



**The  
National Flood Insurance Program  
And  
The Biggert – Waters  
Flood Insurance Reform Act of 2012**

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**Division of Water**

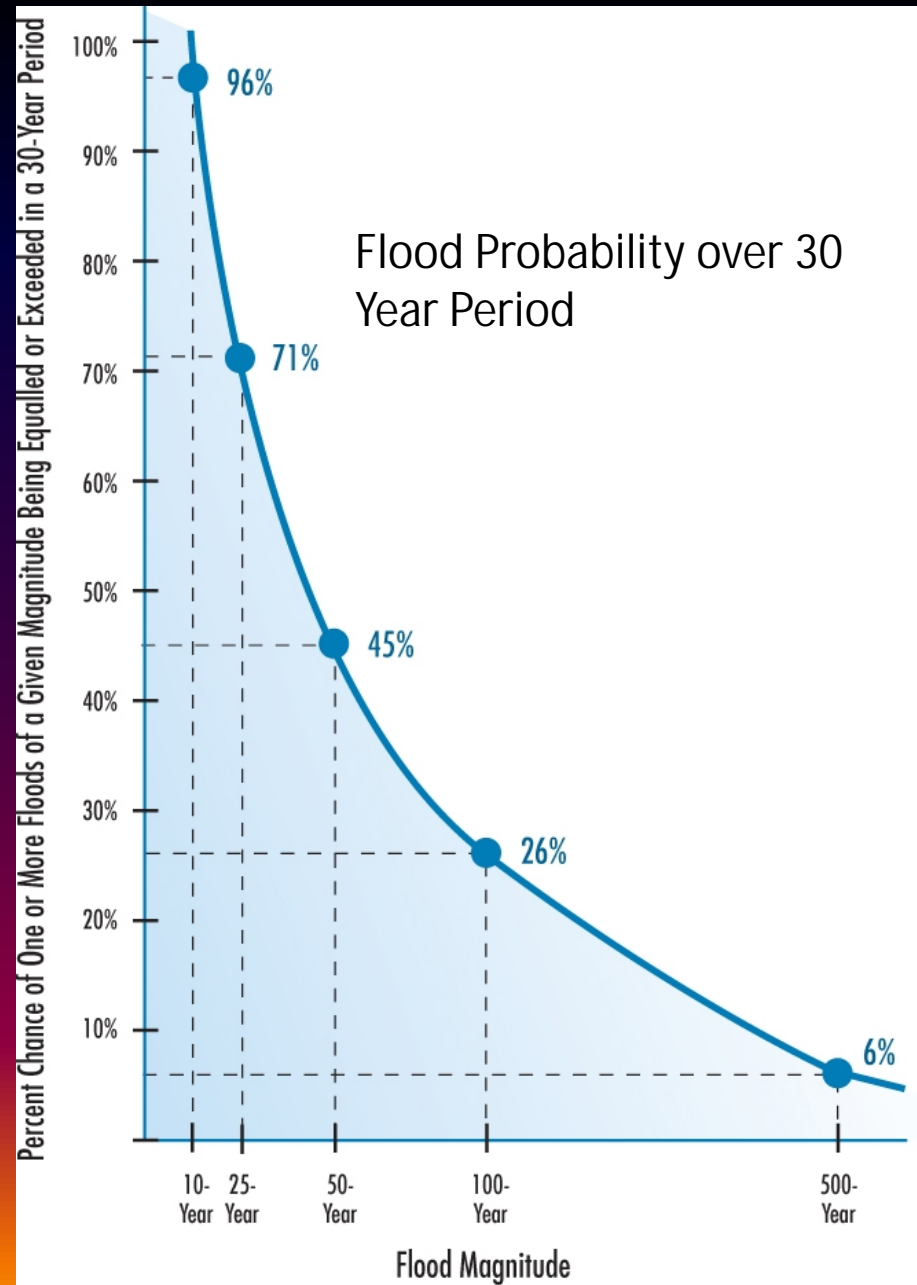
**Bureau of Flood Protection and Dam Safety**

# Floods are the Nation's Most Common Disaster

- 80% of all Presidentially Declared Disasters involve flooding
  - \$5 Billion in 2010
- Sandy will be one of the most expensive flood disaster ever
- Flooding is one disaster that can be mapped
- Flood maps are vital tools:
  - Sustainable Community Development
  - Emergency Management
  - Personal Protection
  - Property Protection

