This could cause homeowners' premiums to increase or decrease. However, premium increases are still restricted under the statutory caps (18% annual increase) enacted by the Homeowner Flood Insurance Affordability Act of 2014.

Will Homeowners See a Spike in Flood Insurance Rates Due to the New Risk-Rating 2.0?

Beginning August 1st 2021, current National Flood Insurance Program policyholders can contact their insurance company or insurance agent to learn more about what Risk Rating 2.0 means for their flood insurance premiums. FEMA has also created [state profiles](#) where property owners or prospective purchasers can see what the impact will likely be at the state, county and zip code level. According to FEMA's state profile of Oregon, there are 24,900 NFIP policies in force in Oregon. Of those, 30% would see an immediate decrease under Risk-Rating 2.0, 58% would see an increase of \$0-\$10 per month, 8% would see an increase of \$10-20 per month, and 4% would see an increase of more than \$20 per year.



Will Risk Rating 2.0 Require Flood Insurance for Homes Where Insurance is Currently Not Required?

Flood insurance purchase requirements are not expected to change. The NFIP will continue to determine the need for flood insurance based upon the existing Special Flood Hazard Area (SFHA) maps; however, these maps will no longer determine a property's individual rate. The rate will be determined from the estimated property characteristics FEMA has within their database.

With Risk Rating 2.0, are Elevation Certificates Still Relevant? Can Homeowners Protest Their Flood Insurance Rates Under Risk Rating 2.0?

Elevation certificates provide two main components necessary to determine or combat a property's flood risk: first floor elevation and base flood elevation. The NFIP's new mapping technology includes big data estimates of these

measurements to calculate individual flood risk. FEMA anticipates this will eliminate the need for homeowners to provide elevation certificates.

However, consumers are still allowed to bring forth existing or new elevation certificates to appeal their rate if they provide more accurate elevation measurements than FEMA's mapping technology. In no way will consumers be penalized for using new or existing elevation certificates.

How Can Homeowners Get an Elevation Certificate for Their Property? Do Elevation Certificates Expire?

Buyers may be able to obtain an elevation certificate for the home by asking the seller to provide one, by checking with the local floodplain manager to see if there is already one on file, by checking the property deed to see if one is included, or by checking with the developer or builder of the property. They may also try contacting the surveyor who issued the original elevation certificate or the insurance agent who held the past flood insurance policy on the home.

If the homeowner has never had an elevation survey conducted on their home, but would like one done, they can hire a licensed land surveyor, professional engineer, or certified architect who is authorized by law to certify elevation information to complete an elevation certificate for the property.

Elevation certificates do not expire, so long as there are no major modifications made to the home or its foundation.

Where Can Homeowners and Buyers Get Flood Insurance?

Homeowners and buyers can typically purchase flood insurance through the insurance company that issues their home or auto policy. To find a flood insurance provider or explore policy options, go [here](#).

If the buyer is purchasing a property for which the seller has an existing policy, the seller can transfer the policy over to the buyer at time of sale through a process known as "policy assumption". Generally, completion of this process means that the buyer will take ownership of the policy with no change in rates. To initiate the policy assumption, the seller will need to contact their flood insurance carrier for approval and follow through the carrier's transfer procedures. To learn more about flood policy assumptions go [here](#).

Will Sellers Still Be Able to Transfer Existing Flood Insurance Policies to Buyers Under Risk Rating 2.0?

Existing flood insurance policies, along with their existing policy histories, can still be transferred from seller to buyer under Risk Rating 2.0.

What Should You Tell Your Buyers about Flood Risk and Flood Insurance?

While this toolkit is designed to provide you with a helpful background, REALTORS® are not experts in flood insurance. [Read this brochure](#) from NAR and FEMA about what to tell your clients about flood insurance.

Additional Resources

If you are a real estate agent and have questions about NFIP flood insurance, claims, Risk Rating 2.0, or arising issues, you can contact Scott Van Hoff, the Region 10 Flood Insurance Liaison by email at scott.vanhoff@fema.dhs.gov.

- [NAR/FEMA Brochure: What to Know and Say About Flood Risk and Flood Insurance \(PDF\)](#)
- [NAR/FEMA Brochure: What to Ask Your Insurance Agent \(PDF\)](#)
- [FEMA Floodsmart: National Flood Insurance Program web page](#)
- How Much Could a Flood Cost a Homeowner? See the [FEMA Flood Insurance Cost Calculator](#)
- HouseLogic Disaster & Flood Insurance Information for Homeowners: [Disasters & Insurance | HouseLogic](#)
- NAR Flood Insurance Webpage: <http://www.realtor.org/topics/national-flood-insurance-program-nfip>
- FEMA Risk-Rating 2.0 Website: <https://www.fema.gov/flood-insurance/risk-rating>
[State + Local Estimates of Policy Premium Changes Under Risk Rating 2.0](#), including the [Oregon state profile](#)