

The Index

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LINKS OF INTEREST:

www.GeorgiaDFIRM.com
www.FloodSmart.gov
www.fema.gov/hazard/flood
<http://msc.fema.gov>

The Index is a publication of GA DNR Floodplain Management; for editorial comments or questions, please contact Tom Shillock at 404-362-2606, or write to Tom.Shillock@dnr.state.ga.us. If you would like to join the mailing list, please contact Garrett Skinner at Garrett.Skinner@atkinsglobal.com.

GAFM 9th Annual Technical Conference Call for Presentations

Georgia Association of Floodplain Management's 9th Annual Technical Conference will be held March 24-27, 2014 at the Atlanta Hyatt Regency. GAFM recently sent out a Call for Presentations encouraging anyone wishing to present to submit an abstract describing their proposed presentation. All information must be submitted via e-mail to abstracts@gafloods.org by November 1, 2013 and be limited to 300 words or less. The abstract must be in Microsoft Word format. Authors selected as presenters will need to be paid registrants attending the conference.

For more details, visit www.GAFloods.org.



SPECIAL EDITION

Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) ADDITIONAL CHANGES TO THE NFIP ARE IMPLEMENTED OCTOBER 1, 2013

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) was passed by Congress and signed by the President on July 6, 2012. This Act extended the National Flood Insurance Program (NFIP) for five years, while requiring significant program reform. The Act requires changes to all major components of the NFIP, including flood insurance, flood hazard mapping, grants, and the management of floodplains. Many of the changes are designed to make the NFIP more financially stable, and ensure that flood insurance rates more accurately reflect the real risk of flooding. The changes are being phased in over time; two that have financial impacts on flood insurance rates happened January 1, 2013 and October 1, 2013.

Subsidized Pre-FIRM Rates Are Being Eliminated (Section 100205)

To help the fiscal soundness of the NFIP, Congress has instructed FEMA to phase out and eliminate pre-FIRM rates. Pre-FIRM buildings are those structures constructed before a community's first Flood Insurance Rate Map (FIRM) became effective. Rates assigned to these buildings have been significantly less than their equivalent full-risk rate (e.g., rated using Elevation Certificate (EC) data) since the inception of the NFIP 45 years ago.

Phase-out at 25 Percent

The following are rates for policies for pre-FIRM buildings in most high-risk Special Flood Hazard Areas (SFHAs)¹ and Zone D that are being phased out by increasing them 25 percent annually until they reach full-risk rate:

- **Pre-FIRM non-primary residences²** – this began January 1, 2013 for new policyholders and renewals.
- **Pre-FIRM Severe Repetitive Loss buildings of 1-4 families or buildings whose claims meet or exceed the market value of the building** – this began October 1, 2013 for new policyholders and renewals.
- **Pre-FIRM business buildings** (including non-residential buildings) – this began October 1, 2013 for new policyholders and renewals.

Immediate Full-Risk

As of October 1, 2013, the following are flood insurance policies for pre-FIRM buildings in most SFHAs and Zone D that will receive full-risk rates at policy inception (or renewal):

¹ Some high-risk zones are not impacted; e.g., Zone AR, A99

² A non-primary home is defined by FEMA as one that is lived in by the policyholder for less than 80 percent of the policy year.

ASFPM is sponsoring a one-hour webinar on October 18 (2-3 pm) about the impacts of BW-12 on flood insurance. Visit their [webinar series page](#) for more details and to sign-up. Spaces are limited.

- Policies on newly purchased pre-FIRM buildings on or after July 6, 2012
- Policies issued for the first time for pre-FIRM buildings that became effective on or after July 6, 2012, or
- Policies reissued after a lapse in coverage for pre-FIRM buildings on or after October 4, 2012.

If any of these three full-risk rate scenarios happened after their respective stated date but before October 1, 2013, then the policyholder will receive a notice at least 60 days in advance of expiration informing them that they will need to have their policy re-rated using an elevation certificate³ before a renewal offer can be made. If this is not submitted and paid for by the time the policy expires, the insurance agent can write the policy using the NFIP's Tentative rates, which are very high and can only be done for one year (note: a claim cannot be paid on a tentative-rated policy until it is re-rated using the elevation certificate and the full-risk rate premium is paid). Download [WYO Bulletin W-13041](#) to see an example Notice that policyholders are receiving.

Who is NOT Affected by Section 100205

Of the approximately 5.56 million policies-in-force nationwide, FEMA estimated in December 2012 that only about 19 percent are subsidized pre-FIRM policies that would be affected by this Section, of which Georgia has less than 2 percent. However, looking at all of the NFIP policies in Georgia, about 18 percent (around 17,900) are pre-FIRM policies which could be affected. The bulk of these are primary residences which will not receive the 25 percent rate increases or go to full-risk rate as long as they continue to be a primary residence and do not allow their policy to lapse or sell the building (while the NFIP allows for policies to be assigned to the new owner at the time of sale, pre-FIRM rates can no longer be transferred). Note that pre-FIRM primary residence rates in SFHAs did, on average, receive a significant increase, nonetheless (around 16-17 percent).

More than 80% of the 97,000 flood insurance policyholders in Georgia do not pay pre-FIRM subsidized rates.

Elimination of Grandfathering Update (Section 100207)

FEMA is still targeting late 2014 (at the earliest) to begin implementation of eliminating the grandfathering rating option (and probably the Preferred Risk Policy Eligibility Extension). For buildings affected by map changes, Congress has directed FEMA to replace grandfathering with a 20 percent increase in premium over five years to reach full-risk rates. Other than that information, FEMA has not released any additional details.

Reducing Risk Can Help Reduce Premiums

Community officials, property owners and stakeholders like realtors and insurance agents need to know not only about the impact of BW-12, but also what options and actions they have or should be prepared to do. Share these example messages with them:

- **Pre-FIRM property owners in SFHAs**
 - Don't let your policy lapse
 - Look at ways to reduce your risk and your premium; e.g., vents, breakaway walls, elevate, increase in deductible
 - Know your full-risk rate; obtain an elevation certificate and have your insurance agent provide you a quote
- **Realtors**
 - When helping your client purchase or sell a building, check to see if it is a pre-FIRM structure in an SFHA. If so, find out what the full-risk rate is upfront, so that there are no surprises at closing due to the cost of insurance.
- **Community officials**
 - Stay up-to-date on grants that could help home and business owners mitigate their property
 - Join the NFIP's [Community Rating System \(CRS\)](#) or pursue additional mitigation activities to achieve the next Class level and provide a higher flood insurance discount to your local policyholders
 - Be prepared to help property owners know their options and where to get an elevation certificate.

BW-12 Resources

- FEMA BW-12 Website
www.FEMA.gov/BW12
- FEMA Interactive Map of Subsidized Policies
<http://bit.ly/15FuKbQ>
- NFIP Bulletins on BW-12
www.NFIPService.com
- Flood Insurance Resources for Community Officials
www.FloodSmart.gov/Partners

³ Some properties in some zones will not need an elevation certificate; e.g., Zone AO, D