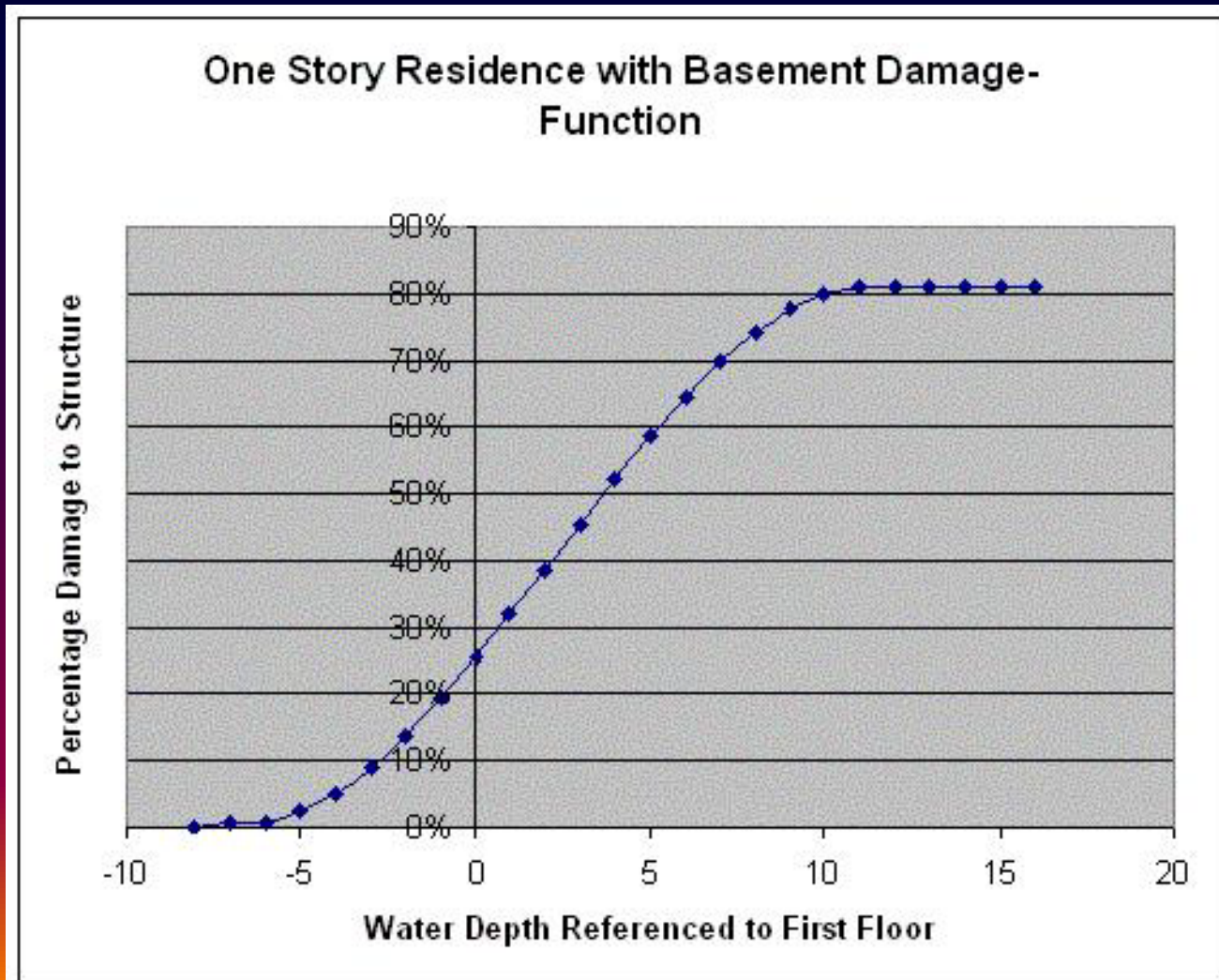
# What is the Risk?

- 100-year flood?
- One percent chance per year  
=26% chance over 30 years
- 500-year flood?  
– 6% over 30 years
- *Your Flood may not have been a One – Percent Event*



SOURCE: U.S. Geological Survey, Guidelines for Determining Flood Flow Frequency, Bulletin 17B (Appendix D).

