Changes in the Flood Insurance Program
Preliminary Considerations for Rebuilding

FEMA

Question: How has the flood insurance program changed and what does it mean to me?

Answer: On July 6, 2012, a law took effect that made significant reforms to the National Flood Insurance Program (NFIP). Among other things, this law requires FEMA to take immediate steps to eliminate a variety of existing flood insurance subsidies.

Under the new law, flood insurance premium rates on many properties in special flood hazard areas will increase. The new rates will reflect the full flood risk of an insured building and some insurance subsidies and discounts will be phased-out and eventually eliminated. Rates on almost all buildings that are, or will be, in special flood hazard areas will be revised over time to reflect full flood risks. Based on various conditions set forth in the law, subsidies and grandfathered rates will be eliminated for most properties in the future.

Subsidies will be phased out for the following types of properties: non-primary residences, severe repetitive loss properties, business properties, and properties that have incurred flood-related damages where claims payments exceed the fair market value of the property. Policy rates will also increase based on one or all of the following circumstances:

- After a change of ownership;
- After there is a lapse in insurance coverage;
- When a new or revised flood insurance rate map is issued; or
- If there is substantial damage or improvement to a building.

Q: How are flood insurance premiums changing under the new law and who will it impact?

A: ***Starting January 1, 2013,*** premium rates for subsidized non-primary residences will begin increasing. Rates will increase 25% per year until they reflect the full risk-rate.

Later in 2013, there will be premium rate increases for additional categories of subsidized properties, including business properties, substantially damaged or improved properties, severe repetitive loss properties, and any property that has incurred flood-related damages where claim payments exceed the fair market value of the property. Rates for these additional categories of properties will phase in at a rate of 25% per year until they reflect full risk rates.

Additionally, in late 2013, FEMA will begin to apply full risk rates to policies written for newly-purchased property.

Beginning in 2014, premium rates for other properties, including non-subsidized properties, will increase as new or revised flood insurance rate maps become effective and full risk rates are phased in for these properties. These premium rate increases will include properties in areas that have received new or revised flood insurance rate maps since July 6, 2012 (the date of enactment of the new law). Additionally, even if you build to minimum standards today, you will be subject to significant rate increases upon remapping if your flood risk changes in the future.

Q: What is a subsidized policy?

A: A subsidized policy is one that does not pay the full actuarial rate and is not reflective of the true risk of flood to that property. Homes located in a high-risk flood zone (*i.e.*, zones beginning with an "A" or "V") and built before the first flood insurance rate map became effective, and that have not been substantially damaged or improved, may currently be receiving subsidized flood insurance premium rates. Talk to your insurance agent for help determining your specific situation, or for more information check the FEMA Map Service Center to view a Map showing which zones your property may be located in at www.msc.fema.gov.

Q: What determines my flood risk?

A: Flood risk is unique to each structure and depends upon factors such as the elevation of the property relative to predicted flood levels, the construction style of the building, and the flood risk zone. FEMA publishes flood hazard maps that show predicted flood levels and flood risk zones based on historical climate information and the best available science. Some common examples of Special Flood Hazard Areas include coastal floodplains, floodplains along major rivers, and areas subject to flooding from ponding in low lying areas.

FEMA provides flood risk information to communities to adopt into their ordinances. Your community permitting official will help inform you of your community's current building standard. However, as discussed below, risk changes over time and building higher than your community's minimum requirements could result in lower flood insurance premiums and reduced flood risk.

Q: How might my flood risk change or how has it already changed?

A: Risk changes over time as conditions in the community change. Physical changes can affect how much water reaches flooding sources, how far the water spreads when floods occur, or the manner in which buildings and infrastructure are exposed to a flooding source. Much of the risk analysis depends on historical data and on the potential severity of flooding over time. As newer data are collected (particularly when severe, rare events occur), the expected chance or severity of flooding derived by analyzing these data changes. The scientific methods and technology used to analyze and map flood risk also continue to improve and may affect predicted flood hazard levels and floodplain boundaries.

Over the past few years, FEMA has been restudying areas of the New Jersey and New York coastlines in order to update the currently effective Flood Insurance Rate Maps (FIRMs) to reflect changes to the physical, climatological, and scientific baseline that have occurred since the prior map updates. These updated maps were set to be delivered to state and local officials in mid-2013. Since existing FIRMs for these areas were developed more than 25 years ago, and because updated FIRMs are yet to be finalized, it is vital to provide near-term Advisory Base Flood Elevations (ABFEs) to support reconstruction efforts in the near term.

