



Biggert-Waters Flood Insurance Reform Act

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The Biggert-Waters Act is going to bring changes to the National Flood Insurance Program (NFIP) beginning this year. The goal of the Act is to make the NFIP more financially stable. This will primarily be achieved through rate increases by ending subsidies and using actuarial rates for flood insurance policies. The following memo presents a summary of the Act and the key impacts to residents.

- The Insurance requirements are not changing regarding what properties must be or can be insured and at what levels.
 - ✓ Properties that must be insured are properties located in the Special Flood Hazard Area (SFHA) and used as security for a loan
 - ✓ Lenders face increased fines and penalties for not requiring Flood Insurance in SFHA
- What has changed is that rates will be converted to reflect “full flood risk.”
 - ✓ Subsidies being eliminated and phased out
 - ✓ No new subsidies or extension of subsidies on properties that are sold or allow insurance to lapse
 - Affects properties sold or lapsed after July 6, 2012 with new rates going in effect October 1, 2013 or at first renewal date after that date
 - After October 1, 2013 all new residential policies at new rate
- Current property owners with NFIP policies can keep their current rates until:
 - ✓ Property Sold (or refinanced) i.e. change triggered by new loan
 - ✓ Allow policy to lapse
 - ✓ Suffer severe, repeated flood losses or loss after July 6, 2012 that incurs substantial damage or has substantial improvement exceeding 30% of fair market value)
 - ✓ Purchase new Policy
- For Severe Repetitive Loss properties and properties with cumulative insurance payments exceeding fair market value rates are increased 25% per year until they reach full risk rate (first renewal after October 1, 2013)
- For Non-Residential Properties and non-primary residences new rates are increased 25% per year until they reach full risk rate.
- Example Residential Rate Increases from FEMA (250K/100K Building/Content Policy). Before Biggert-Waters and after Biggert-Waters
 - ✓ Lowest floor 4 feet above Base Flood Elevation (BFE): From \$3600 to \$550
 - ✓ Lowest floor at BFE: From \$3600 to \$1815
 - ✓ Lowest floor 4 feet below BFE \$3600 to \$10,720



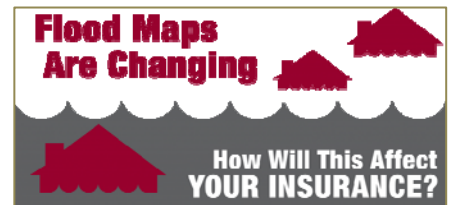


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- Above Example Illustrates key point regarding changes. Now Elevation in relationship to the BFE matters in the rate.
- There are also changes to the Flood Hazard Mitigation Grant Program in Biggert-Waters
 - ✓ Consolidates all programs into one program at \$90 million/year (nationally)
 - ✓ New insurance rates apply to anyone who refused an offer
 - ✓ Demo-rebuild will be allowed
 - ✓ Cost share 100% for Severe Repetitive Loss and 90% for Repetitive Loss properties
- There are changes to Flood Hazard Mapping in Biggert-Waters, including:
 - ✓ Notify all residents when they are mapped in or out of the floodplain
 - ✓ Map areas behind levees and dams
 - ✓ Sometime after 2014 a policy will be developed to change rates on grandfathered policies affected by Map Changes



- Communities participating in the Community Rating System (CRS) still get the same percentage discounts for all policies.



CONCLUSION

While the goal of making the NFIP financially stable is worthwhile, the practical implementation of the Biggert-Waters Act is going to have significant impact on local communities and their residents in the form of increased flood insurance rates. Some of the impacts of the Act are known and some will be determined in the upcoming months and years. The best way for communities to help their residents that participate in the NFIP is to keep them informed of the latest information on implementation of the Act and participate in the CRS to provide residents with rate discounts. EEI can assist communities with both of these activities. If you have any questions on how the Biggert-Waters Act may affect your community, please contact Tim Paulson at tpaulson@eeiweb.com or (630) 466-6700.