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# National Flood Insurance Program



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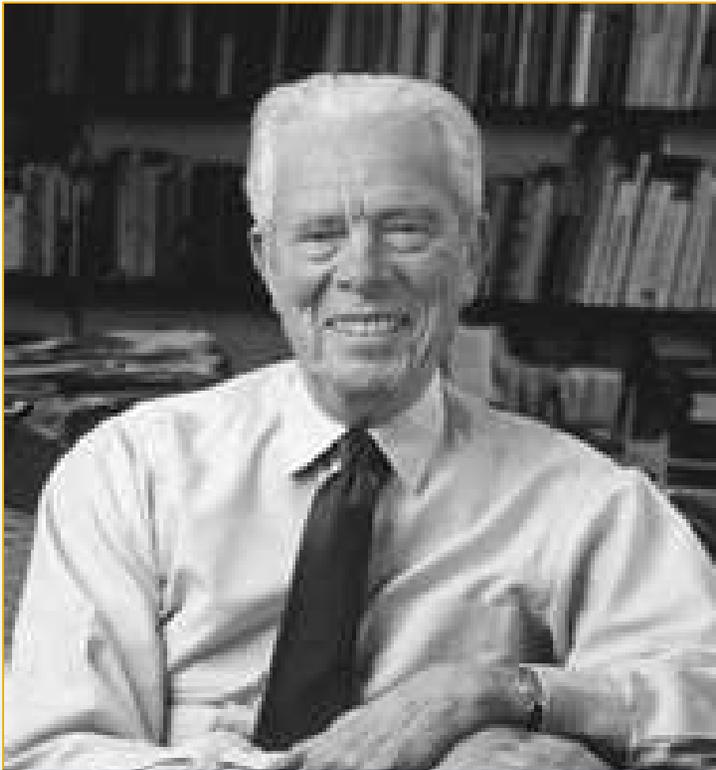
# Agenda

- Overview of the National Flood Insurance program (NFIP)
- Overview of the Community Rating System (CRS)
- How flood insurance rates are set
- Biggert Waters 2012 (BW12)
- Impacts to Charlotte Harbor CRA
- Mitigation Options



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# The National Flood Insurance Program



Gilbert F. White – the father of Floodplain management

*"Floods are 'acts of God,' but flood losses are largely acts of man."*

# Natural Impacts of Flooding



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# Starting to control the water



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A levee protects a home surrounded by floodwater from the Yazoo River on May 18, 2011 near Vicksburg

# More sophisticated control



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Punta Gorda Isles



Lake Okeechobee dike



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# When they fail





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An agreement between FEMA and the local community

Local community regulates development in the floodplain and in return, FEMA provides flood insurance

Intent to reduce flood losses through the community floodplain ordinance and provide protection for property owners

Provides method for communities to further reduce flood insurance premiums by going beyond the minimum requirements



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# Community Rating System

A way for communities to lower flood insurance costs by adopting a holistic approach to floodplain management

How well the regulations are enforced, and how restrictive those regulations are, have a DIRECT impact on the cost of Flood insurance in your community

Communities can earn up to a 40% discount on flood insurance premiums through the Community Rating System



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# Charlotte County is very effective

21,000 NFIP Communities in the Country and 2,000 participate in CRS

Charlotte County ranked 8<sup>th</sup> in the Nation as a Class 5 Community = 25% discount

\$6.2million savings PER YEAR

One of 66 Class Five Communities in the nation



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## Some things we do

Protect open space in the Special Flood Hazard Area

Regulate development to ensure no negative impact

Inform and educate

Mitigate

# How Insurance Rates Are Set



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Set by the NFIP

Elevation of the structure

Flood Zone when structure was built

Level of coverage (up to \$250,000 buildings, \$100,000 contents)

Required when the structure has a federally backed mortgage



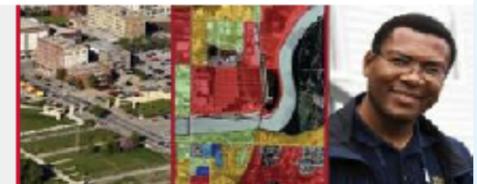
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FEMA

# Changes Coming to the National Flood Insurance Program – What to Expect

**Impact of changes to the NFIP under the  
Biggert-Waters Act**





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## Changes are Coming to the NFIP

- **In 2012, Congress passed legislation which will dramatically change parts of the National Flood Insurance Program**
  - Changes to make the program more financially stable
  - Changes which require the NFIP to raise rates to reflect true flood risk
  - Changes for property owners affected by map changes
- **The changes will mean rate increases for many policyholders over time**
- **Actions such as buying or selling a property, or allowing a policy to lapse , can trigger rate changes**
- **There are investments you and your community can make to reduce the impact of rate changes**



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## Why the Changes to the NFIP?