# What are the Damages to Structures?



# A 500-Year Flood? How did That Happen?

- This is a statistical concept
- 0.2% Probability per Year
- 6% Probability over 30 Years
- Greater Than Chance of Fire

# Where Are We: NFIP?

	NYS, 11/10	NYS 8/12	NYS, 3/13	U.S., 1/13
Policies	162,965	167,455	176,000	5.6 million
Premiums	\$147 Million	\$157 Million	\$170 million	\$3.6 billion
Coverage	\$38.6 Billion	\$41.4 Billion	\$42 billion	\$1.3 trillion
Claims to Date	84,825	105,674	162,504	2.0 million
Claim Payments	\$631 Million	\$1.2 Billion	\$3.1 Billion	\$45.5 billion
National NFIP Program Debt	\$18.8 billion before Sandy. \$6 billion more?			

- Prior to 2005, Program was largely self supporting.
- Policy structure not set up to handle catastrophic losses.
- Fund was never capitalized.
- 1% of policies represent 1/3 of all claims.
- Congress wants program to be on a sounder financial footing.
- It will take years to pay off debt.

Biggert-Waters  
Flood Insurance Reform Act  
of 2012

# Changes to the NFIP

- Flood Insurance
- Mapping
- Mitigation Programs
- Levees and Flood Protection
- Building Code Enforcement
- Assortment of Studies



# Flood Insurance Categories

- Pre-FIRM
  - Built prior to Community's First Flood Insurance Rate Map or 1974, Whichever is Later
  - 79% of the state's building stock was built prior to 1980
  - 132,882 of 176,000 policies in NYS are Pre-FIRM (75.5%)
  - About 65,000 of them are paying subsidized rates
- Flood Zones
  - VE: Coastal Flood Zone with Wave Runup >3'
    - 1,973 Policies
  - A or AE Stillwater Flood Zone: Coastal, Lake or Riverine
    - 83,441 Policies
  - B, C or X zone
    - 90,916 Policies

# Flood Insurance Costs

- Post FIRM: Actuarial
  - The Higher the Lowest Floor; The Less the Cost
  - \$100,000 coverage with lowest floor BFE+2' = \$230 - \$270
- Pre-FIRM: Subsidized (actually a discount)
  - Typical home with Basement Pre-FIRM Rates \$1050 - \$2750 (not including contents)
  - Actuarial costs could be up to \$9000

# Flood Insurance Costs\*

- V zones are Highest;
  - Built to Code (BFE + 2'): \$1120 - \$5000
    - Depending on amount of coverage and value of structure
  - Pre-FIRM: \$1680 - \$5200
- A zones
  - Built to Code (BFE + 2'): \$230 - \$540
  - Pre-FIRM: \$1050 - \$2750
- B, C or X zones, Less than 1% Annual Chance of Flood
  - Preferred Risk Rate: \$282 - \$417
  - X Zone Rate (If claim history): \$721 - \$1390

\*Assumes \$100,000 to \$250,000 coverage, single family home.  
Rates will vary based on amount insured and deductible.

# Flood Insurance: What's Changing?

- Phases out Pre-FIRM (subsidized) Rates for:
  - Non Primary Residences (being implemented now)
  - Business Properties (beginning Aug 2013)
  - Property Damages that Cumulatively Exceed Market Value or Severe Repetitive Loss Buildings (beginning Aug 2013)
- Rates Increase 25%/year until Actuarial Rate Achieved

# Flood Insurance continued

- Removes Pre-FIRM Rates **immediately** for:
  - Sale or Purchase of a Property
  - New or Lapsed Policy
  - Policy for Refused FEMA Mitigation Offer
  - Substantial Damage or Substantial Improvement  
(should be to code anyway)
- FEMA expects this to begin fall 2013
- No Phase In: Instant Actuarial Rate
- This will make it difficult to sell a pre-FIRM structure!

# Grandfathering of Insurance Premiums Phased Out Beginning in 2014

- When Maps Change, Grandfathered Rates will No Longer Apply
- New Rates phased in over 5-years.
- Applies to Non-Subsidized Policy Holders
- Also Applies to Previously Uninsured Properties Newly Mapped into Flood Zones
- FEMA Unclear of Scope:
  - Entire Remapped Community?
  - Only Areas with Flood Zone Changes?
- Editors note: Pushback could hold back flood map adoption

# Other Flood Insurance Changes

- Limit of Annual Rate Increases capped at 20% up from 10%
- Premiums Paid Annually or by Installments
- Limits on Bank's Practice of Forced Placement
- Lender Penalties Increase from \$350 to \$2000 per Property
- Lender Penalty Fine Limit of \$100,000 Removed
  - Banks will be taking this seriously!

