

## Changes in Flood Insurance Policy Rates from NFIP Reform Act

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) requires FEMA to take immediate steps to eliminate a variety of existing flood insurance subsidies and calls for a number of changes in how the program operates. The new rates will reflect the full flood risk of an insured building, and some insurance subsidies and discounts will be phased out and eventually eliminated. Rates on almost all buildings that are, or will be, in SFHAs will be revised over time to reflect full flood risks. Based on various conditions set forth in the law, subsidies and grandfathered rates will be eliminated for most properties in the future.

Effective on January 1, 2013, flood insurance policy rates for some older non-primary residences in SFHAs that received subsidized rates based on their “pre-Flood Insurance Rate Map” (pre-FIRM) status will increase by 25 percent a year until they reflect the full-risk rate. A pre-FIRM building is one that was built before the community’s first flood map became effective and has not been substantially damaged or improved. If the building will be lived in for less than 80 percent of the policy year, it is considered to be a non-primary residence.

The NFIP will also begin eliminating subsidized premiums for other buildings effective on August 1, 2013, as mandated by Section 100205 of BW-12. Key changes include:

Subsidies will be phased out for severe repetitive loss properties consisting of 1-4 residences, business properties, and properties that have incurred flood-related damages where claims payments exceed the fair market value of the property. Properties with subsidized rates will move directly to full-risk rates after a sale of the property or after the policy has lapsed. New policies will be issued at full-risk rates.

Note that policyholders should be aware that allowing a policy to lapse could be costly. A new application will be required and full-risk rates will take effect.

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The Association of State Floodplain Managers is an organization of professionals involved in floodplain management, flood hazard mitigation, the National Flood Insurance Program, and flood preparedness, warning and recovery. ASFPM has become a respected voice in floodplain management practice and policy in the United States because it represents the flood hazard specialists of local, state and federal government, the research community, the insurance industry, and the fields of

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