



# BIGGERT- WATERS FLOOD INSURANCE REFORM ACT OF 2012

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*Staring:*

*Nancy Biggert (as the Republican)*

*and*

*Maxine Waters (as the Democrat)*

Between 2008 and 2012, there were a total of sixteen temporary extensions of the NFIP, and four actual lapses.



What is wanted



As presented by Representative



House Committee version



As presented by Senator



Senate committee version



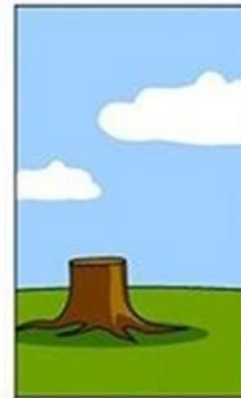
Final committee version



Final Bill



Taxpayer cost



Final rule writing



What the taxpayer gets

**How our Congress Works**

# KEY POINTS:

- *Flood risks are changing.*

*Risks may have increased since the last maps.*

- *Flood insurance rates will reflect those changes.*

*With new maps, rates on many properties will rise.*

- *You can no longer rely on cheap subsidized rates.*

*Most subsidized rates for older properties will be eliminated.*

- *Building higher will lower your risk and save you money.*

*Consider flood insurance when making construction decisions.*

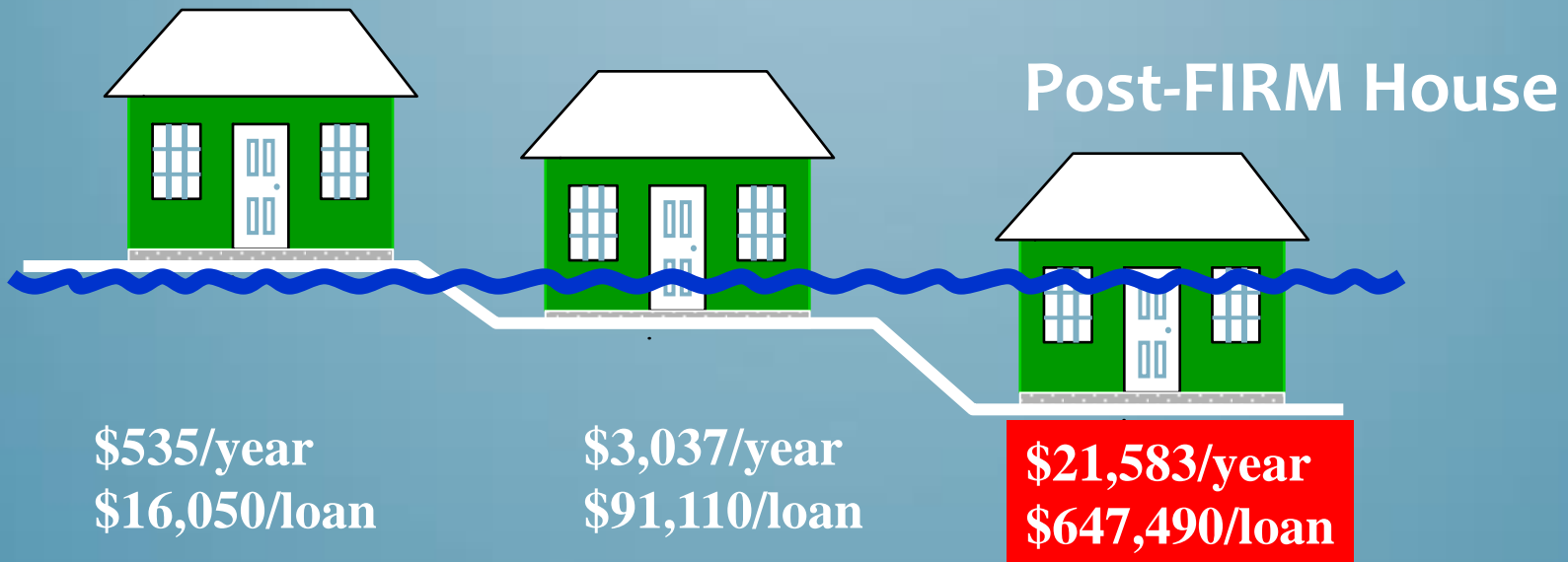
# Comparison Cost of Flood Insurance

## *Existing Pre-FIRM House*



Based on \$75,000 bldg. & \$20,000 contents coverage. Single family, no basement, standard deductible

