



Changes Coming to the National Flood Insurance Program – What to Expect

Impact of changes to the NFIP under the Biggert-Waters Flood Insurance and Reform Act Of 2012



Why the Changes to the NFIP?

- **1968: Congress created the NFIP to make affordable flood insurance generally available.**
- **To participate, communities adopt and enforce floodplain management measures for all new development.**
- **For structures built before FEMA mapped the Special Flood Hazard Area (called pre-FIRM properties), the NFIP made flood insurance available at subsidized rates .**
- **45 years later: The costs and consequences of flooding are increasing.**
- **Artificially low rates and discounts no longer are sustainable.**
- **In 2012, Congress passed legislation to make the program more sustainable and financially sound over the long term.**

Changes to NFIP Insurance

- **Congress passed the Biggert Waters Flood Insurance Reform and Modernization Act of 2012 (BW-12), which will in part::**
 - Make the NFIP more financially stable by raising rates on certain classes of property to reflect true flood risk
 - Establish a Reserve Fund (5% for most policies)
 - Annual premium adjustment cap raised from 10% to 20%
- **The changes will mean rate increases for most policyholders**
- **Implementation**
 - BW-12 Section 100205 Partial Implementation Jan & Oct 2013
 - BW-12 Section 100204 Over 5 residential coverage limit – June 2014
 - BW-12 Section 100210 Deductible changes - June 2014
 - BW-12 Section 100207 Map Changes / Grandfathering - planned implementation October 2014

NFIP Full Risk Rating

Post FIRM structures have always been full risk rated

Use of Elevation Certificate

Pre-FIRM properties rated using post-FIRM procedures for Full Risk Rate

Based on elevation and compliance information on an Elevation Certificate

Elevation of “Lowest Floor” in relation to the Base Flood Elevation

A zone - Flood venting

Other compliance factors (sub-grade crawlspace, basement, etc)

V-zone – foundation construction / free of obstruction

NFIP Rate Changes

Pre-FIRM Non-Primary (definition changing June 2014)

January 2013

rates will increase 25 % annually until they reflect the full-risk rate.

Pre-FIRM Primary Residences

October 2013

- At the sale/purchase of a property
 - Subsidized rates cannot be assigned to a new owner
- After a policy lapse
- New Policies - Policies for buildings uninsured as of the date that the law was passed (July 6, 2012)
- If an offer to mitigate has been refused

NFIP Rate Changes

Pre-FIRM business properties

October 2013

- will increase by 25% annually until they reflect the full-risk rate.

Repetitively flooded buildings

October 2013

Will increase by 25% annually until they reflect the full-risk rate.

- Repetitive Loss
 - Includes buildings with cumulative flood insurance claim payments that meet or exceed fair market value.
- Severe Repetitive Loss properties of one to four residences (SDF).

Adoption of a new flood map?

Section 100207 - Planned Implementation in 2014

- **Grandfathering**- - charging of insurance premiums based on a prior FIRM
 - Continuous Coverage
 - Built in Compliance
- Phase-out of grandfathering for certain properties to accurately reflect the flood risk (full risk rate). 20% annually / 5 year phase out
- Trigger - A community adopts a new, revised or updated Flood Insurance Rate Map (FIRM)

- **New SFHA** – 20% annually / 5 year phase in
 - Elimination of PRP Eligibility Extension

Implementation is under development by FEMA HQ

What can be done to Lower Costs?

Home and business owners:

- Talk to your insurance agent about your insurance options
 - Use of an Elevation Certificate to determine full risk rate.
 - Higher deductibles
- Consider mitigation
 - Building or rebuilding higher will lower risk and reduce your premium
 - Adding flood vents to foundation or installing breakaway walls
- Talk with local officials about community-wide mitigation steps

Community leaders:

- Consider joining the Community Rating System (CRS) or increasing your CRS activities to lower premiums for residents.
- Higher community standards (freeboard)
- Talk to your state about grants. FEMA issues grants to states which can distribute the funds to communities to help with mitigation and rebuilding.

Community Floodplain Administrator

- Implement flood ordinance
- Update training (webinars / State NFIP Coordinator/ FEMA R10 / EMI)
- Partner with Surveyors and Insurance Agents in your area

Contact Information

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