

Changes to the National Flood Insurance Program (NFIP)

Sandy Keefe

Deputy Mitigation Division Director
FEMA Region 6

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FEMA

Purpose

- **Provide overview of changes to the National Flood Insurance Program (NFIP)**
- **Review R6 demographics related to NFIP**
- **Highlight potential demographic and Recovery implications**
- **Review actions citizens and government officials can take**

Background



**Flooding is a
component in 90%
of the nation's
disasters**

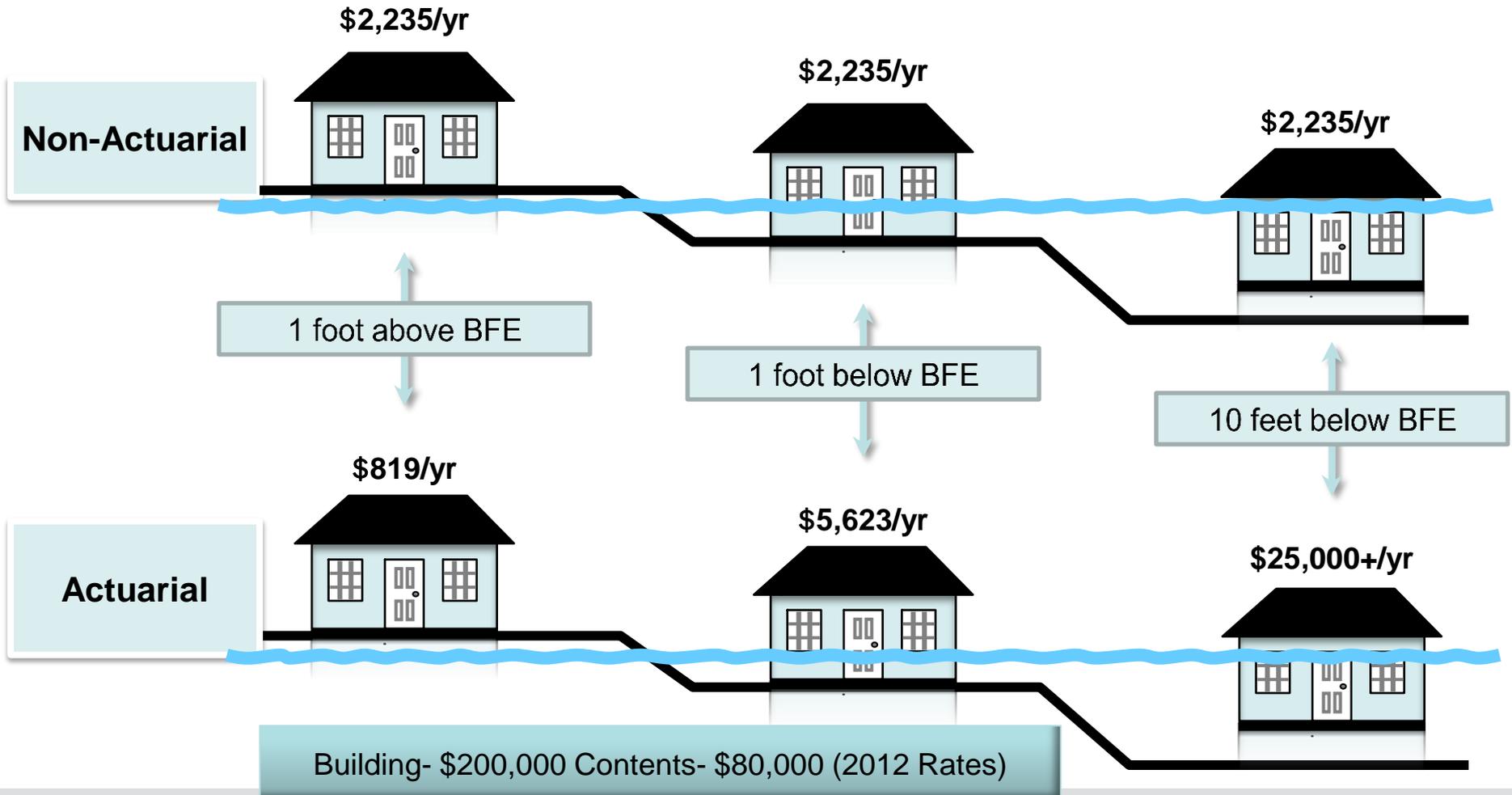
Background

- **NFIP created in 1968 to reduce flood-related disaster costs**
 - Managed by FEMA
 - Established quid pro quid: availability of flood insurance in exchange for local floodplain management
 - At beginning, exempted/grandfathered actuarial rate premium pricing for all properties built before FEMA issued its first flood maps
