<u>Biggert Waters Flood Insurance Reform Act of 2012</u>

Talking Points:

- For decades, the National Flood Insurance Program, a program managed by FEMA, has provided a way for property owners to protect themselves financially from flood risk.

- When the program was created, it allowed for subsidized rates for certain policyholders whose structures were built before FEMA mapped the Special Flood Hazard Area. These policies made flood insurance available at subsidized rates that did not reflect the true cost of flooding risks.

- Additionally, the risk of flooding has grown over time as more Americans move into areas near the coast, or in areas that have become increasingly developed.

- Today the program is no longer sustainable as it currently exists, so big changes are coming to FEMA's National Flood Insurance Program, or NFIP.

- In 2012, Congress created a law called the Biggert-Waters Flood Insurance Reform Act of 2012. The law was designed to make NFIP stronger financially by removing the artificially low rates that were no longer sustainable.

- As a result, some property owners will soon be required to pay for the true cost of the flood risk on their home and/or property and they will see flood insurance rates increase.

Changes Ahead:

- Over the coming months and years, flood insurance policies will continue to adjust to reflect the full cost of flood risk.

- Some property owners are already feeling the changes, those with secondary or vacation homes recently learned that they would lose their federal subsidy, and in January, began to see higher rates as their policies are being renewed.

- But not every homeowner will see an increase in rates; only about 20 percent of policy holders have a federally-subsidized flood insurance rate.

- By law, going forward in October, these federal subsidies will now begin to disappear, and property owners will be required to pay the flood insurance rate that more accurately reflects their true flood risk.

- Even those with subsidized rates may not need to pay the full risk rate, or the true cost of their flood risk, just yet. Those with subsidized rates can continue to pay them unless they sell their home, let their policy lapse, or purchase a new flood insurance policy after July 6, 2012.

- The best way to reduce flood rates is for communities to come together to consider flood protections that make sense and that will reduce everyone's risk. Some risk reductions community-wide may include keeping some spaces undeveloped, increasing mitigation of individual homes, or other options to reduce damage from flood.

Questions and Answers:

How are flood insurance rates changing under Section 205 of the law?

- FEMA is making changes to the National Flood Insurance Program that will require insurance rate premiums to reflect a property's real flood risk.
- Homeowners of secondary residences with subsidized rates, such as vacation homes, were notified beginning in January 2013 that those rates are no longer available.
- Most other subsidized flood insurance rates, about 20 percent of all flood insurance policy holders, will be eliminated over the coming months and years, beginning in late 2013.

Who will be affected?
Only about 20 percent of NFIP policies receive subsidies, so the new law will not immediately affect everyone.

Subsidized rates for non-primary/secondary residences are being phased out now. Subsidized rates for other classes of properties will be eliminated over time, beginning in October 2013. These include:

- Owners of **non-primary/secondary** residences in a Special Flood Hazard Area (SFHA) will see 25 percent increase annually until rates reflect true risk – began January 1, 2013.
- Owners of **property which has experienced severe or repeated flooding** will see 25 percent rate increase annually until rates reflect true risk – beginning October 1, 2013.
- Owners of **business properties in a Special Flood Hazard Area** will see 25 percent rate increase annually until rates reflect true risk -- beginning October 1, 2013.

How are primary residences affected by the new law?

Owners of **primary residences** in Special Flood Hazard Areas **will be able to keep their subsidized rates** unless or until:

- They sell their property;
- They allow their policy to lapse;
- They purchase a new policy.

Why did the NFIP ever start paying premiums that did not reflect the real flood risk?

- The National Flood Insurance Program was created in 1968 to fill an unmet need, namely to cover flood damages that were not covered by most homeowners' insurance policies.

- In return for this federal support, communities were required to adopt flood protection standards for new construction, but pre-existing homes and businesses were allowed to remain as they were.

- Owners of many of these older properties were offered insurance at lower, federally-subsidized rates.

- These lower premium rates never really reflected the property's true flood risk. In fact, the risk to those properties was always greater than new properties built to withstand flood yet those with a higher risk, paid less for flood insurance.

- Flood risk continued to increase in the 45 years since the program began and the costs and consequences of flooding have increased dramatically. Last year, Congress passed legislation intended to make the program more sustainable and financially-sound for homeowners in the decades ahead.

What Can I Do to Lower Costs?

- Individuals:
  - Talk to your insurance agent about your insurance options, there may be ways you can lower your insurance 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, to lessen the flooding impact on building structures
  - Talk with local officials about community-wide mitigation steps that could help the community lessen their insurance costs

- Community leaders:
  - Consider joining the Community Rating System (CRS) or increasing your CRS activities to lower premiums for residents. CRS-related premium discounts range from 5 percent to 45percent.

- [Insert information on state grants that support mitigation efforts that can reduce vulnerability to flooding]. FEMA issues grants to states which can distribute the funds to communities to help with mitigation and rebuilding.