- **1968: Congress created the NFIP to fill an unmet need**
- **Communities had to adopt standards for new construction, but pre-existing homes and businesses could remain as they were.**
- **Owners of many of these older properties could obtain insurance at lower, subsidized rates that did not reflect the property's real risk.**
- **45 years later: Flood risks continue Nationwide, and the costs and consequences of flooding are increasing dramatically.**
- **Artificially low rates and discounts no longer are sustainable.**
- **In 2012, Congress passed legislation to make the program more sustainable and financially sound over the long term.**



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## What is Changing?

- **Flood risks and the costs of flooding**
  - Weather patterns, erosion, and development are a few factors increasing flood risk in many communities
  - Floods are getting larger and more destructive
- **Flood insurance rates**
  - Rates for all properties will more accurately reflect risk
  - Subsidized rates for non-primary residences are being phased out now
  - Other subsidized rates will be eliminated over time, beginning late 2013
    - Purchase or sale of a property, or allowing a policy to lapse, could trigger rate changes beginning in 2013
    - When new community flood maps show that a property's flood risk has increased, premiums could also increase – in some cases significantly. But those changes will be phased in



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## Who Will Be Affected?

- **Not everyone** – only 20% of NFIP policies receive subsidies – and an even smaller number will see immediate changes
- Owners of **property which has experienced severe or repeated flooding** will see 25% rate increase annually until rates reflect true risk – began January 1, 2013
- Owners of **secondary residences** in a Special Flood Hazard Area will see 25% increase annually until rates reflect true risk – began January 1, 2013
- Owners of **business properties in a Special Flood Hazard Area** will see 25% rate increase annually until rates reflect true risk -- beginning late 2013



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## Who Won't Be Affected?

- **Owners of primary residences in SFHAs will be able to keep their subsidized rates unless or until:**
  - You sell your property
  - You allow your policy to lapse
  - You suffer severe, repeated, flood losses
  - You purchase a new policy
  - You have refused an offer to mitigate flood losses to your property



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## When Will Changes Occur?

- **Now – Changes beginning January 1, 2013:**
  - Premiums for older (pre-FIRM) non-primary residences in a Special Flood Hazard Area will increase by 25 percent each year until they reflect the full-risk rate.
- **Later in 2013:**
  - Premiums for pre-FIRM business properties, severe repetitive loss properties (1-4 residences), and properties where claims payments exceed fair market value will increase by 25 percent each year until they reflect the full-risk rate.
  - Full-risk rates will apply to property not previously insured, newly purchased, or repurchased after a lapse, occurring on or after July 6, 2012.
  - Normal rate revisions which occur annually, and increases will include a 5% assessment to build a catastrophic reserve fund.
- **Late 2014:**
  - Premiums for properties affected by map changes will increase over five years at a rate of 20 percent per year to reach full-risk rates



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## What Can I Do to Lower Costs?

- **Home and business owners:**
  - Talk to your insurance agent about your insurance options
    - You'll probably need an Elevation Certificate to determine your correct rate
    - Higher deductibles might lower your premium
  - Consider remodeling or rebuilding
    - 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 steps
- **Community leaders:**
  - Consider joining the Community Rating System (CRS) or increasing your CRS activities to lower premiums for residents.
  - Talk to your state about grants. FEMA issues grants to states which can distribute the funds to communities to help with mitigation and rebuilding.



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## Changes for Non-Primary Residences

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

### Pre-FIRM:

Built before the community's first Flood Insurance Rate Map became effective and not substantially damaged or improved since then

### Non-primary residence:

A building that will be lived in by the homeowner or the owner's spouse for less than 80 percent of the year





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## Changes to Other Subsidized Rates

- **Premiums for pre-FIRM commercial buildings**
  - Increase by up to 25 percent per year until they reach full-risk rates
- **Premiums for repetitively flooded buildings**
  - These Severe Repetitive Loss properties of one to four residences will receive a premium increase of up to 25 percent per year until reaching full-risk rates
  - Includes buildings with cumulative flood insurance payments that meet or exceed fair market value
- **These changes will start in late 2013**





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## Direct Move to Full-Risk Rates

- **After the sale/purchase of a property**
  - Subsidized rates no longer can 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 that the law was passed (July 6, 2012)
- **These changes also are slated to start in late 2013**





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## What about when a new flood map is adopted?

- **If you live in a community which adopts a new, updated Flood Insurance Rate Map (FIRM) AND your property has been reclassified into a Special Flood Hazard Area:**
  - Grandfathering will be phased out.
    - The Biggert-Waters Act calls for a phase-out of discounts, including grandfathering provisions, and a move to full actuarial rates for properties which are newly mapped in to a Special Flood Hazard Area.
    - But the pain is lessened somewhat, because new rates will be gradually phased in at 20% per year for five years.
    - Implementation anticipated in 2014



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## Saving Money on Flood Insurance

- **FEMA has programs to help owners reduce their risk and save money on flood insurance.**
  - Community-wide discounts through the Community Rating System (CRS).
  - FEMA grant programs to support communities rebuilding and relocating structures after a flood.
  - Use of higher deductibles to lower premium costs – but talk to your agent about your situation first.
- **The smartest way to save might be to build higher.**