 - In FEMA Region 6, 42% of all policy holders pay non-actuarial or subsidized insurance premiums

- **July 2012: Congress passed Biggert-Waters NFIP Reform legislation**
 - Requires the NFIP to use actuarial principles in rating policies
 - Phases out and removes premium subsidies
 - Subsidies can account for 40% to 70% of a policy's premium

NFIP Rating Examples: The Impact of Loss of Subsidies

Rate comparisons



What's Changing

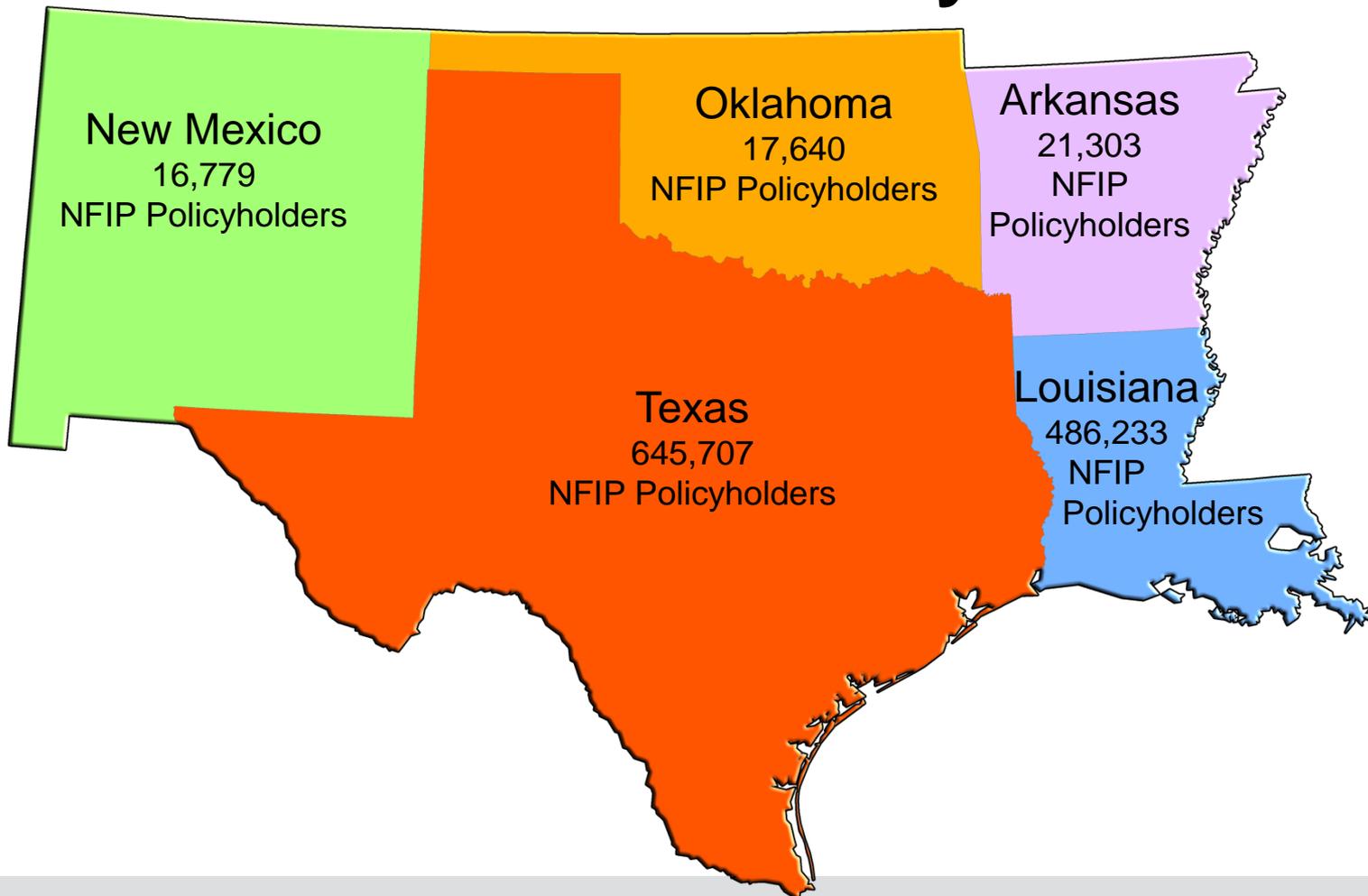
- **Subsidies to be phased out**
 - Non-primary residences (*January 2013*)
 - Business properties (*later in 2013*)
 - Severe repetitive loss properties and where claims payments > fair market value (*later in 2013*)
 - Properties affected by map changes (*2014*)
- **New policies to be issued at full-risk rates (*later in 2013*)**
 - After the sale/purchase of a property
 - After a lapse in insurance coverage
 - After substantial damage/improvement
 - For properties uninsured as of the law's enactment

