

# Answers to Possible Questions Regarding the October 2009 Changes

*On October 1, 2009, important changes to the NFIP will take effect. There will be an increase in rates, the standard deductibles, and the basic insurance limits. These combined changes will result in an average premium increase of 8 percent. Many policyholders will have questions about these changes. To help you best serve your clients, a number of "answers to possible questions" are below to help your customers better understand how these changes will affect them.*

## **Q: Why are my premiums going up?**

**A:** It is not uncommon for insurance companies to implement annual rate increases to help offset their increased costs, including inflation. The NFIP, like most insurance companies, has found it necessary to implement these important program changes to ensure that current premiums more accurately reflect the current risks.

## **Q: Are the rates increasing to collect the premium dollars that were used to pay for claims as a result of Hurricane Katrina?**

**A:** No. It is a misconception that rate increases happen to offset debts attributed to Hurricane Katrina or any past event. Actually, Federal regulations clearly state that the NFIP cannot raise rates to recoup for previous losses. Simply put, NFIP premiums only reflect expected future losses and expenses. There is no charge contained in the premium to recoup past losses.

## **Q: Why is my deductible doubling?**

**A:** The NFIP's previous minimum deductibles were in place for more than 10 years. The NFIP found it necessary to discontinue the minimum deductible of \$500 and increase the new standard deductibles to avoid overall larger premium increases.

It is important to remember, that in most cases the deductible is only a fraction of the average flood insurance claim, which can cost tens of thousands of dollars.

## **Q: Why are the basic limits of coverage on the Standard Flood Insurance Policy (SFIP) for residential and non-residential buildings increasing?**

**A:** The NFIP takes many steps to financially prepare for future flooding. In order to do so, the basic limit of coverage, the level which sustains the most damage in a flood, needs to be brought into better alignment with the typical NFIP paid claim.

If you purchase flood insurance beyond the basic limit, you will receive more coverage at a lesser charge. And, to get full replacement cost for your primary residence in the event of a flood, you must insure your building to at least 80 percent of its replacement value (or \$250,000, whichever is less).

**Click [here](#)** for the new Flood Insurance Rate Manual that reflects these changes as well as additional information from the NFIP. Please email us at [info@femafloodsmart.com](mailto:info@femafloodsmart.com) with any questions.