The Biggert-Waters Flood Insurance Reform Act 2012

Signed by the President July 6, 2012
What Does it Do?

- Reauthorizes the National Flood Insurance Program (NFIP) for 5 years through September 30, 2017

- Eliminates a variety of existing flood insurance discounts and subsidies
Why the Changes?

NFIP Goals:

1. Charging rates that reflect the actual risk
2. Minimizing federal disaster assistance spending
3. Encouraging private market participation
4. Ensuring long term sustainability and financial soundness
BW 12 – What’s Changing?
Effective January 1, 2013

Subsidies phased out in SFHAs and D Zones for:

- Pre-firm non-primary residence
- Insurance rates will increase 25% per year until they reflect the full-risk rate

Lakeside Cabin
What is a pre-firm non-primary residence?

- **Pre-firm structure:**
  Built before the community’s first Flood Insurance Rate Map became effective and has not been substantially damaged or improved

- **Non-primary residence:**
  A building that will be lived in by the insured or the insured’s spouse for less than 80 percent of the year

Beach House
Effective October 1, 2013

25% annual rate increases in SFHAs and D Zones for:

- Pre-firm business properties
- Severe repetitive loss properties (1-4 residences)
- Properties where the cumulative NFIP claim payments equal or exceed the fair market value
Effective October 1, 2013

Business Properties Defined:

- Non-residential building that produces income or
- Designed for use as:
  - Office
  - Retail Space
  - Wholesale Use
  - Hospitality Use
- New flood applications will identify businesses separately
Effective October 1, 2013

Severe Repetitive Loss Building Defined:

- 2 losses within a 10 year period exceeding the market value of the building, or
- 4 or more claims over $5,000 each in a 10 year period

Severe Repetitive Loss Buildings
Effective October 1, 2013

Other Changes:

- Maximum cap on annual rate increases moves from 10% to 20%

- Rates increases include 5% for new NFIP Reserve Fund
  - Applies to all policies except the Preferred Risk Policy (PRP)

- Increased Federal Policy Fee
  - $20 to $22 PRP / $40 to $44 all other policies
Effective October 1, 2013

Important rate increases:

- 19% = Preferred Risk Policy Eligibility Extension (PRP)
- 17% = pre-firm V zones
- 16% = pre-firm AE zones
- 11% = post-firm V zones
- 9% = A99 and AR zones
- 8% = B, C, X zones

- Overall average rate increase = 10%
Effective October 1, 2013

Full-risk rates apply immediately to pre-firm SFHA and Zone D properties:

- Newly purchased property on or after July 6, 2012
- A new policy issued on or after July 6, 2012
- After a flood policy lapse on or after October 4, 2012
- After refusal of a mitigation assistance offer
Planned for Late 2014

Implementation of Section 207 - mapping

- Elimination of traditional grandfathering
- Elimination of PRP Eligibility Extension
- Phase in of full risk rates over 5 years at 20% per year
- This section still being reviewed and evaluated
As of Today......July 2013

New and renewal policies are still eligible for:

- Traditional Grandfathering
- Preferred Risk Policy Eligibility Extension
- Pre-firm SFHA and Zone D subsidized rates unless property purchased, or policy lapsed

❖ FEMA will communicate when these subsidies and discounts are no longer available
The elimination of subsidies and discounts could mean big flood insurance premium increases for property owners.

Properties that do not meet current elevation requirements could see rates increase dramatically.
Approximate Cost of Flood Insurance at Various Elevations

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

- VE Zone
- AE Zone

Elevation Above/Below BFE (feet)

Flood Insurance Premium ($/year)

-4
-3
-2
-1
BFE
1
2
3
4

$0
$5,000
$10,000
$15,000
$20,000
$25,000
As elevations go up, premiums can drop.

ZONE A" EXAMPLE

<table>
<thead>
<tr>
<th>Case Description</th>
<th>Premium at 4 Feet Below BFE</th>
<th>Premium at BFE</th>
<th>Premium at 3 Feet Above BFE</th>
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</thead>
<tbody>
<tr>
<td>Homes built below BFE</td>
<td>$9,500/year</td>
<td>$1,410/year</td>
<td>$427/year</td>
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<tr>
<td></td>
<td>$95,000/10 years</td>
<td>$14,100/10 years</td>
<td>$4,270/10 years</td>
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</table>

Homes built below BFE could be hit hard by an increase to full-risk rates.

Elevating 3 feet above the BFE could lower premiums significantly!
How Can You Save Money?

FEMA has programs to help owners reduce their risk and save money on flood insurance:

- Community Rating System (CRS)
- Higher deductibles
- Build safer, smarter & stronger
- FEMA grant programs
- Community mitigation projects

**Community Rating System Chart**

<table>
<thead>
<tr>
<th>CRS Class</th>
<th>SFHA Discount</th>
<th>Non-SFHA Discount</th>
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<tbody>
<tr>
<td>10</td>
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<td>0%</td>
</tr>
<tr>
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<td>1</td>
<td>45%</td>
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CRS Chart
BW 12 – Stay Updated

Build Safer, Stronger & Smarter

Questions & Answers?
FEMA's mission is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.