

# Biggert-Waters Flood Insurance Reform Act of 2012 Summary and Status

**E. Stuart Powell, Jr., MA**

CPCU, CIC, CLU, ChFC, ARM, AMIM, AAI, ARe, CRIS

Vice President of Agency Operations and Technical Affairs



INDEPENDENT INSURANCE AGENTS  
OF NORTH CAROLINA



# Summary of the Act

- Reauthorization of NFIP for 5 years (9/30/2017)
- Reforms and Changes
  - Flood Insurance –subsidized rates
  - Mapping
  - Mitigation Programs
  - Flood In Progress Determinations
  - Studies
  - Building Code Enforcement

# Reforms – Flood Insurance

- Removes subsidized pre-FIRM rates for specified classes of structures (7/6/2012)
  - Not primary residence
  - Severe repetitive loss property
  - Incurred flood damage cumulatively in excess of fair market value
  - Business property
  - Flood damages and “substantial improvements exceeding 30% of fair market value”

# Reforms – Flood Insurance

- Removes subsidized pre-FIRM rates for specified classes of structures
  - New policies, lapsed policies or policies for newly purchased property
  - Property owner who refused a FEMA mitigation offer or repetitive or severe repetitive loss property
  - 25% annual rate increases until full-risk rates attained

# Reforms – Flood Insurance

- Increase limit on annual rate increases within any risk class from 10% to 20% (7/6/2012)
- Severe Repetitive Loss for single family residence as 4 or more claims, each exceeding \$5,000, or cumulatively more than \$20,000
- Allow installment payment of premiums

# Reforms – Flood Insurance

- Limits on banks' force placement of flood insurance
- Flood map changes-higher rates phased in over 5 years at 20% per year
- Increased penalties for lender non-compliance
- Increased minimum deductibles
- Rates must cover average historical loss year including catastrophic loss years

# Reforms – Flood Insurance

- National Flood Insurance Reserve Fund of at least 1% of total potential loss exposure
- Ten year repayment of current debt (\$20+ b)
- Amends RESPA to require explanation of availability of NFIP coverage or private coverage
- “Alternative Loss Allocation” – wind damage vs. water damage

# Reforms - Mapping

- Technical Mapping Advisory Council – advise FEMA on mapping issues
- National Flood Mapping Program – intensified mapping effort
- Requires FEMA to notify property owners when included or removed from mandatory insurance requirements
- Authorized up to \$400 million



# Reforms - Mapping

- Scientific Resolution Panel – arbitrate contested appeals of map revisions
- Remove limitation on state contributions to updated mapping
- Study federal interagency coordination of flood mapping

# Reforms - Mitigation

- Consolidate NFIP funded mitigation programs into a single program
- Allows required Flood Mitigation Plan to be part of a community's multi-hazard mitigation plan
- Removes beach nourishment as an allowed mitigation activity
- Adds elevation, relocation or floodproofing of utilities as allowed mitigation activities

# Reforms - Mitigation

- Adds demolition and rebuild as a allowed mitigation activity
- Allows direct mitigation grants from FEMA if determined that local government do not have capacity
- Caps on federal grants for state and community mitigation plan development
- Denial of grant funds if not paid out in 5 years

# Reforms - Mitigation

- Restructures federal share requirements
  - Up to 100% for severe repetitive loss structures (4+ claims of over \$5,000 or 2+ claims exceeding structure value)
  - Up to 90% for repetitive loss structures (2 claims over 10 years averaging at least 25% of structure value)
  - Up to 75% for other approved mitigation activities

# Reforms – Flood in Progress

- FEMA must develop process for determining when a flood event has commenced
  - Current 30 day waiting period for flood insurance (some exceptions)
  - In some cases flood events are taking more than 30 to develop
  - Particular issue in Mid-Western flooding

# Reforms – Studies

- An assortment of studies are required including
  - Analysis of increasing max limits for residential and commercial structures
  - Annual financial reports including efforts to buy substantially damage properties and analyses
  - A GAO report on Pre-FIRM structures and owners
  - FEMA and GAO study of reinsurance and privatization

# Reforms – Studies

- GAO study on business interruption and additional living expense
- FEMA study of using national recognized building codes as a part of floodplain management

# Reforms – Studies

- FEMA-National Academy of Science study of encouraging maintenance of flood insurance and methods for affordability framework, including targeted assistance
- Federal Insurance Office study of current markets for natural catastrophe insurance in US including affordability
- Study why only 45 of 565 Native American tribes participate in NFIP



# Reforms – Building Code

- Allow Community Development Block Grant funds
  - For staffing and local building code enforcement
  - Providing flood hazard and flood insurance info to local residents

# Status of Implementation

- Contentious issues
  - Rate increases
  - Grandfathering

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- Contentious issues
  - Rate increases
    - 1/1/2013 – Begin phase out of Pre-FIRM non-primary residences
      - 25% annual increases until premiums reflect full risk rates
      - Section 100205 of Biggert-Waters (BW 12)

# Status of Implementation

- Contentious issues
  - Rate increases
    - 10/1/2013 – Begin phase out of for
      - Business properties
      - Severe Repetitive Loss residential properties with subsidized rates
      - Owners of property with cumulative claims exceeding fair market value of property
      - 25% annual increases until premiums reflect full risk rates
      - Section 100205 of Biggert-Waters (BW 12)

# Status of Implementation

- Contentious issues
  - Rate increases
    - 10/1/2013 – Begin phase out of for
      - Owners of property no insured upon enactment of BW 12
      - Lapsed NFIP policies
      - Property purchased after the enactment of BW12
      - Full risk rates apply
      - Section 100205 of Biggert-Waters (BW 12)

# Status of Implementation

- Contentious issues
  - Grandfathering Rule in effect 10/1/2012
    - Built in compliance (built before 12/31/1974 or initial FIRM date of the community)
    - Continuous coverage – no lapse in coverage
  - Pre-FIRM construction could continue its original rating even after map changes

# Status of Implementation

- Contentious issues
  - Loss of Grandfathering scheduled to go into effect 10/1/2013 (Delayed until 9/30/14 may require 12 to 18 months to fully implement)
    - Several Notes and modifications to the Flood Manual
      - Transfers of property subject to Pre-FIRM rates due to purchase, or assignment associated with a purchase **no longer eligible**
      - Effective upon purchase date Pre-FIRM building must be rated using **full-risk rates** based on map in effect on date of purchase

# Questions?

No rock or other object throwing permitted!