



# Connecticut Department of Energy and Environmental Protection



Connecticut Department of  
**ENERGY &  
ENVIRONMENTAL  
PROTECTION**

# CT Climate Adaptation Academy

Impacts of Increased Precipitation on CT Communities

## *National Flood Insurance Program Changes - BW12 & HFIAA*

October 10, 2014 - Middlesex County Extension Center, Haddam

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Connecticut Department of Energy and Environmental Protection

# Today's Topics

- ❖ NFIP History & Statistics
- ❖ Biggert-Waters Flood Insurance Reform Act of 2012 (BW12)
- ❖ Homeowners Flood Insurance Affordability Act of 2014 (HFIAA)
- ❖ Concerns for Property Owners & Community Officials

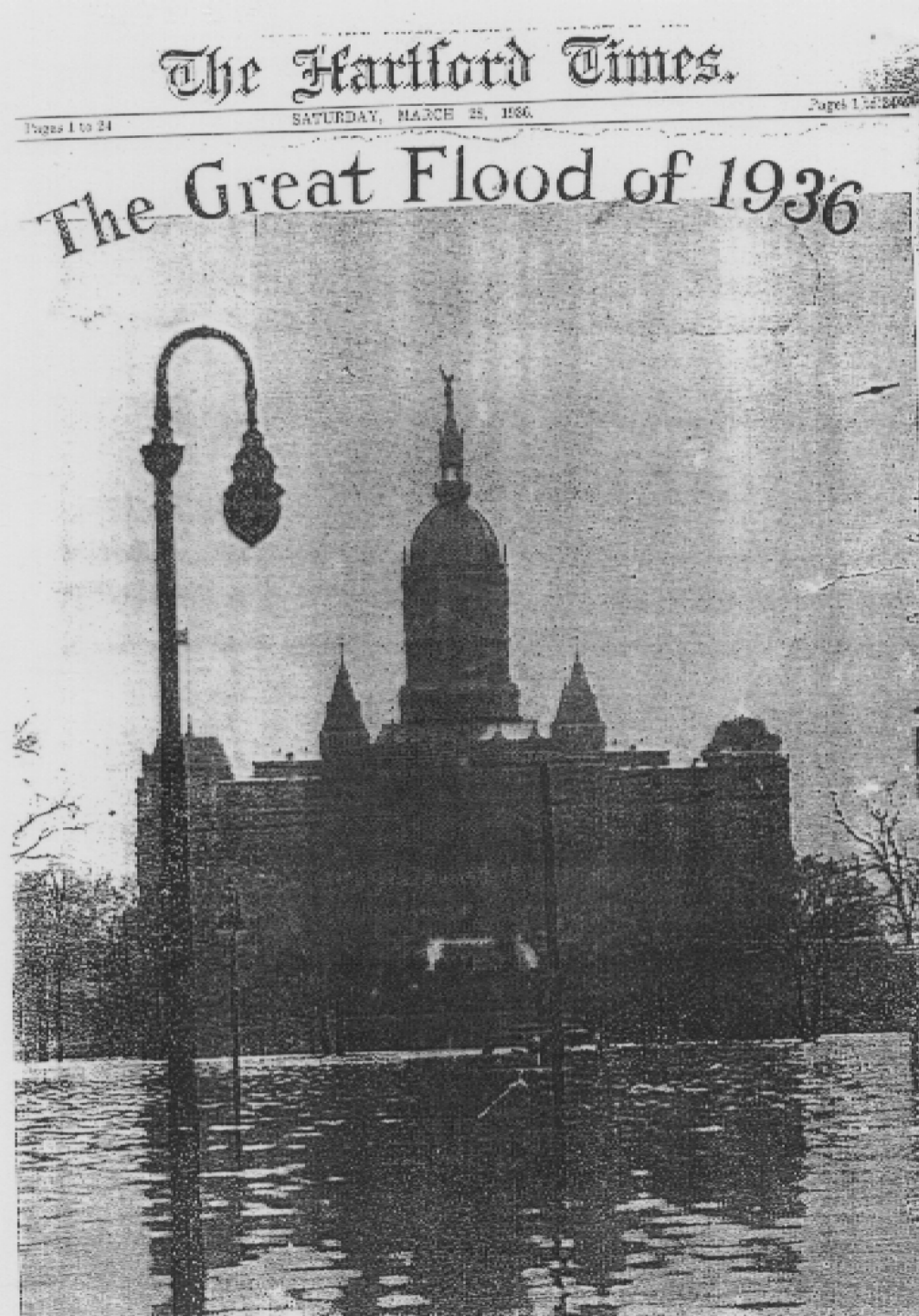


# Headlines From The

## **GREAT CONNECTICUT RIVER FLOOD OF 1936**

**To this day the great flood of 1936 remains as the highest flood of record for the Connecticut River. Caused by a rapid snowmelt combined with heavy rains, the great flood of March 1936 caused widespread damage throughout the Connecticut River valley.**

**This headline from The Hartford Times shows the State Capitol surrounded by flood waters on March 25, 1936.**





# History of the NFIP

## ❖ National Flood Insurance Act of 1968

- Established National Flood Insurance Program (NFIP)
- Required mapping of flood-prone areas
- Made flood insurance available in communities that meet floodplain management requirements

## ❖ Flood Disaster Protection Act of 1973

- Mandated purchase of flood insurance for insurable structures within flood-prone areas as condition of loan from federally-insured banks and lenders



# NFIP and Government Roles

- **The NFIP is a federal program administered by the Federal Emergency Management Agency (FEMA).**
- **Municipalities must adopt flood maps and minimum federal standards for floodplain construction into local zoning regulations.**
- **CTDEEP is the designated NFIP coordinating agency and acts as a liaison between communities and FEMA, providing technical assistance to community officials, residents, and professional groups.**



# NFIP – The Three Legged Stool



- ❖ **Flood Maps** – FEMA produces maps
- ❖ **Flood Regulations** – Communities must adopt the maps and zoning regulations to regulate construction in the floodplain
- ❖ **Flood Insurance** – FEMA makes flood insurance available to property owners in participating communities



# NFIP in Connecticut

- ❖ Currently, all CT municipalities participate in the NFIP, most joined in 1970s & 1980s
- ❖ 177 participating communities (city, town, borough, fire district)
- ❖ All have flood insurance rate maps (FIRM)
- ❖ All have floodplain zoning regulations or ordinance that regulates construction and development in the floodplain



