

Federal Flood Insurance Changes

(National Flood Insurance Program – NFIP)

Biggert-Waters (BW-12)

Flood Insurance Reform Act 2012 – HR 4348

Signed by the President on July 6, 2012

Public Works, Engineering and Environmental
Services

Infrastructure and Development Services



AGENDA

- Summary of NFIP Changes as Currently Illustrated by FEMA
- Other Potential Impacts of Subsidy-Reduction from Federal Flood Insurance (NFIP)
- Examples of Impacts
- Actions

NFIP Reform

Subsidized Structures, Mostly before 1980

In Summary -- Direct Move to Full-Risk Rates

Affects, January 2013 -- Non-primary homes

Affects, October 2013

- Severe Loss Properties
- After the sale/purchase of a property
 - Subsidized rates can no longer be assigned
- After a policy Lapse
 - Allowing a policy to lapse may increase the cost
- New policy is issued -- policies issued after Reform
- Rates for pre-FIRM commercial buildings
 - Rates for severe-repetitive loss buildings

NFIP Reform

If Congress does no Modify the Act

Beginning in October 2013

- Property owners not insured as of the date, or the policy was not purchased until after, the enactment of the NFIP Reform.
- Property owners that allow a lapse in their NFIP policy.

Potential affects after 2014

- Other property owners, including non-subsidized policyholders affected by updates or changes to Flood Insurance Rate Maps.

NFIP Reform

Summary, Modifications with Subsidies

- Any residential property that is not the primary residence of an individual.
- Any property that has incurred flood related damages that cumulatively exceed the fair market value of the property.
- Any business property.
- Any property that after the date of the Bill has incurred substantial damage or has experienced “substantial improvement” exceeding 30 percent of the fair market value of the property.
- Any new policy or lapsed policy, or any policy for a newly purchased property.
- Any policy for which the owner has refused a FEMA mitigation offer under HMGP, or for a repetitive loss property or severe repetitive loss property. (Severe Repetitive Loss means four or more claims payments of over \$5,000 or two claims that exceed the value of the property.)

NFIP Reform -- Summary of Changes (highlights shown)

- FEMA initiated several NFIP program changes on 1/1/13.
- Removes subsidized rates (pre-FIRM rates) for the following classes of structures and allows rates to increase by 25% per year until actuarial rates are achieved: The effective date is July 1, 2012.
- Places limits on a bank's force placement of flood insurance. Forced placed insurance would be cancelled and the premiums refunded upon proof of a borrower's existing flood insurance coverage.
- Increases the limit for annual rate increases within any risk classification of structures from 10 percent to 20 percent. Effective date is July 1, 2012.
- Rates must be set to cover the average historical loss year, including catastrophic loss years, in accordance with generally accepted actuarial principles.
- Allows for premium payments either annually or in more frequent installments.
- Minimum annual deductibles on claims are changed to \$1500 for coverage up to \$100,000 and \$2000 for coverage over \$100,000 for pre-FIRM properties, and \$1,000 and \$1,250 for below and above \$100,000 coverage for post-FIRM properties.
- Establishes a process involving the National Oceanographic and Atmospheric Administration (NOAA) to allocate tropical storm and hurricane damages between wind and water damage.

Example of Affected Structure

- If the following occurs, the Federal flood-insurance rate would be currently affected:
 - Identified as not the principal home or as a severe-loss prop.,
 - Sell of home, and/or
 - Policy lapses or a new policy is purchased.