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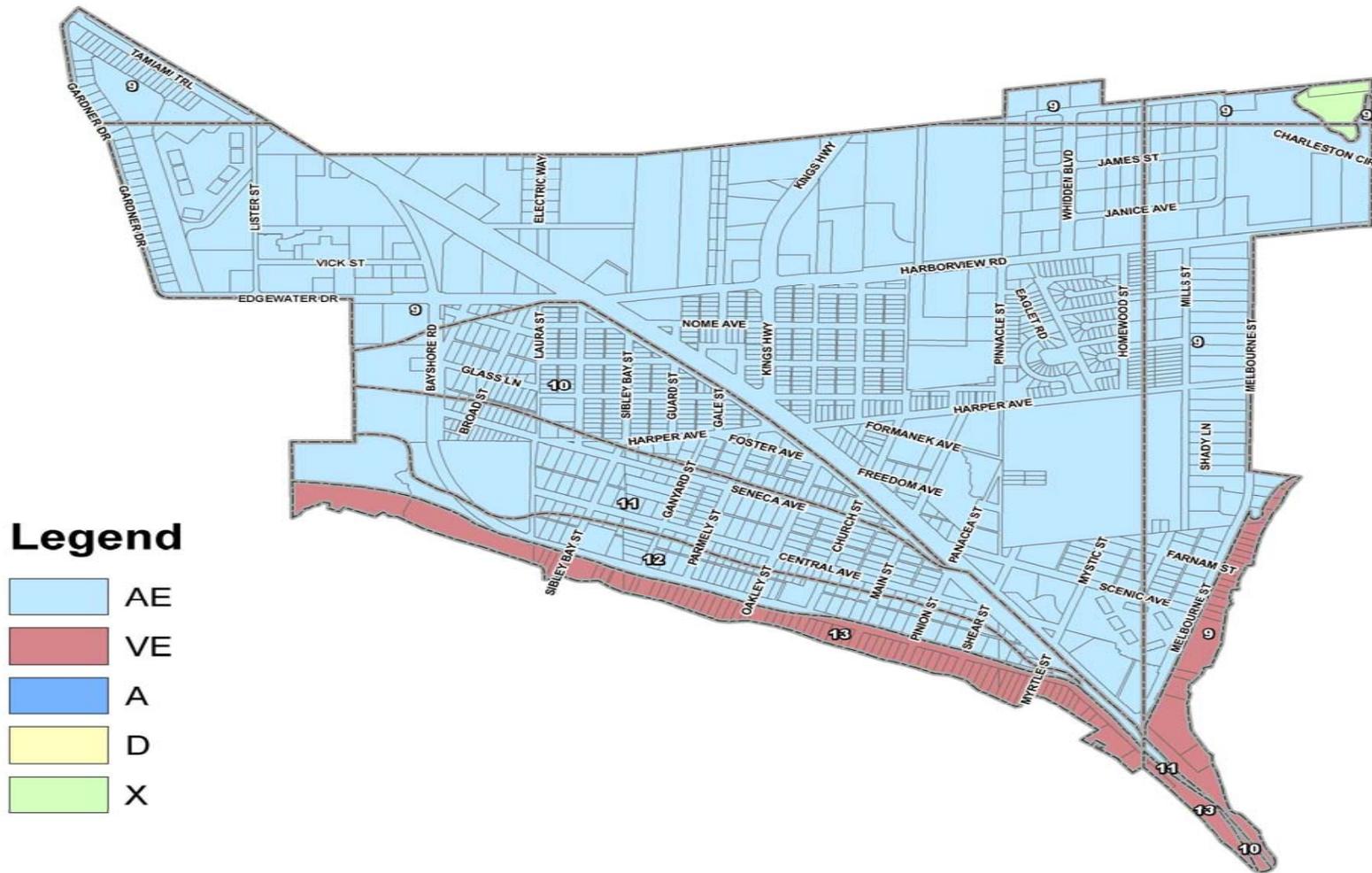
## The Bottom Line

- **Many changes coming to the Flood Insurance program**
  - Congress acted to make program stronger financially
- **On many more policies, flood insurance rates will reflect full risk.**
  - Insurance rates will rise on some policies
  - There are specific actions which will trigger rate changes
- **Talk to your insurance agent about how changes may affect your property and flood insurance policy**
- **Building or rebuilding higher lowers your flood risk and could save you money**
- **FEMA can help communities lower flood risk and flood insurance premiums**
  - CRS program
  - Various mitigation grants
  - Technical advice on building and rebuilding to mitigate future flood damage

# What does that mean to Charlotte Harbor



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# Pre-Firm Structures in Charlotte Harbor CRA

283 Pre Firm Commercial and Residential  
Buildings

Range from 1910 to 1974

Need to think about options and analyze return  
on investment of mitigating the structure