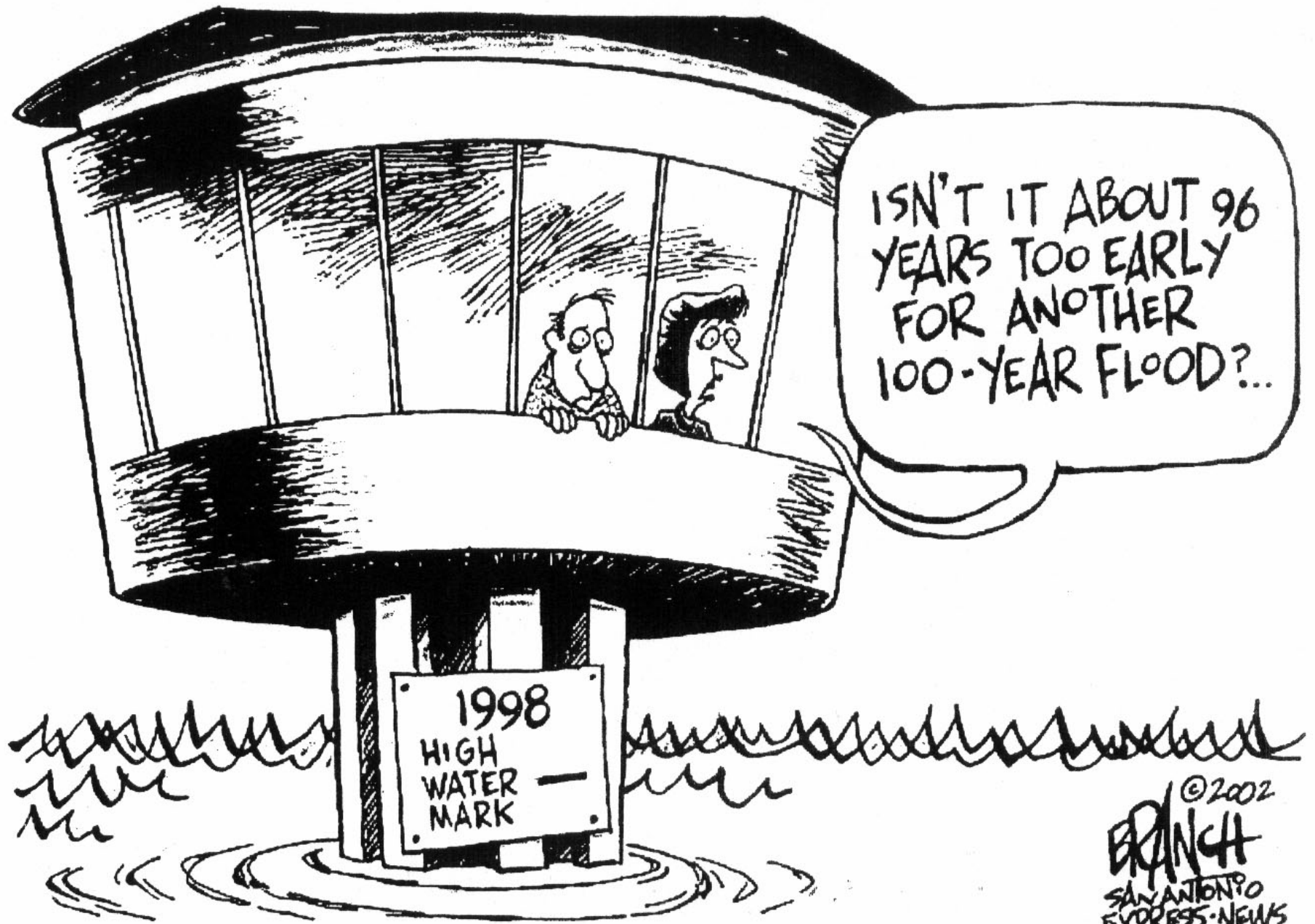


# NFIP Statistics for Connecticut

As of **July 31, 2014**:

- ❖ Number of Policies = 42,497
- ❖ Insurance in Force = \$10,489,837,700
- ❖ Premiums = \$55,153,950
- ❖ Number of Claims Since 1978 = 27,266
- ❖ Claims Paid = \$491,940,991





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# Why Changes to the NFIP Rates?

- ❖ 45 years later, costs and consequences of flooding are increasing
- ❖ Artificially low rates & discounts no longer sustainable
- ❖ In 2012, Congress passed the Biggert-Waters Flood Insurance Reform Act (BW12) to make the program more financially sound over the long term.
- ❖ In March 2014, Congress enacted the Homeowners Flood Insurance Affordability Act (HFIAA) which revised sections of BW12 and added new reform



# Pre-FIRM versus Post-FIRM

**FIRM = Flood Insurance Rate Map**

## Pre-FIRM

Built before  
initial FIRM

NTIP

PANEL 0065 B

**FIRM**  
FLOOD INSURANCE RATE MAP

DADE COUNTY,  
MISSOURI  
AND INCORPORATED AREAS

PANEL 65 OF 295

(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:

COMMUNITY	NUMBER	PANEL	SUFFIX
DADE COUNTY	290796	0065	B

Notice to User: The **Map Number** shown below should be used when placing map orders; the **Community Number** shown above should be used on insurance applications for the subject community.

