

May, 2013



Biggert-Waters Reform Act of 2012

October 1, 2013 Program Changes

This seminar is for education purposes only – NO Continuing

Education credits will be provided.



What Are Subsidized Rates?

- 💧 **Subsidy** - a grant by a government to a private person or company to assist an enterprise deemed advantageous to the public as defined by Webster's
- 💧 Subsidized rates are countrywide rates by broad occupancy type classifications
- 💧 Within the NFIP program, subsidized rates are most commonly applied to structures built Pre-FIRM
 - Built prior to 12/31/1974; OR
 - Built prior to the initial Flood Insurance Rate Map (FIRM) which varies by community

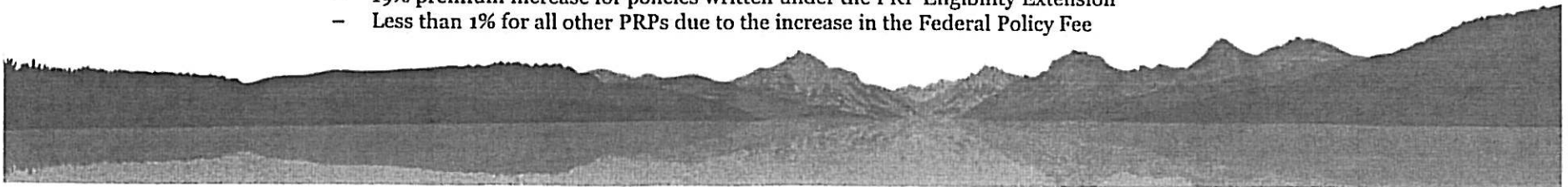
Glynn County = 1985





Premium Increases

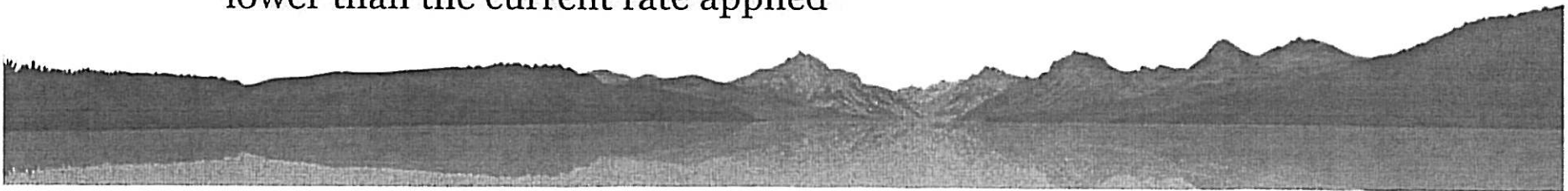
- ◆ Overall average increase of 10%
 - 25% premium increases for certain Pre-FIRM policies
 - Non-primary residences
 - Severe Repetitive Loss (SRL) properties
 - Properties that have incurred flood related damages in which the cumulative amount of NFIP claim payments exceeded the fair market value of the property
 - Business properties
 - Federal Policy Fee is increasing
 - PRP policies = \$22
 - All other policies = \$44
 - Residential Condominium Building Association policies (RCBAP) = equivalent multiple
 - V Zones
 - Post-FIRM = 11%
 - Pre-FIRM = 17%
 - A Zones
 - Post-FIRM AO1-A30 and AE zones = 6%
 - Pre-FIRM AE zones = 16% —————> Primary residence & owned before 7/2012
 - AO, AH, AOB and AHB zones = 6%
 - Unnumbered A zones = 8%
 - A99 and AR zones = 9%
 - X Zones
 - Standard rated policies = 8%
 - Preferred Risk Policies (PRP) = average of 1%
 - 19% premium increase for policies written under the PRP Eligibility Extension
 - Less than 1% for all other PRPs due to the increase in the Federal Policy Fee





