Changes to the National Flood Insurance Program (NFIP)

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Flood of Information:

• Understand why flood insurance costs are going up

• Identify who is affected

• Suggest actions that building owners can take to reduce risk and costs

Although the heavy rains have stopped, the Tillamook area is still under water.

A home along the Sandy River is destroyed by the floodwaters.
Background

Flooding is the most prevalent and costly natural hazard in Oregon, and a component in 90% of the nation’s disasters.

Source: OregonLive, December 06, 2007

NFIP paid claims in Oregon = $91 million (constant dollars) plus ~ $13 million in flood mitigation assistance grants

~26% of policies in Oregon located in the Special Flood Hazard Area have had claims
Background

NFIP created in 1968 to reduce flood-related disaster costs to the US Government

- Managed by FEMA
- Established quid pro quo: flood insurance available in exchange for local floodplain management
- Purchase of flood insurance mandatory when building is located in the Special Flood Hazard Area (1973 reform)
- Initially, FEMA subsidized premiums for older properties (pre-FIRM: built before first flood insurance rate maps issued to a jurisdiction)
Biggert-Waters NFIP Reform:

– Authorized NFIP until 9/30/2017

– Requires that FEMA repay loans to Treasury and build a reserve fund

– Directed FEMA to phase out premium subsidies on pre-FIRM buildings located in Special Flood Hazard Area

Pre-FIRM = built before first flood insurance rate map

In unincorporated Clackamas County, ~32% of existing NFIP policyholders may be affected by removal or phase out of subsidies (~450 policyholders)
<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>FIRM date</th>
<th>CRS Class / Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BARLOW</td>
<td>05/05/81</td>
<td></td>
</tr>
<tr>
<td>CANBY</td>
<td>06/15/84</td>
<td></td>
</tr>
<tr>
<td>CLACKAMAS COUNTY, unincorporated</td>
<td>03/01/78</td>
<td>6 / 20%</td>
</tr>
<tr>
<td>DAMASCUS</td>
<td>07/19/00</td>
<td></td>
</tr>
<tr>
<td>ESTACADA</td>
<td>06/17/08</td>
<td></td>
</tr>
<tr>
<td>GLADSTONE</td>
<td>03/15/77</td>
<td></td>
</tr>
<tr>
<td>HAPPY VALLEY</td>
<td>12/04/79</td>
<td></td>
</tr>
<tr>
<td>MOLALLA</td>
<td>06/17/08</td>
<td></td>
</tr>
<tr>
<td>OREGON CITY</td>
<td>02/15/80</td>
<td>7 / 15%</td>
</tr>
<tr>
<td>SANDY</td>
<td>12/11/79</td>
<td></td>
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<tr>
<td>WEST LINN</td>
<td>03/15/77</td>
<td></td>
</tr>
<tr>
<td>RIVERGROVE</td>
<td>08/04/87</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** FEMA Community Status Book
NFIP Reform applies full-risk rates to many pre-FIRM buildings in the SFHA

(Full-risk rating triggers will be discussed in a minute)

Subsidy remains on pre-FIRM primary residences that had NFIP insurance on July 6, 2012 and have maintained coverage.

Insurance Costs ($)

Feet Above Base Flood Elevation

Pre-FIRM flat rate ($)

Pre-FIRM Subsidy

Full-risk Rates ($)

Below BFE
What does “full risk rating” mean?

Riverine Flood Zones (A, AE)

Rate comparisons – AE Zone – Pre-BW12 vs. Post-BW12

- Subsidized Rates
  - Pre-FIRM
    - 4 foot above BFE: $3,600/yr
    - 1 foot below BFE: $5,643/yr
- Non-Subsidized Rates
  - Post-FIRM
    - 4 feet below BFE: $10,723/yr

Bldg- $250,000 Contents- $100,000; $1,000 deductible; Single-story with no basement, crawlspace or enclosure rates; Zone AE

Source: H2O Partners, 2013
Full risk rating on pre-FIRM properties beginning on Oct. 1, 2013:

- New flood policies
- Upon sale of a building
- After a lapse in insurance coverage
- Upon renewal of a new policy purchased after July 6, 2012

Subsidies phased out for pre-FIRM policies in force before July 6, 2012:

- Non-primary residences (January 2013)
- Commercial properties (October 2013)
- Severe repetitive loss properties and where claims payments > fair market value (October 2013)
- Properties affected by map changes made after July 6, 2012 (to be applied in 2014)

- All categories except map changes: 25% increases over previous year until full-risk rate achieved
- Map Changes: 20% per yr. for five years
As of July 6, 2012

July 6, 2012 - Sept. 30, 2013

NEW pre-FIRM policies written with subsidy

After October 1, 2013
At FIRST RENEWAL:
* full risk rate (no subsidy)
* Elevation Certificate required

• Pre-FIRM policies purchased before July 6, 2012 not affected

• Elevation Certificate will be needed to re-rate policies at renewal

• Policies outside of SFHA not affected
As of January 1, 2013, on existing Pre-FIRM policies in Special Flood Hazard Area:

**Non-primary residences** = a building that will not be lived in by the insured or insured’s spouse for at least 80% of the 365 days following the policy effective date.

