NFIP Reform

Biggert-Waters Flood Insurance Reform Act of 2012

Signed into law July 6, 2012.
Reauthorization of the NFIP

Extends financing and authority for the NFIP through September 30, 2017
Reform of Insurance Premiums

- Phasing in actuarial rates for:
  - Secondary properties
  - Severe repetitive loss properties
  - Properties that have incurred flood damage exceeding fair market value
  - Commercial properties, or
  - Any subsequent substantially damaged property, or substantially improved property exceeding 30% of fair market value
  - Prohibits subsidies of new or lapsed policies

- Increases the annual cap for premium rate increases from 10 percent to 20 percent; allows options of annual or installment premium payments
Reform of Insurance Premiums

For any property newly mapped into SFHA:

- Initial rates set at 50% discount from full risk rates
- Rates to increase 20% each year thereafter
Deductible Increases

- Minimum deductible;
- Pre-FIRM properties at $1,500 for structures valued at $100,000 or less and $2,000 for structures valued greater than $100,000
- Post-FIRM properties at $1,000 for structures valued at $100,000 or less (remains the same) and $1,250 for structures valued at greater than $100,000
Multifamily Properties

Increases building coverage for residential properties of 5 or more residences from $250,000 to $500,000
Flood Protection Systems

 Allows for communities making progress on reconstruction or improvement of flood protection systems (100 yr. protection) to qualify for lowest risk premiums (equal to premiums at successful project completion)
Condominium Claims

- Requires NFIP to pay claims to condo owners, who have purchased flood insurance policies separate and apart from the flood insurance policy (RCBAP) purchased by the condo association in which the policyholder is a member (clarification)
Escrowing Flood insurance

- Escrowing for flood insurance WAS required when lenders were escrowing for taxes or any other purpose.
- NOW lenders are regulated to escrow flood insurance payments for many loans.
  - Lenders will be in control of claim payments to ensure repairs are made.
Real Estate Agents

- Are now required to notify homeowners of the availability of flood insurance, regardless of whether they are in a SFHA
Lending Penalty Increase

Federal lending institutions that fail to require flood insurance on structures located in the SFHA - fines increased from $350 to $2,000 per violation
Reserve Fund and Reinsurance

- Requires FEMA establish a reserve fund for expected future claims.
- Requires FEMA create repayment schedule to eliminate NFIP debt and report progress; must also report options for eliminating program debt within 10 years.
- Requires FEMA assess and secure reinsurance from the private market and provide report to Congress.
National Flood Mapping Program Reform

- Establishes ongoing program for reviewing, updating and maintaining FIRMs
- Requires engagement of local communities
- Requires communication and outreach plan to local communities affected by new maps
- Allows for notification to property owners through news media of mapping activities
National Flood Mapping Program Reform

- Permits states to invest unlimited funds for updating flood maps (previous State maximum - 50% cost contribution of mapping)
- Allows for communities to make remapping requests and requires use of local data when mapping communities
- Establishes Flood Protection Structure Accreditation Task Force to align COE data w/FEMA accreditation data
- Establishes a Technical Mapping Advisory Council (TMAC)
Technical Mapping Advisory Council (TMAC)

- Provides recommendations on FIRMs and risk data
- Provides performance metrics for mapping the US
- Provides standards and guidelines for maps and data accuracy
- Develops recommendations on climate change implications on flood risk
- Submits annual report to congress
National Flood Mapping Program Reform - Appeals

- Establishes a Scientific Review Panel for appeals (formalizes SRP process)
- Allows for reimbursement of appeal cost if there is a scientific or technical error, not to exceed $250,000
Mitigation

- Streamlines FMA, RFC and SRL program to allow mitigation of repetitive or severe repetitive loss structures; requires consideration of demo and rebuild of properties

- Modifies use of CDBG funds to include flood insurance outreach and community building code administration (sunsets in 2 years)
Studies

- Interagency Coordination Study – how can FEMA improve interagency/intergovernmental coordination for flood mapping and establish joint funding mechanisms
- Multiple studies and reports required for NFIP budget activities, pre-FIRM properties and FEMA contractors
- Study required to explore business interruption and ALE coverage for NFIP
- Study on methods to encourage, maintain participation and educate consumers about NFIP
Studies

- Study impact, effectiveness and feasibility of national building codes as floodplain management criteria
- Study to examine NFIP participation by Indian Tribes (45 out of 565 currently participate)
- Study current state of the market for natural catastrophic insurance in the US
In Conclusion


- Additional guidance and information forthcoming
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