

# National Flood Insurance Program Overview & Updates

Erin May, ANFI  
NFIP iService Regional Manager  
FEMA Region VIII  
720-377-9337  
[emay@nfip-iservice.com](mailto:emay@nfip-iservice.com)

John LeBrune  
FEMA Mitigation Branch Chief  
303-235-4906  
[john.lebrune@dhs.gov](mailto:john.lebrune@dhs.gov)



# Facts about Flooding & the NFIP

- **Flooding is the #1 natural disaster in the US & the largest cause of loss of life and property**
- **In a high-risk area, your home is more than twice as likely to be damaged by flood than by fire- EVEN IN COLORADO**
- **Nearly 25 percent of flood insurance claims come from moderate-to-low risk areas.**
- **Purchase through a local insurance agent, find an agent familiar with flood insurance by:**
  - Using [floodsmart.gov](https://www.floodsmart.gov) Agent Locator
  - Contacting the NFIP at (888)379-9531 to request an agent referral
- **Property owners and renters CAN get flood insurance:**
  - If they live in a high-flood-risk area
  - If they live in a moderate-to-low-risk area
  - If their house has been flooded before
  - If their mortgage company doesn't require it
  - From their local insurance agent

# Facts about the September Flooding

## Tax Dollars:

- Individual Assistance paid: \$58 million to date
- Public Assistance paid: \$53 million to date

## Recovery Paid by Insurance Premiums:

- NFIP Insurance Claims paid: \$50 million to date
- Approximately 20,000 structures damaged
- Approximately 2100 claims submitted
- 1950 claims paid and considered closed by the insurance company
- <https://www.fema.gov/news-release/2013/11/13/colorado-flooding-two-months-later>

# The National Flood Insurance Act of 1968

- Established the benchmarks of the NFIP.
- Insurance
  - Created a federally subsidized insurance program to provide flood insurance at or below actuarial rates which made flood insurance available and affordable.
- Mitigation/Compliance
  - Federal Government agrees to make flood insurance available within a community. The community agrees to:
    - Adopt a floodplain management ordinance
    - Enforce regulations in the floodplain management ordinance
- Mapping
  - Identification of high flood hazard areas



# Flood Disaster Protection Act of 1973

Established The Mandatory Purchase of Flood Insurance

- Made flood insurance mandatory by placing requirements on the lenders.
- Flood insurance must be purchased by property owners seeking any Federal financial assistance for construction or acquisition of buildings in SFHAs.
- Required flood insurance for Life of Loan.



# National Flood Insurance Reform Act of 1994

- Strengthened lender requirements
  - Established penalties for non-compliance
  - Requires lenders to review revised FIRM's
  - Requires notification & mandatory purchase if revised FIRM shows structure in SFHA
  - If escrow account is established, requires escrow for flood insurance.
- 30 day wait on non-lender required policies
- Provided for ICC coverage on a Standard Flood Insurance Policy
- Created mitigation grant program



# Biggert-Waters Flood Insurance Reform Act of 2012

- Passed on July 6, 2012. Remember this date.
- Extended the National Flood Insurance Program 5 years, until September 30, 2017.
- It is meant to:
  - Make the NFIP more financially stable by raising rates on certain classes of property to reflect true flood risk
  - Create a funding pool for large disasters.
- These changes will mean rate increases for some policyholders over time. More on this later.....





# Definition of a Flood on NFIP Policy

- A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or two or more properties (at least one of which is the policyholder's property) from:
  - ◉ the overflow of inland or tidal waters;
  - ◉ unusual and rapid accumulation or runoff of surface water from any source; or
  - ◉ mudflow; or
  - ◉ collapse or subsidence of land along the shore of a lake or similar body of water exceeding anticipated cyclical levels that result in a flood as defined above

# Policies

- Standard Flood Insurance Policy
  - Residential and Non-Residential
  - Structure and/or Contents
- Residential Condominium Building Association Policy (RCBAP)
  - Condominium form of ownership only
  - Covers Building and Common Areas, including all units and improvements
  - \$250,000 x Number of Units
- Preferred Risk Policy
  - B,C,X zones
  - Not based on elevation information
  - Can't have 2 loss histories of \$1,000 or more or 3+ losses in any an in the last 10 years.



# Flood Insurance Limits

<u>Building</u>	<u>Emergency</u>	<u>Regular</u>
Single Family	\$35,000	\$250,000
Other Residential**	\$100,000	\$250,000
Non-Residential	\$100,000	\$500,000
<u>Contents</u>	<u>Emergency</u>	<u>Regular</u>
Residential	\$ 10,000	\$100,000
Non-Residential	\$100,000	\$500,000

## Deductibles

Pre-FIRM \$2,000      Post-FIRM \$ 1,000

\*up to \$5,000/\$50,000

\*\*Other Residential increase to \$500,000



# Policy Coverage Basics

- Walled and Roofed Structures
  - Debris removal
  - Up to 10% for detached garages
- Contents – contents coverage is a separate policy!
- Various exceptions – see Summary of Coverage
- Very limited coverage for basements and enclosures
- Clean-up & **foundation** are covered
- Basements-contents NOT covered, covered on 1<sup>st</sup> floor above ground
- Actual Cash Value vs. Replacement Cost Value
- Buildings Under Construction
- 30 day waiting period unless lender required –then 0 day wait

# Increased Cost of Compliance

- When a structure that is insured by the NFIP and reaches the substantial damage or repetitive loss threshold after flooding, it must be rebuilt to local standards.
  - Remember FRED:
    - Flood proof, Relocate, Elevate, Demolish
- ICC pays up to \$30,000 for the mitigation technique and is part of the flood insurance policy.
- It can also be assigned to a community mitigation project in certain cases.



