



FEMA

Biggert-Waters 2012

The Changing Script



TWO TYPES of SUBSIDIES

- **1. PRE-FIRM Buildings –**
 - Built prior to the community joining the NFIP
 - Not rated using elevation
 - Basic premium is lower than what should be charged
- 2. GRANDFATHER RULES**
 - Loyal Customer
 - Built-in-Compliance



The House at 370 Waterview Drive

- 1) Residential property
- 2) Located in a Special Flood Hazard Area
- 3) Current owners have flood insurance



Scenario: Buying the House

THEN

- Flood insurance required
- Subsidized rates apply to pre-FIRM buildings
- Lower “Grandfathered” rate continues to apply if policy is transferred



NOW

- Flood insurance required
- Full-risk rates apply, not pre-FIRM subsidized rates
- “Grandfathering” applies until/unless maps change
- Plan ahead: consider risk as you plan and budget
- Obtain an Elevation Certificate (EC) as soon as possible to learn your full-risk rate – you could save money

Scenario: Selling the House

THEN

- Avoid surprises at closing – let buyers know they will need flood insurance
- Help the buyer: assign your policy so the new owner can continue to receive any subsidized or discounted rate



NOW

- Avoid surprises at closing – let buyers know they will need flood insurance
- Subsidized rates no longer apply; new owner will pay full-risk rate
- New owner can often keep “Grandfathered” rate, but only until next map change
- Consider getting an EC and showing insurance costs – risk and rates could be lower than anticipated
- Consider mitigating, including elevating the home, before listing it for sale

New Message to Homeowners

- **Talk to your insurance agent about options**
 - You'll likely need an Elevation Certificate to determine your correct rate
 - Higher deductibles might lower your premium
- **Mitigate**
 - Building or rebuilding higher will lower your risk and could reduce your premium
 - Consider adding vents to your foundation or using breakaway walls
 - Talk with local officials about community-wide mitigation
 - Look at mitigation as a way to improve resale value

Scenario: Policy Renewal (Full-Risk or Grandfathered)

THEN

- Renew the policy at the same rate
- Rates subject to routine actuarial adjustment



NOW

- Renew the policy at the same (full-risk) rate
- Rates subject to routine actuarial adjustment plus increase for the Reserve Fund
- If Grandfathered, talk to your agent to learn your current risk

Scenario: Policy Renewal (Subsidized) *Primary Home*

THEN

- Don't get caught without coverage in a disaster; stay fully insured
- Renew flood insurance policy at the current (subsidized) rate
- Rates subject to routine actuarial adjustment



NOW

- Retain subsidized rate as long as home is a primary residence and continuous coverage is maintained
- Rates subject to routine actuarial adjustment plus increase for Reserve Fund
- Full-risk rates will apply if the property sold or the policy lapses (effective October 2013)

Scenario: Policy Renewal (Subsidized) Secondary/SRL Home

THEN

- Don't get caught without coverage in a disaster; stay insured
- Renew flood insurance policy at the current (subsidized) rate
- Rates subject to routine actuarial adjustment



NOW

- Previous premium did not reflect the home's full flood risk
- Premium will increase 25 percent a year until it reaches the full-risk rate
- Rates subject to routine actuarial adjustment plus increase for Reserve Fund
- Obtain an Elevation Certificate (EC) as soon as possible to learn your full-risk rate – you could save money

Impact of Retrofitting and Elevation in Rebuilding

Under the Flood Insurance Reform Act of 2012, You Could Save More than \$90,000 over 10 Years if You Build 3 Feet above Base Flood Elevation*

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

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



BFE

**PREMIUM AT
BASE FLOOD ELEVATION**

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



BFE

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

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



BFE

*\$250,000 building coverage only (does not include contents), AB (high to moderate risk) zone, single-family, one-story structure without a basement at: 4 feet below Base Flood Elevation (BFE); at BFE; and at 3 feet above BFE. (Rating per FEMA flood insurance manual, October 1, 2012). The illustration above is based on a standard National Flood Insurance Program (NFIP) deductible.

Scenario #3: Building/Rebuilding a New Home in a Special Flood Hazard Area

THEN

- Be aware of building in a high-risk flood zone
- Need to build to current building code requirements
- Flood insurance premium will be based on elevation at or above FEMA's minimum elevation standard; the community's standard might be higher



NOW

- Be aware of building in a high-risk flood zone
- Risk changes over time, so consider current and future flood risks
- Build higher/stronger than current standards to lower risk and flood insurance premiums
- Talk to local floodplain manager to learn about new maps or data that may be available
- Building higher may increase home value

Scenario #7: Receiving Map Updates

THEN

- New maps could identify that flood risk has changed
- Buy flood insurance now to receive low preferred risk rates in moderate-to-low risk areas
- Having a policy in place allows it to be “Grandfathered In” at a lower rate when maps are adopted



NOW

- New maps could identify that flood risk has changed
- As maps change, discounts, including Grandfathering, will be phased out
- New rates will be phased in at 20 percent a year for five years
- Implementation anticipated in 2014

ADDRESS YOUR RISK



Conclusion

- Congress has ideas and change in mind
- Maps and the mapping process should empower and inform people – not scare them
- Maps provide room for important dialogue about flood risk and should serve that purpose – not drive it
- Maps and process get us to where we want to be: a sustainable state of flood resilience



Terminology

- **Elevation Certificate (EC):** An official FEMA form, typically completed by a land surveyor, that documents a building's elevation
- **Full-Risk Rate:** The cost of insuring the possible losses of a structure based on many factors including the building's elevation and the flood zone on the current Flood Insurance Rate Map (FIRM)
- **Subsidized Rate:** Available for homes built before a community adopted its first FIRM; not based on a building's elevation or true flood risk
- **Grandfathered Rate:** Available for property owners who had a flood insurance policy in effect when a new flood map became effective and maintained continuous coverage, or who built in compliance with the FIRM in effect at the time of construction

Insurance agents can identify if an existing rate is Full Risk, Subsidized, or Grandfathered.

***Note:** A policy is either Subsidized **OR** Grandfathered, not both.*