Includes residential rental properties.

Elevation Certificate establishes maximum cost.

### Before January 1, 2014

- **July 6, 2012 - Sept. 30, 2013**
  - NEW pre-FIRM policies written with subsidy.

- **After October 1, 2013**
  - At FIRST RENEWAL:
    - full risk rate *no subsidy*
    - Elevation Certificate required.

### After January 1, 2014

- **AT RENEWAL:**
  - 25% rate increases until full risk rate reached.

### Rates Increase Schedule

- **Non-Primary Residences:**
  - 25%/yr rate increases until full risk rate reached.

- **After October 1, 2013**
  - NEW pre-FIRM policies written with subsidy.

- **After January 1, 2014**
  - 25% rate increases until full risk rate reached.
As of January 1, 2013
Non-primary Residences
25%/year increase

At RENEWAL:
* Another 25% increase
* Elevation Certificate may reduce policy cost

July 6, 2012 - Sept. 30, 2013
NEW pre-FIRM policies written with subsidy

After October 1, 2013
At FIRST RENEWAL:
* full risk rate (no subsidy)
* Elevation Certificate required

As of January 1, 2013
Non-primary Residences
25%/year increase

At RENEWAL:
* Another 25% increase
* Elevation Certificate required

On October 1, 2013, Commercial and Severe Repetitive Loss Properties located in Special Flood Hazard Area with existing policies on July 6, 2012:

25%/yr rate increases until full risk rate reached

AT RENEWAL:
Another 25% rate increase until full risk rate reached

A commercial property is a non-residential building that produces income: offices, shops, wholesale, hospitality, etc.

Elevation Certificate establishes maximum cost
July 6, 2012 - Sept. 30, 2013
NEW pre-FIRM policies:
written with subsidy

January 2013: NON-PRIMARY RESIDENCES:
25%/yr rate increases
until full risk rate reached

October 2013: SRL & COMMERCIAL:
25%/yr rate increases
until full risk rate reached

After October 1, 2013
At FIRST RENEWAL:
* full risk rate (no subsidy)
* Elevation Certificate required

Next 25% increase over previous year on renewals after January 1, 2014
Next 25% increase upon renewal

Beginning October 1, 2013 for buildings in SFHA:

NEW or LAPSED Pre-FIRM policies:
rated like POST-FIRM buildings

Elevation Certificate: REQUIRED

PROVISIONAL RATE:
1 year only, or until EC is provided

Increased premiums on renewed policies in AE, AO, AH Zones:

Post-FIRM 6% increase
Pre-FIRM 16% increase
(pre-FIRM policies written before 7/6/2012)

Source WYO Bulletin W-13016
Mandatory Purchase Reminder

• Purchase of flood insurance mandatory on buildings located in the Special Flood Hazard Area:
  – with federally backed mortgages (including lines-of-credit and reverse mortgages)
  – elevated using FEMA grant funds, even if no mortgage
  – where owner has received FEMA disaster assistance, even if present owner was not recipient of assistance and there is no mortgage

• Lenders allowed to require purchase of flood insurance at any time during the life of the loan

• NFIP reform significantly increased penalties to lenders who fail to ensure that flood insurance is maintained by the building owner
Estimated % Households in SFHA without Flood Insurance

New policies will be written at full risk rates

Source: FEMA 2011
Union County = no data
Flood Zone Discrepancies

Insurance must be written on most restrictive zone determined by lender or insurance agent

Borrower’s can dispute:

- Ask lender/insurance agent for a manual determination
- Letter of Determination Review
  Lender and borrower must jointly submit to FEMA with $80 fee; no Elevation Certificate
- Letter of Map Amendment
  No fee to FEMA
  - Example 1: Out as Shown, no Elevation Certificate needed
  - Example 2: Elevation Certificate required
  - Example 3: on a high ground inside flood zone; Elevation Certificate required
Effective NOW

Real estate transactions:
Pre-FIRM property sellers should obtain an Elevation Certificate prior to marketing the building;
Sellers may be able to make simple retrofits that will significantly reduce future flood insurance costs;
Buyers should get flood insurance quote (using the sellers EC) as soon as possible and should consider making their offers contingent upon receipt of an acceptable quote.

Homeowners:
Don’t let a pre-July 6, 2012, pre-FIRM policy lapse!

New flood insurance required to be escrowed after July 6, 2014
MITIGATION OPTIONS

• Talk to your insurance agent

• Supply an elevation certificate
  Double check that LAG < BFE, if not get a LOMA

• Install flood vents (more on this later)

• Remove workshops, laundry, and other improvements from below-BFE garages

• Fill basements and below grade crawlspace
More MITIGATION OPTIONS

• Consider elevating flood prone buildings on higher foundation

• Move structures out of floodplain

• Support city and county CRS programs
  (unincorporated Clackamas County: Class 6, Oregon City: Class 7)

• Contact local planning or emergency management office for more information about mitigation programs
State & Federal Resources

- [www.floodsmart.gov](http://www.floodsmart.gov) for information on flood risks and flood insurance
- [https://msc.fema.gov/](https://msc.fema.gov/) to view online flood maps

Mitigation

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