# Pre-FIRM Vs. Post-FIRM

- Pre-FIRM: structure constructed prior to community's initial FIRM or before 12/31/74.
  - Generally subsidized policies without elevation data.
  - Flat rate based on occupancy building type and zone
- Post-FIRM: structure built or substantially improved after the initial FIRM or after 12/31/74.
  - Policies need pictures and elevation information
- Elevation Certificates generally done by a surveyor/engineer & show the elevation of the lowest floor (including basements & crawlspaces) in relationship to Base Flood Elevation on map



# PRP Eligibility Extension & Flood Map Revisions

- A Preferred Risk Policy is a lower rate policy in a B, C, or X zone (non-SFHA)
- Some homes are initially not shown in the SFHA (A or V) but after a mapping change are shown “in”.
- Properties mapped into the Special Flood Hazard Area (SFHA) on or after October 1, 2008 have been allowed to remain insured at lower PRP rates if they had the policy before the map change.
- Effective October 1, 2013, premiums will increase for PRPEE
- The PRP eligibility has been extended beyond the original 2 years until further notice.



# I don't need to build my house any higher, it will cost too much.

- As structures go up, premiums drop. Paying extra to elevate beforehand can pay off big in the end.
- Elevating 3 feet above the BFE could lower premiums significantly! Homes built below BFE could be hit hard at full-risk rates

**PREMIUM AT 4 FEET BELOW  
BASE FLOOD ELEVATION**

**\$9,500/year  
\$95,000/10 years**



**PREMIUM AT  
BASE FLOOD ELEVATION**

**\$1,410/year  
\$14,100/10 years**



**PREMIUM AT 3 FEET ABOVE  
BASE FLOOD ELEVATION**

**\$427/year  
\$4,270/10 years**



# Biggert-Waters- What is Changing

- B-W is meant to make the NFIP financially stable.
- Creates a reserve funding pool.
- Section 205 of the act eliminates the subsidy to Pre-FIRM rates for properties in the SFHA
  - Properties without elevation data and Pre-FIRM zone D properties.
- Not all sections have been implemented.
- Majority of changes occurring October 1 are to insurance rates for Pre-FIRM structures.
- Wildfire Exception – NEW!! Benefited Colorado residents!
- [www.Fema.gov/bw12](http://www.Fema.gov/bw12)



# BW-12: Who will be impacted?

- Not everyone-
  - Nationally 20% of NFIP policies receive subsidies and even fewer will see immediate changes.\*
  - Post-FIRM standard X-zone, D-zone, PRP's and the PRP's issued under the Eligibility Extension and most policies using Post-FIRM elevation rating tables **are not subsidized** – even if under the NFIP Grandfather procedures.
  - There are Pre-FIRM structures that use Post-FIRM rates because elevation data gives them a more favorable rate.



# Bigger Waters- What is Changing

- Subsidies to be phased out (Pre-FIRM)
  - Non-primary residences
  - Business properties
  - Severe repetitive loss properties, and properties where claims payments exceed fair market value
- New policies to be issued at full-risk rates
  - After the sale/purchase of a property
  - After a lapse in insurance coverage
  - After substantial damage/improvement
  - For properties uninsured as of BW-12 enactment



# BW-12: Who will be impacted?

- Non-Primary Residence 25% increase annually until the rates reflect the true risk (Jan 2013).
- Owners of subsidized properties that experience **Severe Repetitive Losses** will see a 25% increase annually beginning October 2013:
  - 4 or more claims, each for more than \$5,000 and cumulatively more than \$20,000 or flood insurance payments that exceed the value of the structure. (October 2013)
- Owners of subsidized Business properties located in SFHAs will see a 25% increase annually until the rates reflect the true risk (October 2013)



# BW-12: Who will be impacted?

- As of October 1, 2013, full-risk rates will apply immediately to properties:
  - Newly purchased on or after July 6, 2012
  - Not previously insured, or a lapsed policy .
  - An Elevation Certificate must be obtained, at the property owner's expense, within 1 year to determine full-risk rating for these policies. FEMA will allow the use of a provisional rate in the interim, but for no longer than one year.



# BW-12: The Future?

- Late 2014: Grandfathered rates planned to be phased out beginning in late 2014
  - No change to the “built-in-compliance” Grandfather procedure at this time.
  - The “continuous coverage” Grandfather procedure is unchanged until there is a new owner due to a purchase. The policy must be full-risk rated according to the current FIRM.
  - Lapsed policies will no longer be eligible for “continuous coverage” Grandfather procedures. They also lose eligibility to use subsidized rates.



# Resources

- FEMA Biggert-Waters page
  - <http://www.fema.gov/bw12>
- Floodsmart =
  - [www.FloodSmart.gov](http://www.FloodSmart.gov)
- Map Service Center (including historic maps)
  - [www.msc.fema.gov](http://www.msc.fema.gov)
- FEMA NFIP Homepage
  - <http://www.fema.gov/business/nfip/>
- Map Information eXchange
  - [https://www.floodmaps.fema.gov/fhm/fmx\\_main.html](https://www.floodmaps.fema.gov/fhm/fmx_main.html)
  - 1.877.FEMA MAP (1.877.336.2627)
- NFIP I-Service
  - [www.NFIPiservice.com](http://www.NFIPiservice.com) (FEMA Bulletins, Reports, Training, Mailing Lists for flood insurance)