Therefore, FEMA is accelerating the flood risk mapping process in coastal New Jersey and New York to provide communities with advisory base flood elevations. This information is intended to help communities and property owners make informed decisions about rebuilding their homes and businesses. Ultimately, new maps will be developed that incorporate this advisory data. This may result in new, higher flood elevations or a new, higher risk flood zone designation. These flood elevations and flood risk zones affect the minimum building requirements in the communities and the flood insurance rates charged.

ABFEs will be available to communities in the following areas:

- New Jersey Counties: Atlantic, Bergen, Burlington, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union.
- New York Counties: Bronx, Kings, New York, Richmond, Queens, and Westchester.

For more information on updated flood mapping, visit www.Region2Coastal.com.

Q: How can I save money on flood insurance?

A: Save money on flood insurance by reducing your flood risk. Flood insurance premiums are based on flood risk. Therefore as flood risk increases, flood insurance premiums also increase.

Home and business owners whose properties have been flooded must make important decisions about repairing, rebuilding, or relocating their building. One choice would be to repair or rebuild to current standards. However, if advisory base flood elevations indicate that elevations have changed, or if other factors in the future cause the flood elevations to rise, these home and business owners would be missing out on a significant opportunity to mitigate their future flood risk and thereby lower their future flood insurance premiums.

One specific way for you to reduce future losses and your premium is to ***raise your building above the minimum required elevation standards or to flood-proof your non-residential building.*** Flood insurance premiums are lower for buildings in high-risk areas that are elevated above minimum requirements, so rebuilding higher provides immediate flood insurance benefits. Generally, the higher a building is elevated above flood levels, the lower the cost of flood insurance. Additionally, depending on where you live, other ways to reduce premiums could include adding vents to enclosures, installing breakaway walls, or relocating your structure further from the flood source if possible.

Flood zone designations can also change as flood risk changes. The flood zone that is designated for a structure can dictate the construction methods required to receive reduced flood insurance rates. For example, newly-constructed or substantially improved structures in V-zones must be elevated on post, piers, or pilings. Because zone designations can change, FEMA recommends that those living near existing V zones consider rebuilding using posts, piers, or pilings.

As new maps are developed, it is possible that structures not previously located within a special flood hazard area will be designated as such, and will therefore be required to obtain flood insurance. Under the new law, a new flood insurance policy may not be subsidized and, therefore, the owner will pay full risk rates.

Residents, business owners, and community leaders should take a close look at their current flood risks and consider how those risks might change in the future. Because insurance costs will increase with rising flood risk and hazards, keeping insurance costs in check will mean being more proactive in reducing flood risk and going beyond mere compliance with federal minimum floodplain management requirements. Adopting higher standards and building back stronger and safer are key strategies for reducing the cost of flood insurance. To learn how to build safer and stronger and potentially decrease your flood insurance premiums, visit: www.fema.gov/building-science/hurricane-sandy-building-science-activities-resources.

Q: Does FEMA have any programs that can help me reduce my risk and save money on flood insurance?

A: Yes, there are three FEMA programs that may directly or indirectly result in flood insurance discounts to policyholders:

FEMA provides hazard mitigation grants to states for activities such as structure elevation, property acquisition, and flood-proofing. When completed, these activities can reduce or eliminate risk, which may result in lower flood insurance rates. To learn more about Hazard Mitigation grants visit www.fema.gov/hazard-mitigation-assistance.

The Community Rating System (CRS) offers insurance premium discounts (up to 45%) for individuals in communities implementing floodplain management practices that exceed the minimum requirements of the NFIP. By implementing CRS floodplain management best practices, flood losses are reduced, public safety is enhanced, and the cost of flood insurance is decreased. To learn more about CRS visit http://www.fema.gov/national-flood-insurance-program/community-rating-system.

Current NFIP flood insurance policyholders in high-risk areas also known as Special Flood Hazard Areas (SFHAs), might get up to $30,000 to help pay the costs to bring their home or business into compliance with their community's floodplain ordinance if their structure has been declared substantially damaged from a flooding event. This insurance coverage is known as Increased Cost of Compliance and can help pay the cost of flood-proofing, elevation, relocation, or demolition. In some cases, ICC funds can be used as a non-federal cost share for other FEMA grants.

Each of these options will reduce risk, which could result in lower flood insurance rates.