**MAP NUMBER**  
29057C0065 B

**EFFECTIVE DATE**  
JULY 17, 2002

Federal Emergency Management Agency

NATIONAL FLOOD INSURANCE PROGRAM

## Post-FIRM

In Compliance as  
New Construction or  
Substantial  
Improvement

Built on or after  
the initial FIRM

**Subsidized Rate, not  
rated with elevation data**

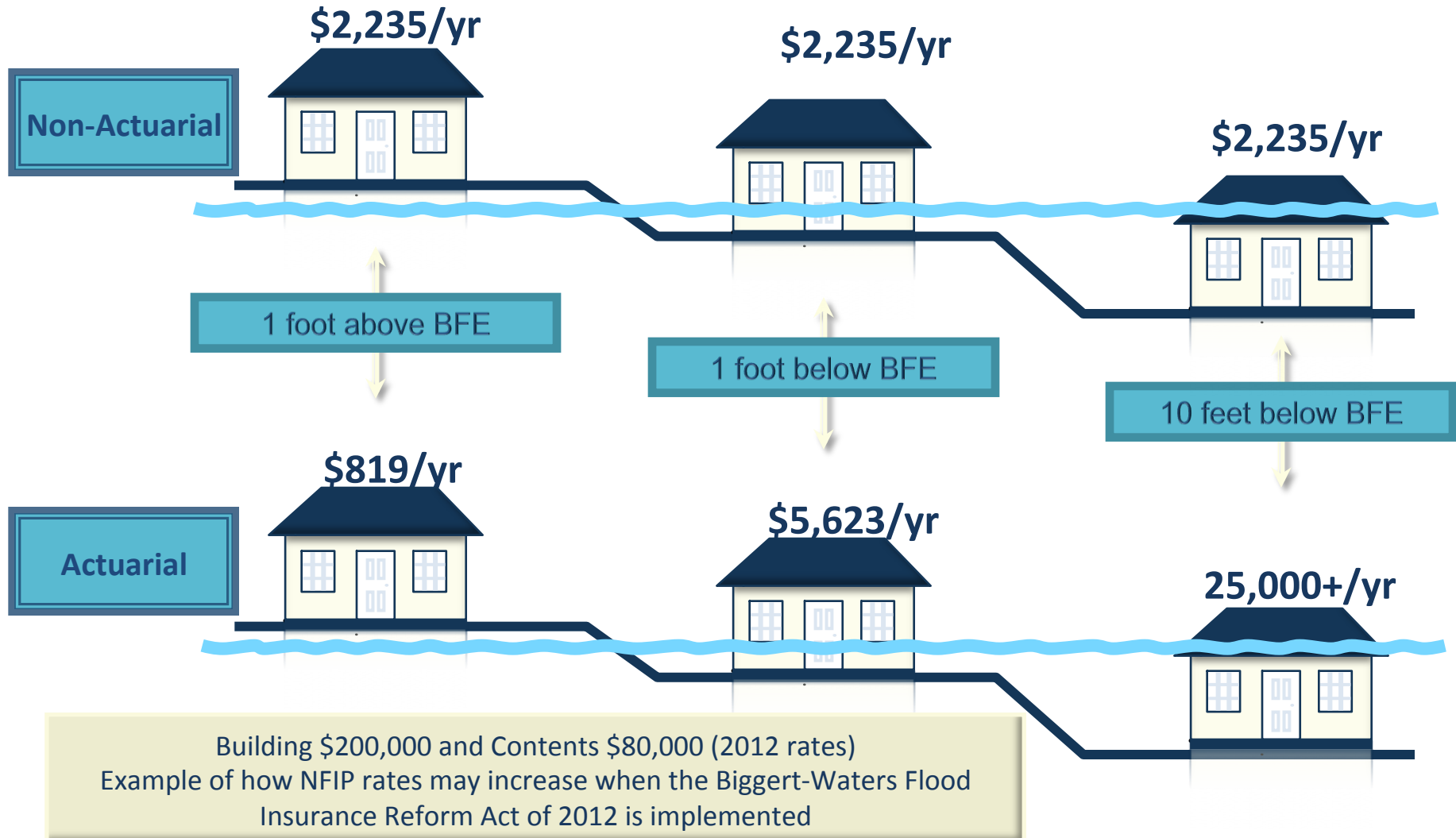
**Actuarial Rate**

# Grandfathering Rules

- **Continuous Coverage/Loyal Customer** – Property owner can buy a policy before a map changes to “grandfather” the zone for rating. If the policy remains in force with no breaks in coverage, the zone remains for rating.
- **Built In Compliance** - If a post-FIRM structure is built in compliance with the map and regulation in effect, the original flood zone is used for rating even if the map changed at some point in the future.



# Rating Examples: Impact of Loss of Subsidies





# Biggert-Waters Flood Insurance Reform Act of 2012

- **Passed by Congress, signed into law July 6, 2012**
- **Make NFIP more financially stable, \$24B in debt**
- **Rates to reflect full flood risk (actuarial), elevation certificates (EC) required for all rating**
- **Subsidies and grandfathering will be phased out or eliminated over time**
- **In CT, about 45% of policies are subsidized (20% nationally)**



