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Planning Perspectives

National Flood Insurance Program Changes

by John Seitz

Background

In 1968, Congress created the National Flood Insurance Program (NFIP). Since most homeowners' insurance policies did not cover flood damage, property owners who experienced a flood often found themselves financially devastated and unable to rebuild. The NFIP was formed to fill the gap in insurance coverage. In addition, it was designed to incorporate municipal adoption of minimum standards for new construction and development that would minimize future risk of flood damage. Pre-existing homes and businesses, however, could remain as they were. Owners of many of these older properties were eligible to obtain insurance at lower, subsidized rates that did not reflect the property's true flood risk.

Also, as the initial flood risk identified by the NFIP has been updated, many homes and businesses that had been built in compliance with existing standards have received discounted rates in areas where the risk of flood was revised. This "Grandfathering" approach prevented flood insurance rate increases for existing properties when the flood risk in their area increased.

After 45 years, flood risks continue and the costs and consequences of flooding are increasing dramatically. In 2012, Congress passed legislation to make the NFIP more sustainable and financially sound over the long term.

Biggert-Waters Flood Insurance Reform Act of 2012

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) is a Federal law passed in 2012 that extends the NFIP for five (5) years, while requiring significant Program reform. The law requires changes to all major components of the Program, 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 damages from flooding. The changes will be phased in over time, beginning this year.

What is Changing Now?

Flood insurance rates for most properties will more accurately reflect risk. Subsidized rates for non-primary/secondary residences are being phased out now. Subsidized rates for certain other classes of properties will be eliminated over time, beginning in late 2013. There are several actions which can trigger a rate change, thus all property owners will not be affected. It's important to know the distinctions and actions to avoid, or to take, to lessen the rate impacts, including the following:

- Owners of subsidized policies on **non-primary/secondary** residences in a Special Flood Hazard Area (SFHA) will be assessed a 25% increase annually until flood insurance rates reflect true risk – began January 1, 2013.
- Owners of subsidized policies on **property that has experienced severe or repeated flooding** will be assessed a 25% increase annually until flood insurance rates reflect true risk – beginning October 1, 2013.
- Owners of subsidized policies on **business/non-residential properties in a Special Flood Hazard Area** will be assessed a 25% increase annually until flood insurance rates reflect true risk – beginning October 1, 2013.

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Primary residences in SFHAs **will be able to keep their subsidized rates** unless or until:

- The property is sold;
- The policy lapses;
- You suffer severe, repeated, flood losses; or
- A new policy is purchased.

Grandfathering Changes Expected in 2014

The Act phases-out "grandfathered" rates and moves to risk-based rates for most properties when the municipality adopts a new Flood Insurance Rate Map. If you live in a municipality that adopts a new, updated Flood Insurance Rate Map (FIRM), grandfathered rates will be phased out. This will happen gradually, with new flood insurance rates increasing by 20% per year for five (5) years. York County's FIRMs are currently being updated with the process leading to final maps being completed by April, 2015. If the project remains on schedule, York County municipalities will need to adopt the new FIRMs by amending their floodplain ordinance by April, 2015 (six [6] months after they receive a Letter of Final Determination from FEMA). The anticipated "grandfathering" out of subsidized rates would therefore begin April of 2015.

Community Rating System

The Community Rating System (CRS) is a voluntary program that enables NFIP participating municipalities to get credit for things that are done above and beyond requirements of the NFIP such as: adopting the County Hazard Mitigation Plan, requiring stormwater management through an ordinance addressing quality and quantity, or providing flooding information. Residents of CRS participating municipalities can get discounts up to 45% on NFIP flood insurance premiums. Given the current and expected changes to the NFIP, your community should consider enrolling in the CRS. More information about CRS is available at http://www.fema.gov/national-flood-insurance-program-community-rating-system.

Further Assistance

If more information or help is desired concerning the above, you may contact the staff of the York County Planning Commission (YCPC) at 717-771-9870.

FEMA contacts for the CRS program include:

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