



Build Back Safer and Stronger

The Biggert-Waters Flood Insurance Reform Act of 2012

“BW-12”

January 2013

RiskMAP
Increasing Resilience Together



BW-12: What's Changing

▪ Subsidies to be phased out

- Non-primary residences
- Business properties
- Severe repetitive loss properties (1-4 residences), and properties where claims payments exceed fair market value

▪ New policies to be issued at full-risk rates

- After the sale/purchase of a property
- After a lapse in insurance coverage
- After substantial damage/improvement
- For properties uninsured as of BW-12 enactment
- As new or revised Flood Insurance Rate Maps are issued (grandfathered rates planned to be phased out over 5 years)



Changes for Non-Primary Residences

- Subsidized premium rates for “pre-FIRM” properties in high-risk (A or V) zones will be phased out
- Rates will increase 25 percent per year until they reflect the full-risk rate.
- Changes effective January 1, 2013, at policy renewal

Pre-FIRM:

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

Non-primary residence:

A building that will be lived in for less than 80 percent of the year



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Changes to Other Subsidized Rates

- Rates on pre-FIRM commercial buildings
Increase by 25% a year until they reach full-risk rates.

- Rates for repetitively flooded buildings
(known as Severe Repetitive Loss properties) of one to four residences increase 25% a year until they reach full-risk rates

Includes buildings with cumulative flood insurance payments that meet or exceed fair market value



- These changes planned to start August 1, 2013



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Direct Move to Full-Risk Rates

- **After the sale/purchase of a property**
Subsidized rates can no longer be assigned to the new owner.
- **After a policy lapse**
Policyholders should know that allowing a policy to lapse could be costly.
- **When a new policy is issued**
Policies for buildings uninsured as of the ^{E2}te BW-12 was enacted
- **These changes also planned to start August 1, 2013**



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What About Grandfathering?

- **Grandfathering will be phased out**
BW-12 calls for a phase-out of discounts, including grandfathering provisions, and a move to full actuarial rates
- **Section 100207 implementation anticipated in 2014**
Phase-in to full-risk rates anticipated to begin
- **Note: The Preferred Risk Policy Eligibility Extension will be eliminated when Section 100207 implementation takes place**



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Slide 5

E2 Does not mention policies uninsured as of the date of enactment of BW-12. That is not the same as new policies.

ES, 1/2/2013

What About Today's New Policies?

- **Until specifically addressed as BW-12 is implemented, new and renewing policies are still eligible for:**
 - Pre-FIRM subsidies (except pre-FIRM non-primary residences)
 - Grandfathering
 - Extension of Preferred Risk Policy Eligibility
- **FEMA will clearly communicate when these subsidies and discounts are no longer available, as BW-12 implementation moves forward.**



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BW-12 Bottom Line

- **The elimination of subsidies and discounts could mean big increases for some property owners**

Properties that do not meet current requirements (e.g., below the current Base Flood Elevation) could see rates increase dramatically.
- **Properties that meet current requirements still could see increases when new maps show higher risk**

So how can you help clients
save money?



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Key Takeaway

- **If your clients are rebuilding or building new:**
 - Let them know that Flood Risk changes over time
 - Help inform them that their rebuilding decisions now can affect their long term flood insurance premiums
 - Help inform them that elevating their properties and ensuring the right type of construction helps decrease their risk and reduce future flood insurance premiums

BW-12 Timeline

DATE	BW-12 IMPLEMENTATION STEP
July 6, 2012	BW-12 becomes law; reauthorizes the NFIP for five years and requires FEMA to eliminate discounts and subsidies
January 2013	Subsidized rates phased out for non-primary residences
February 2013 and ongoing	FEMA anticipates issuing additional guidance and details on BW-12 implementation
Planned August 2013	Subsidized rates anticipated to phase out for business properties, SRL properties, and others. Move to full-risk rates after sale/purchase of property, substantial damage/improvement or policy lapse.
Planned 2014	FEMA anticipates implementing phase-in of full risk rates for properties affected by map changes