# Biggert-Waters NFIP Reform Act of 2012

**Subsidized rates will increase up to 25% a year for:**

- **Non-primary (seasonal) residences**
  - **Business or commercial pre-FIRM structures**
  - **Substantially improved or substantially damaged structures**
  - **Severe Repetitive Loss Properties (SRLP)**
  - **Properties with claims exceeding the market value**
- . . . . until full risk/actuarial rates are achieved**



# Biggert-Waters Reform Act of 2012

**Full risk (actuarial) rating will be applied to a policy immediately when:**

- **Sale of the property/change of ownership**
- **Lapsed policy**
- **New policy**



# Biggert-Waters Reform Act of 2012

**Grandfathering rules were scheduled to be phased out October 1, 2014 for properties that received a new or revised flood map after July 6, 2012. All CT coastal towns received revised maps in 2013.**

**Reserve Fund Assessment – additional 5% of premium assessment for all standard policies**

**BW12 also increased the annual rate increase cap for any flood zone from 10% to 20%.**



# Fallout from BW12

**Seen as “too much, too soon”.**

**Sale of homes in floodplain were difficult,  
especially in coastal towns.**

**Realtor organizations lobbied for reform.**

**Property owners felt rates rose too sharply.**

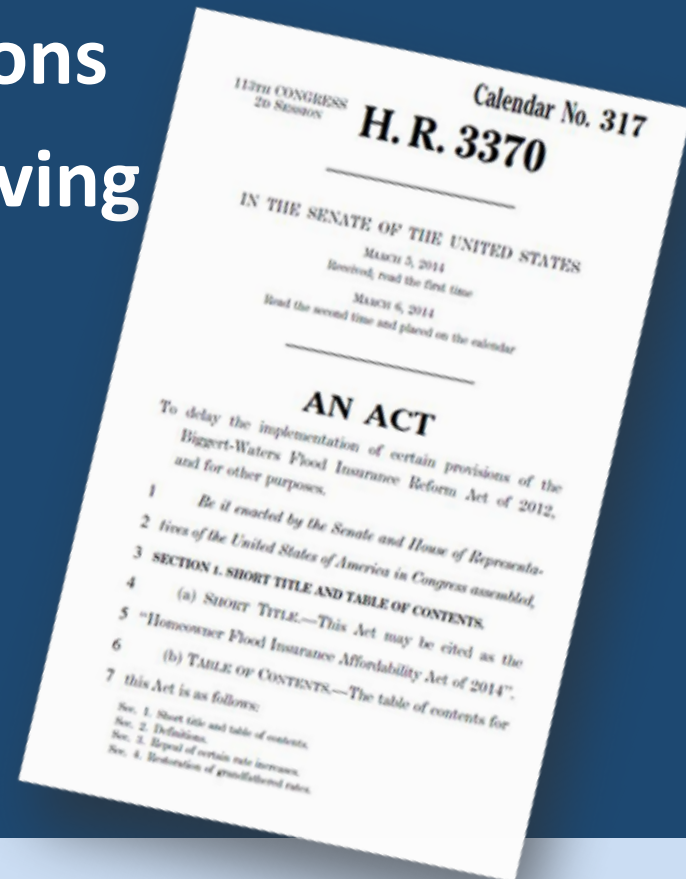
**Muddled with Sandy recovery and new maps.**