# Comparison cost of Flood Insurance



# BIGGERT- WATERS FLOOD INSURANCE REFORM ACT OF 2012

(SIGNED JULY 6, 2012)

- **Remove subsidized premium rates for:**
  - *Non-primary residences*
  - *Any Severe Rep Loss property*
  - *Properties where claim payments exceed fair market value.*
  - *Any substantially damaged or cumulatively substantially damaged property (50% rule)*
  - *Any substantial improvement exceeding 30% (?)*
  - *Business properties*
  - *Any new policy*
  - *Any property where the owner has refused HMGP*



# CHANGES FOR NON-PRIMARY RESIDENCES

- *Rates will increase 25 percent per year until they reflect the full-risk rate.*
- *Changes effective January 1, 2013, or at policy renewal*

*Non-primary residence:*

*A building that will be lived in for less than 80 percent of the year*



# CHANGES TO OTHER SUBSIDIZED RATES

- *Rates on pre-FIRM commercial buildings - Increase by 25% a year until they reach full-risk rates.*



- *Rates for repetitively flooded buildings (Severe Repetitive Loss properties) of one to four residences increase 25% a year until they reach full-risk rates.*

- *Buildings with cumulative flood insurance payments that meet or exceed fair market value*
- *These changes planned to start August 1, 2013*





# MOVING TO FULL (UNSUBSIDIZED) RATES

- *After the sale/purchase of a property*
  - *subsidized rates can no longer be assigned to the new owner.*
- *After a policy lapse*
  - *Allowing a policy to lapse could be costly.*
- *When a new policy is issued*
- *Policies for buildings uninsured as of the date Biggert/Waters is enacted*
- *Planned to start August 1, 2013*



# BIGGERT- WATERS FLOOD INSURANCE REFORM ACT OF 2012

# Mapping

- *Notify all residents when they are mapping in or out of a floodplain.*
- *Establishes a Technical Mapping Committee*
- *Allows future conditions mapping?*
- *Map all areas behind levees and dams*
- *Allows states to fund mapping*



# BIGGER- WATERS FLOOD INSURANCE REFORM ACT OF 2012

## Lenders

- *Increased lender penalties (from \$350 to \$2,000 per violation with \$100,000 limit).*

## Mitigation

- *Consolidate all mitigation programs into ONE program funded at \$90 million per year.*
- *Demo-rebuild is now allowed*
- *Cost share changed to 100% on SRL and 90% on RL*



# BIGGER- WATERS FLOOD INSURANCE REFORM ACT OF 2012

## *Other Stuff:*

- Requires a 10 –year repayment of the current debt (currently ~\$20B and not including ~\$12B from Sandy!!)
- FEMA must establish a reserve fund for large losses
- New rates to reflect average historical loss year not excluding catastrophic years (common for actuaries but not the NFIP)
- FEMA and USACE must develop a consistent levee policy (within one year!) Functioning within 2 years. (ya right.....).
- Allows CDBG funds to be used to train code enforcement and zoning staff.

DATE	TENTATIVE IMPLEMENTATION STEP
July 6, 2012	Biggert Waters becomes law; reauthorizes the NFIP for five years and requires FEMA to eliminate discounts and subsidies
January 2013	Subsidized rates phased out for non-primary residences
February 2013 and ongoing	FEMA anticipates issuing additional guidance and details on implementation
Planned August 2013	Subsidized rates anticipated to phase out for business properties, SRL properties, and others. Move to full-risk rates after sale/purchase of property, substantial damage/improvement or policy lapse.
Planned 2014	FEMA anticipates implementing phase-in of full risk rates for properties affected by map changes



# POSSIBLE BIG INCREASES FOR SOME PROPERTY OWNERS

*To reduce risk and save money on flood insurance:*

- *Community-wide discounts through the Community Rating System (CRS)*
- *State and FEMA mitigation grant programs support elevating and relocating*
- *Use of higher deductibles to lower premium costs*

*The smartest way to save is to build higher*

