The Biggert-Waters Flood Insurance Reform Act of 2012: Elevation Ratings

JEANNE: I understand under the new law that subsidies are going to be phased out and that people are now going to be paying a full-risk rate. What does full-risk mean?

ANDY: A full-risk rate reflects many of the aspects of a structure that reflect its risk. This includes the structure type, its foundation, how many floors it has, whether or not it has flood vents, but it also has to do with the Flood Zone and the Base Flood Elevation, and the elevation of that structure particularly. Many pre-FIRM structures are not elevation rated. Many grandfathered structures aren't reflecting their current zone and elevation. An elevation certificate is important to understand the structure's elevation and its risk.

JEANNE: What is an elevation certificate? And where can somebody get one?

ANDY: The elevation certificate is one of the most important tools that FEMA uses to determine a structure's risk. Generally, in high-risk zones, the higher above the BFE a building is located, the lower the insurance premium will be for that property. Now, the local floodplain manager will know if a property's elevation information is on file. If no elevation information is available, the homeowner might need to hire a state-licensed surveyor, architect, or engineer to complete an elevation certificate. Depending on the location or the complexity of the job, the cost of a surveyor can vary from $500 to $2,000 or more. We recommend contacting several local surveyors to find out what they offer. An important thing to remember is that if a structure is at or above its Base Flood Elevation, they may see a decrease in premium. If a structure is below the Base Flood Elevation, however, they may see an increase in premium.

JEANNE: Which clients need to provide an elevation certificate to an agent, and when do they need to do this?

ANDY: Well, there are certain times that you may need to provide an agent an elevation certificate, but most importantly, just to know your risk, an elevation certificate is what that agent needs to know what your current risk and what your current premium is, according to your current map. Clients who purchased a new policy for a pre-FIRM property in a high-risk zone on or after July 6, 2012, have until their first renewal after October 1, 2013, to produce an elevation certificate, at which point their policy will shift to the full-risk rate. Also, clients who renewed a lapsed policy on or after October 4, 2012, have until their first renewal after October 1, 2013, to produce an elevation certificate, at which point their policy will shift to the full-risk rate. Clients impacted by the 25% annual increase on a severe repetitive-loss property, a non-primary residence, or a business property will need an elevation certificate to determine the full-risk rate.