**Pressure was put on Congress to provide relief in  
the form of revised legislation.**



# Homeowner Flood Insurance Affordability Act of 2014

- **HFIAA signed by President on March 21, 2014**
- Repeals or modifies some BW12 provisions
- Adds some new provisions
- Long term goal of removing subsidies remains



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# HFIAA – What Stayed the Same?

- HFIAA does not change the BW12 requirement that subsidized rates will increase up to 25% a year for:
    - Non-primary (seasonal) residences (**but change from 80% to 50% annual occupancy**)
    - Business or commercial pre-FIRM structures
    - Substantially improved or substantially damaged structures
    - Severe Repetitive Loss Properties (SRLP)
    - Properties with claims exceeding the market value
- ... until full risk/actuarial rates are achieved



# HFIAA – What Changed?

- **Repeals the sold property, new or lapsed policy provision for full actuarial rate**
- **Restores grandfathering**
- **Added surcharge of \$25 residential, \$250 non-residential and non-primary residence per year. Surcharges are not considered premium and are not subject to the premium increase caps.**



# HFIAA – What Changed?

- Lowers annual rate increase cap per flood zone to 15% (BW12 - 20%, before BW12 – 10%)
- FEMA required to increase premiums for most subsidized policies by no less than 5 percent annually until full risk rate achieved
- Rate increases between 5%-15%, but no more than 18% for any individual property per year
- This extends the timeframe that subsidized rates will be increased to actuarial rates



# HFIAA – Other Details

- **FEMA to perform Affordability Study/Goal**
- **Create Flood Insurance Advocate position**
- **Monthly Installment Payment Plan**
- **Increases maximum deductibles to residential properties to \$10,000**
- **More communication by FEMA to stakeholders during the mapping process**



# HFIAA Refunds

- HFIAA required refunds for overpaid premiums
- Refunds checks issued October 2014
- Refunds will not affect all subsidized policyholders whose rate increased from BW12
- Affected policies were **Pre-FIRM new policies** issued between July 6, 2012 and October 1, 2013, and a small percentage issued after March 21, 2014 that may have increases above the new rate caps



# Concerns for Property Owners, Community Officials

- Extends timeframe to phase in actuarial rates
- Provides some relief to certain property owners (new sales/policies, remapped properties)
- Uncertainty for insurance costs down the road
- Properties in floodplain may be difficult to sell
- Property values may decrease, decrease the property tax base for local governments
- Potential inability for property owner to pay increasing premiums





# More Concerns Community Officials

- Increased precipitation/sea level rise – increased flooding – issue for residents and town
- Towns need to protect your infrastructure
- Property owners seeking town to “do something” to fix flooding or floodplain mapping
- Town/residents looking to mitigate
- Looking for grants \$\$ – mitigation, acquisition to open space, more work for community officials



# What can the community official do

- Educate your residents
- Educate yourself, state and federal programs
  - **ShoreUp – new state low interest loan program**
  - **Training/Outreach Sessions**
  - **\$ Grants (Open Space, STEAP, EPA, Watershed, Clean Water, FEMA Mitigation), great creative**
- Partner with your neighboring towns on problems
- Strengthen local zoning regulations – buffers/setbacks, building higher, planned retreat
- Hazard Mitigation Plan



# Questions?

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