Phasing:

- All categories except mapping: 25% p/yr. until full-risk rate is achieved
- Mapping: 20% p/yr. over 5 years

Regional Statistics

R6 has 1.2M NFIP Policyholders



Regional Statistics

- **42% of R6 Policyholder Rates are Subsidized (508K)**
 - Oklahoma: 65%
 - New Mexico: 61%
 - Arkansas: 57%
 - Louisiana: 49%
 - Texas: 38%
- **Policyholders of Business Properties: 68K**
- **Repetitive Loss Policyholders: 54K**
- **Secondary Homes: 25K**

Ramifications to Consider

- **Does this make living in high-risk areas unaffordable for some citizens?**
- **Does this impact Recovery operations in a flooding disaster or event?**
- **Individual and Public Assistance – NFIP purchase requirement**
- **Immediately after a disaster:**
 - Do citizens know the impact of their rebuilding decisions?
 - Is this an opportunity to optimize interest in mitigation - elevations and buy-outs?
- **Might this change how states allocate or prioritize mitigation grant dollars?**

What Policyholders Can Do:

- Take a look at their current, effective flood maps
- Talk with the local Floodplain Administrator to learn if there is a preliminary flood insurance rate map available
- Know their risk and start planning for mitigation actions
- Call their insurance agent for more details on their policy
- Look into FEMA Mitigation programs available to them

Mitigation Programs Available

- **Increased Cost of Compliance (ICC) Program**
Up to \$30,000 for flood proofing, relocation, elevation, or demolition (FRED) after a flood. (residential properties only)
- **NFIP Community Rating System (CRS) Program**
Premium discounts up to 45% are available for policyholders in communities that participate in CRS
- **FEMA Hazard Mitigation and Severe Repetitive Loss Grant Programs**

Regional Approach

- **Messaging and Education Campaign:**
 - State and local hazard mitigation officers
 - State and local floodplain administrators
 - Insurance agents
 - Congressional offices
 - R6 program staff
- **Post Disaster: Ensuring citizens have the information they need to make informed rebuilding and repair decisions as soon as possible**
- **Overarching Message: Rebuilding higher reduces flood risk and insurance costs**

Where to Find More Info:

- www.fema.gov for numerous mitigation programs
search for -
 - Hazard Mitigation Assistance
 - Increased Cost Compliance
 - Community Rating System
 - Building Sciences
- www.floodsmart.gov for more on flood risks and flood insurance
- <http://maps.riskmap6.com/> to view online flood maps
- Ross.richardson@fema.dhs.gov
Ph: 940-898-5210