# Flood Insurance Goal

- Pay Down Program Debt
- Establish Reserve Fund
- Rates set to Cover Average Historic Loss Years
  - Includes Previously Excluded Catastrophic Loss Years in Average
- Ten-year Repayment Plan for Current Debt
  - Unlikely after Sandy
- Allows Private Insurance to Satisfy Coverage Requirements
  - May see some private insurers getting into the game BUT
  - If this happens, we'll see cherry picking, with riskier policies in the NFIP fund
- Establish Process to Allocate between Wind & Flood Damage



# Other Changes

- Mapping Changes
  - Residual Risk; Levees; Interagency Coordination, Others
- Flood Mitigation Programs Consolidation
- FEMA/COE Flood Mitigation Structure Accreditation Task Force
- Lots of Studies
  - Private Flood Insurance
  - Affordability
  - Pre-FIRM Data

# Saving Money on Flood Insurance

- Community Resiliency
- Retrofit
- Consult with insurance agent –
- Get an Elevation Certificate
- Higher Deductibles?



*The smartest way to save is to build higher.*

# Ways to Lower Costs

- Flood and Hazard Mitigation Grants
  - [www.fema.gov/hazard-mitigation-assistance](http://www.fema.gov/hazard-mitigation-assistance)
- Community Rating System
  - [www.fema.gov/national-flood-insurance-program/community-rating-system](http://www.fema.gov/national-flood-insurance-program/community-rating-system)
- Increased Cost of Compliance
- Invest in Elevating your House. The annual cost will likely be less than the added flood insurance cost.

# Costs to Elevate Structure

- About \$90,000 Average depending on Structure and Amount of Elevation
  - Downstate figures. Costs will vary.
- Additional Cost of Each Foot of Added Elevation = @ \$1.06 per Square Foot of Building Footprint
  - 1000 Square Foot Footprint = \$1060 for each extra foot of elevation.

# Need to Build Higher!

**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

**NYS Residential Building Code: 2' Freeboard,  
New or Substantial Improvement/Damage**

# Retrofitting Structures

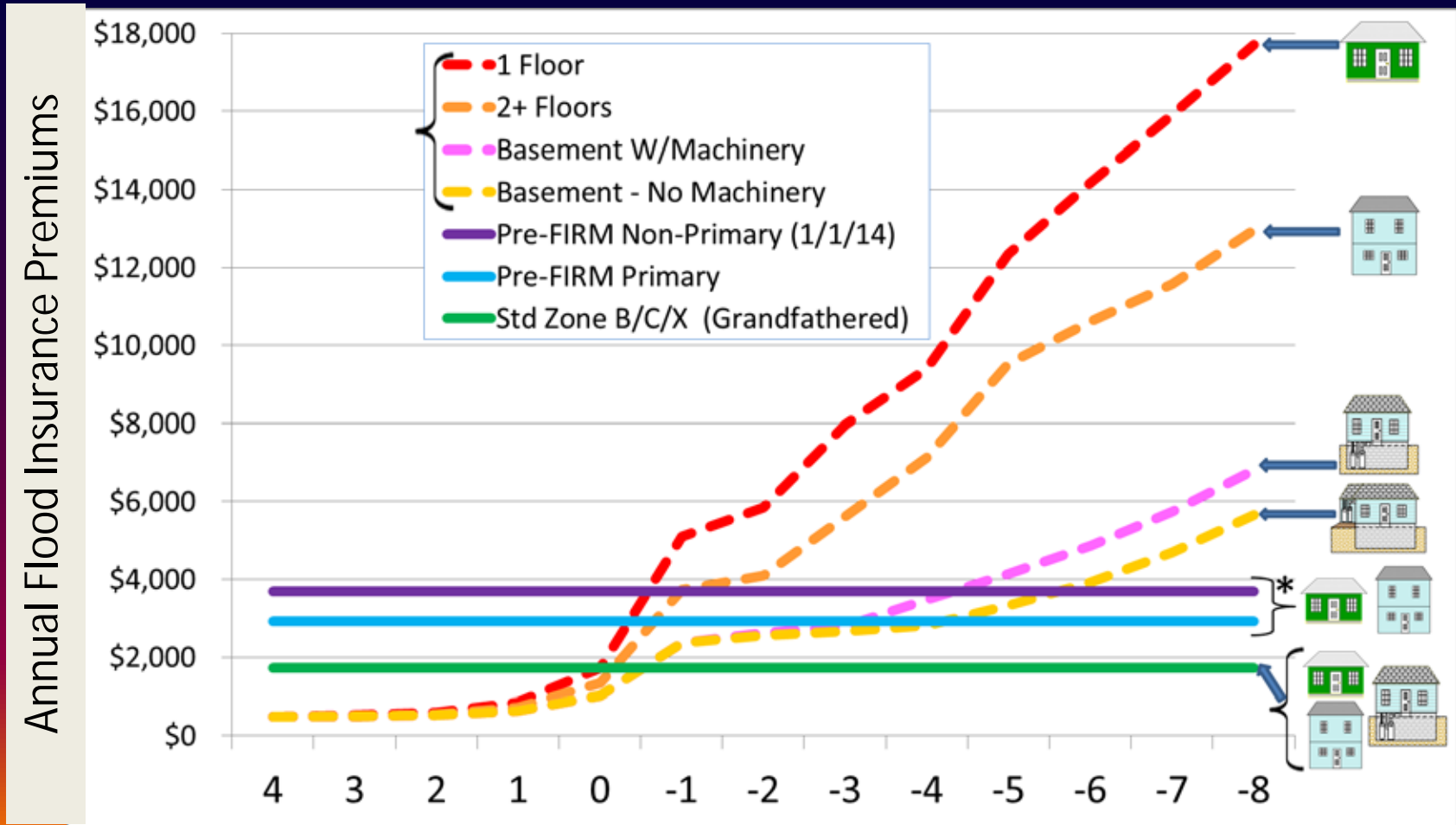
Encourage retrofitting compliant-when-built structures to protect against current risk and maximize insurance savings