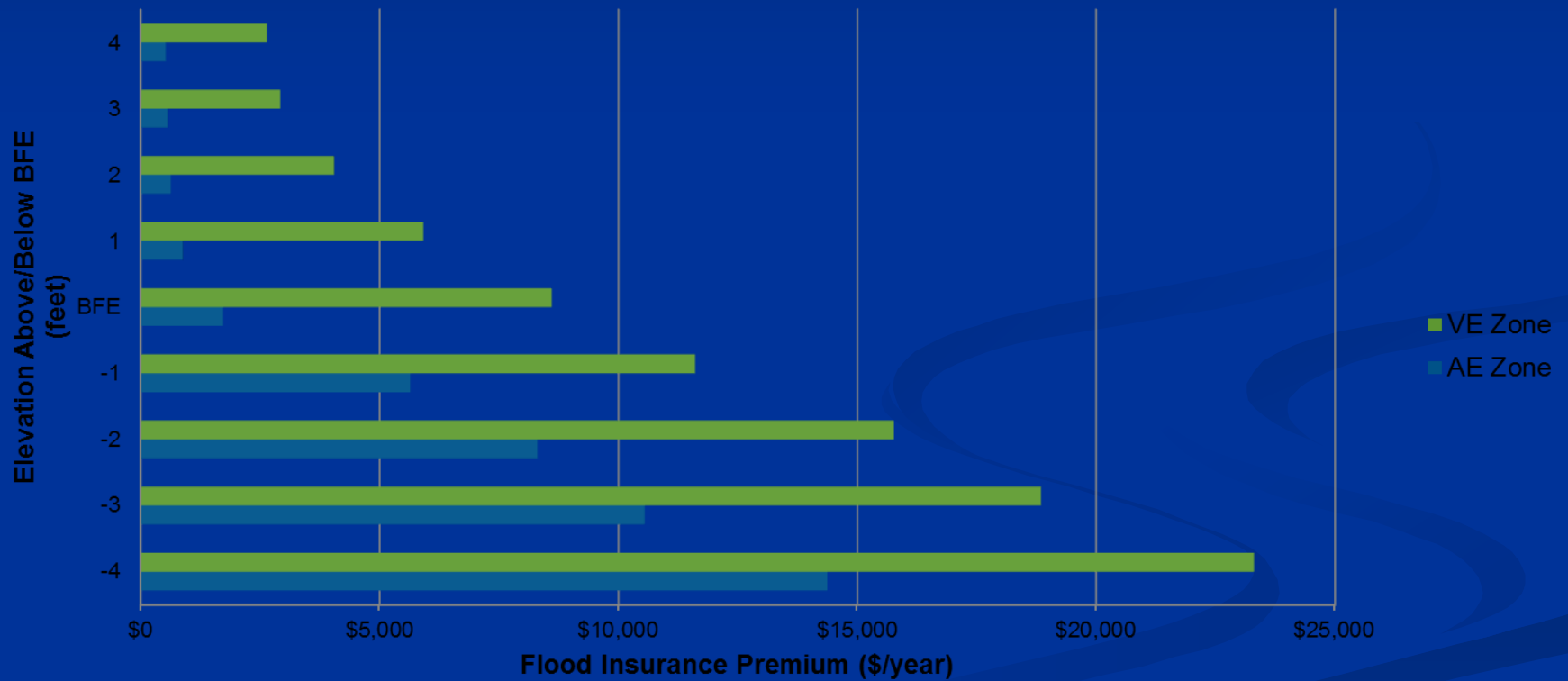
Example of Affected Structure

- If the following occurs, the Federal flood-insurance rate would be currently affected:
 - Pre-FIRM building – subsidies are removed,
 - Identified as a severe-loss property