Exclusion of Subsidy for Certain Pre-FIRM Structures

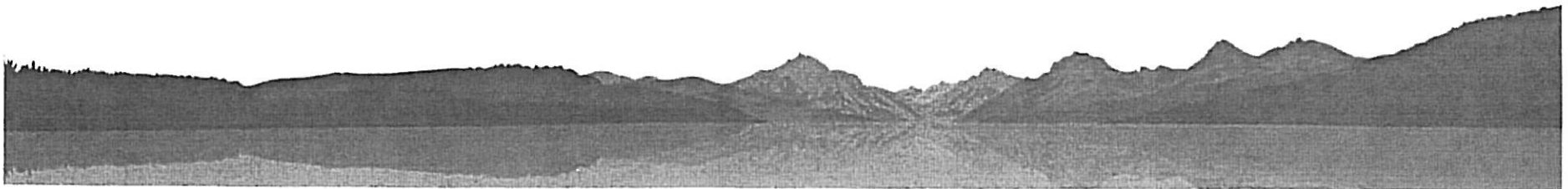
- ◆ The NFIP will no longer allow renewals for certain Pre-FIRM buildings in Special Flood Hazard Areas (SFHAs) or Zone D to receive subsidized rates
 - Severe Repetitive Loss (SRL) properties
 - Properties that have incurred flood related damage in which the cumulative amounts of NFIP flood insurance claim payments equaled or exceeded the fair market value of the property
 - A new rate table has been added to the Flood Insurance Manual for all new properties transferred to the NFIP Special Direct Facility as well as renewal Pre-FIRM SRL properties in SFHAs and Zone D
 - Table reflects a 25% increase over the rates previously applied to Pre-FIRM SRL properties
 - Business properties
 - Effective 10/1/13, the flood insurance application will include a new data field to capture whether a building is a business property or not
- ◆ Renewals for these properties will experience rate increases up to 25% annually
 - Until an Elevation Certificate is provided and indicates full risk rates are lower than the current rate applied





No Extension of Subsidies for Certain Pre-FIRM Structures

- ◆ The National Flood Insurance Program (NFIP) will no longer provide any extension of premium rate subsidy to new or lapsed Pre-FIRM properties or policies
 - These properties and / or policies will be subject to **full risk rating**
 - The premium reflects both the risk assumed by the program and all administrative expenses
 - With regards to flood insurance, the premium takes into account the full range of possible flood losses, including rare but catastrophic floods as well
- ◆ For flood insurance purposes, these properties' policies will require an Elevation Certificate
 - Photos required as well
- ◆ Tentative or Provisional rates may be used for one (1) year only until an Elevation Certificate (EC) is provided
- ◆ New business Pre-FIRM applications will be rated using Post-FIRM rating procedures
- ◆ Pre-FIRM, elevated with an enclosure, structures will be rated as non-elevated buildings
- ◆ Section 205 of BW12 eliminates NFIP Grandfathering for all new business Pre-FIRM structures receiving subsidized rates
 - Except for Pre-FIRM structure that were built in compliance and have a construction date on or after the community's initial FIRM date AND before January 1, 1975
 - Does not impact policies issued under the Preferred Risk Policy (PRP) Eligibility Extension program





Pre-FIRM Properties Impacted

- ◆ Certain Pre-FIRM properties and/or policies in Special Flood Hazard Areas (SFHA's), zones beginning with A or V, and Zone D will be impacted by the changes referenced on the previous slide
 - New business applications effective 10/1/13
 - Not a rollover, transfer or rewrite
 - Renewals of policies that initially were effective on or after July 6, 2012, are subject to full risk rating on the first renewal effective on or after 10/1/13
 - Lapsed NFIP policies
 - Pre-FIRM subsidized policies that experience a lapse on or after 10/1/13
 - Lapsed policies which are reinstated on or after 10/4/12 and before 10/1/13 will be subject to full risk rating on the first renewal effective on or after 10/1/13
 - A lapsed Pre-FIRM subsidized policy cannot be reinstated on or after 10/1/13, and loses eligibility for grandfather rules under "continuous coverage"
 - A new application and Elevation Certificate (EC) will be required
 - One exception to this is when a Pre-FIRM subsidized policy lapses due to community suspension
 - » In this case, the policy may be written using subsidized rates if the application and premium are received from the insured within 180 days of the community reinstatement date
 - Properties purchased after the date of enactment of BW12
 - Renewal of policies receiving subsidized rates and covering a property purchased on or after July 6, 2012, are subject to full risk rating on the first renewal effective on or after 10/1/13
 - Mid-term assignments due to purchase of Pre-FIRM properties rated using subsidized rates will be subject to full risk rating (pro rata) effective the date of purchase, using the current map information
 - Applications will now include a new data element to record the property purchase date