- § Install vents and ensure proper venting in lower enclosures
- § Elevate equipment
- § Backfill basements and lower enclosures
- § Elevate structure above BFE
- § (anticipate future higher BFEs)
- § Relocate structure out of SFHA
- § Flood proof non-residential structures



**Remind people to get a permit!**

# Elevation and Insurance Premiums



Rates for 200K Building/80K Contents coverage on 10/1/2013 (except as noted).

\*Pre-FIRM Basement Rates are a bit higher

# BW-12 and Insurance Affordability

- Like future impacts of BW-12
  - Insurance affordability, especially for those that cannot afford it #1 issue!
    - Provision to charge actuarial rates on sale of home particularly impactful
    - BW-12 barely dealt with issue
    - Lots of good ideas out there on how to do this
  - Probably be some sort of “mini” reform of the NFIP in the next few years as actuarial rates kick in
    - Will effort lead to bad or good outcome from a resiliency and sustainability perspective?



# ASFPMs Approach to Flood Insurance Affordability

- Principles
  1. Entire nation must be treated the same.
  2. Flood insurance premiums must move toward full-risk rates.
  3. Address affordability for those who need it. Consider means tested voucher system.
  4. Refine flood insurance rating to better reflect both risk and effective partial mitigation.

# ASFPMs Approach to Flood Insurance Affordability

- Principles

5. Develop innovative and new flood insurance approaches, such as community-based insurance and long-term policies that stay with a structure and can assist in financing mitigation.
6. Fully utilize and refine existing hazard mitigation programs to address flood insurance affordability.
7. Evaluate and implement changes in the tax code to incent mitigation.

# For Consideration

- FEMA is required by Congress to establish actuarial rates.
- Current rating only looks at lowest floor and BFE.
- Other Ideas:
  - Consider depth and frequency of flooding
  - Consider partial mitigation such as elevating utilities and emptying and wet floodproofing basements
  - Consider flood-proofing of large, multi-family residential structures
  - Consider long term flood insurance financing tied to funding of mitigation
  - Consider community based flood insurance

# Conclusions

- The Risks are Real!
- The Costs are High!
- Government is Less and Less Willing to Subsidize Risk.
- New Buildings need to meet Standards ... And then some
- Consider Building Higher Adjacent to Flood zones ... Maps can change!
- Costs of Building Higher far exceeded by Reduced Risk and Lower Flood Insurance
- BUT: This will have serious impacts in flood prone communities.