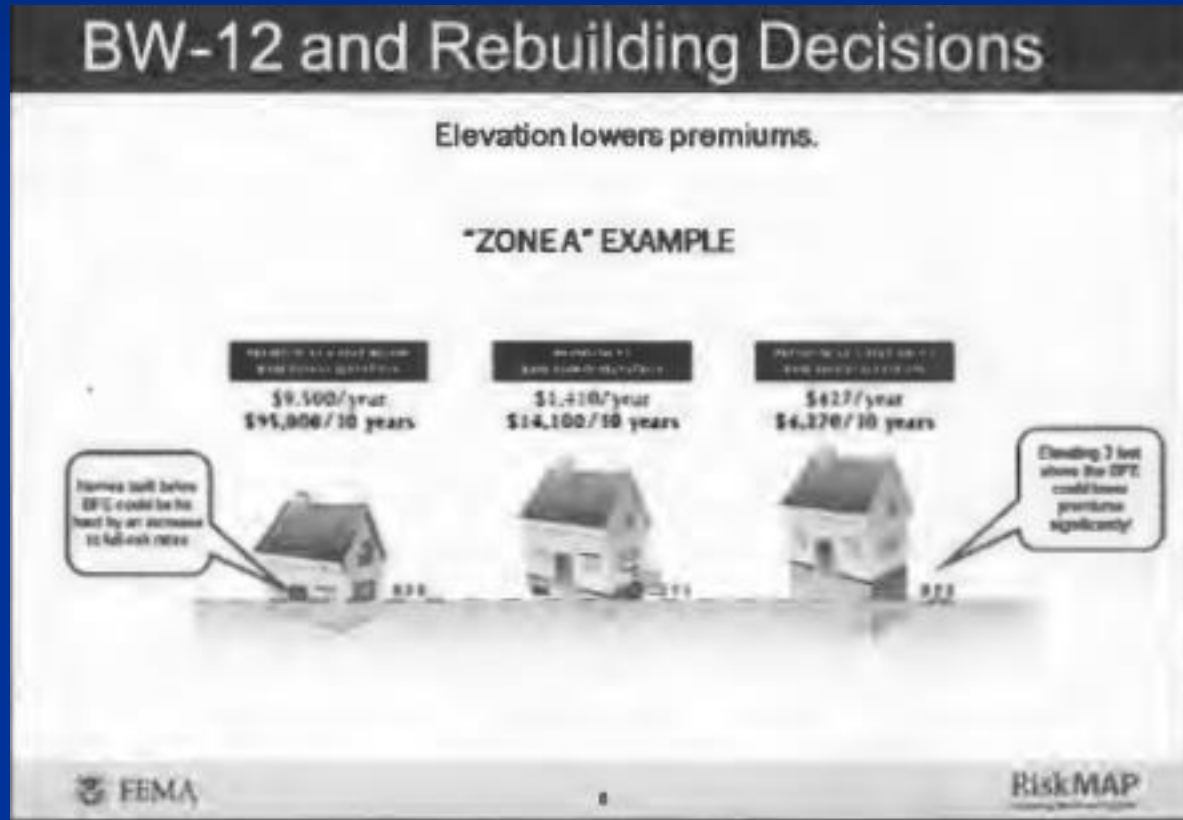
This was prepared for Sandy ~ April'13

Annual Flood Insurance Cost Based on Elevation Above/Below BFE at Maximum Coverage



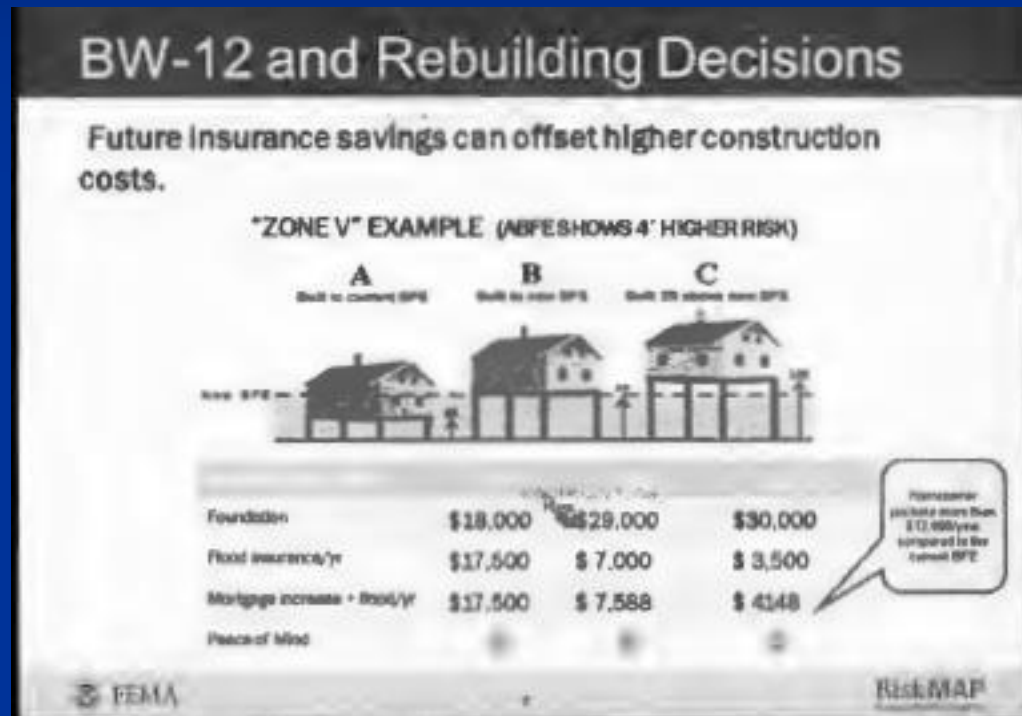
NFIP Reform

A Zone Example of Modifications



NFIP Reform

VE Zone Example of Modifications



Maps of Affected Areas within Hillsborough County

- Non Homestead Properties
 - Estimated Non-primary homes. Number of Structures pre-Flood Insurance Rate Map and post-Flood Insurance Rate Map
- Severe and Repetitive-loss Properties
- Pre- and Post-Firm Structures
- Flood Hazard Areas

Actions / Recommendations

■ Actions

- Currently working with Geomatics to identify Impacts to the entire community (at a minimum).
 - Analyze areas affected.
 - Analyze the number of potential property owners affected.
- Currently working with the Communications Department to design an outreach to assist in educating the community about the NFIP Reform.

■ Recommendations

- Continue with actions.
- Establish an outreach program and provide information to the public.
 - Outreach meetings, which may coincide with the annual floodplain management outreach program.
 - Update the Public Works Hazard Mitigation (Natural Hazards) website.
 - Provide outreach to the media.