National Flood Insurance Program Changes

Biggert-Waters Reform Act of 2012; October 1, 2013 Changes

Premium Increases

- Premiums will increase an average of 10% for policies written or renewed on or after October 1, 2013
- 25% increases for certain Pre-FIRM policies:
    - Non-Primary/Non-Principal residences
    - Severe Repetitive Loss (SRL) Properties
    - Properties that have incurred flood-related damages in which the cumulative amount of the NFIP claim payments exceeded the fair market value of the property (as a subset of SRL properties)
    - Business Properties
- **Federal Policy Fee Increasing**
    - PRP Policy Fee will be $22
    - All other Policy Fees will be $44
    - Residential Condominium Building Association Policies (RCBAP) will be the equivalent multiple
- **V Zones**
    - Post-FIRM V Zones premiums will increase 11%
    - Pre-FIRM V Zones premiums will increase 17%
- **A Zones**
    - Post-FIRM A01-A30 and AE Zones premiums will increase 6%
    - Pre-FIRM AE Zones premiums will increase 16%
    - AO, AH, AOB, and AHB Zones premiums will increase 6%
    - Unnumbered A Zones premium will increase 8%
    - A99 Zones and AR Zones premiums will increase 9%
- **X Zones**
    - Standard-Rated Policy premiums will increase 8%
    - Preferred Risk Policy (PRP) premiums will increase an average of 1%
        - 19% premium increase for policies written under the PRP Eligibility Extension
        - Less than 1% for all other PRP policies due to the increase in the Federal Policy Fee

PRP Eligibility Extension

- Policies issued under the Preferred Risk Policy (PRP) Eligibility Extension will incur annual premium increases
    - Average of 20% annually
    - Beginning with new business and renewals effective on or after 10/1/13
    - New set of PRP rate tables will be provided

Change to Federal Policy Fee

- PRP Policy Fee will increase to $22 from $20
- Non PRP Policy Fees will increase to $44 from $40

Elimination of No Waiting Period due to Lender Requirement

- Impacts policies where there is a loan on a structure in a Special Flood Hazard Area (SFHA)
    - Zones beginning with A or V
    - Lender determines a flood insurance policy has not been issued
    - Structure owner is required to purchase a flood insurance policy
    - 30 day waiting period will be imposed on these new business policies

No Extension of Subsidy to New Policies or Lapsed Policies for Pre-FIRM Properties in SFHAs and Zone D (New Business)

- The NFIP will no longer provide any extension of premium rate subsidy to new or lapsed Pre-FIRM properties/policies
  - These properties/policies are subject to full risk rating
  - These properties will require an Elevation Certificate (EC) including photos
  - Tentative or provisional rates may be used for 1 year only until an EC is provided.
- New business Pre-FIRM application submissions will use Post-FIRM rating procedures
- Section 100205(B) of BW 12 eliminates the NFIP grandfather rules for all new business Pre-FIRM structures receiving subsidized rates
  - Except for Pre-FIRM structures that were built in compliance and have a construction date that is on or after the community's initial FIRM date and before January 1, 1975.
  - Does not impact policies issued under the existing PRP Eligibility Extension program
- Certain Pre-FIRM properties and/or polices in Special Flood Hazard Areas (SFHA's), zones beginning with A or V, and Zone D will be impacted by the changes referenced above
  - New business applications effective 10/1/13
  - 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 polices 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
  - 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

Introduction of Reserve Fund

- The Biggert Waters Act of 2012 requires FEMA to build up a reserve fund to help meet the expected future obligations of the NFIP in higher than average loss years
- The Fund will be phased in
- Effective 10/1/013, a Reserve Fund ratio will be applied to each National Flood Insurance Program (NFIP) Policy
- Excludes Preferred Risk Policies (PRPs) and Group Flood Insurance Policies (GFIPs)
- Reserve Fund amounts will be part of the premium calculation for applicable policies
- For policies effective on or after 10/1/13, the Reserve Fund amount is 5% of the total premium

Exclusion of Certain Property from Receiving Subsidized Premium Rates (Renewals)

The NFIP will no longer allow renewals for certain Pre-FIRM buildings in a Special Flood Hazard Area (SFHA) or Zone D to receive subsidized premium rates. Renewals of these properties will experience rate increases up to 25% annual, until an elevation certificate is provided and indicates full risk rates are lower than current rate applied.

- **Severe Repetitive Loss (SRL) properties**
    - A new rate table has been added to the Flood Insurance Manual for all new properties transferred to the NFIP Special Direct Facility (SDF) as well as Pre-FIRM SRL properties in an SFHA and Zone D
    - Table reflects a 25% increase over the premium rates previously applied to Pre-FIRM 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**.
    - This category of Pre-FIRM properties is considered a subset of all SRL properties
    - SRL renewals for Pre-FIRM buildings in an SFHA and Zone D for all 1-4 family residences will be rated using the new rate table, as will other SRL properties
    - This new table will apply to all SRL renewal policies meeting the above criteria
    - This table reflects a 25% increase over the premium rates previously applied to Pre-FIRM properties
- **Business properties as described below.**
    - Effective 10/01/13, the flood insurance application will include a new data fields to capture whether a building is a business property or not
    - Until business properties have been defined by the rulemaking process, business properties will continue to be rated using non-residential premium rates from Table 2A

DEFINTION: For the purpose of completing the Application, a business property is any non-residential building that produces income, or a building designed for use as office or retail space, or for wholesale, hospitality, or similar uses. Buildings that are permitted for residential use such as apartments, rental dwelling units, or churches are not considered business properties for the purpose of completing the Application.

NFIP Form Changes

- Changes will be made to the following forms
    - Flood Insurance Application
    - General Change Endorsement Form
    - Preferred Risk Policy Application
        - Completion of Application Part 2 will now be required
    - Cancellation Forms
- Current versions of these forms will expire August 31, 2013
- Revised forms will incorporate data elements required for the implementation of the provisions of the Biggert Waters Act of 2012
- Further information on these data elements will be outlined in the National Flood Insurance Program Manual pages in relevant sections