

NFIP - Overview & The 2012 Reform Act

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NFIP Overview and Reform Act

1. What the NFIP was (first 45 years)
2. Basic “ground rules” for the NFIP
3. How the Reform Act of 2012 changed #2
4. Louisiana – affected policies
5. Clouds and silver linings

“Upside down and backwards!”

The NFIP – First 45 Years

- A. Congress provides affordable insurance**
- B. Communities regulate new construction so future buildings have lower risk of flooding**

Why would Congress DO that?

- Private market got OUT of the business
- Flood disaster relief payments increasing
- Flood damage rising - no regulatory system
- “Equal protection” (no structural solutions)

The NFIP – Hybrid of Benefits

- Insurance program operating in the red
- Federal relief program that people pay into
- A loss-prevention program

Unlike any OTHER insurance company

- Subsidized rates for some policies
- Grandfathered rates for some policies
- Covers emergency protection attempts
- Covers mitigation (elevation, ICC)

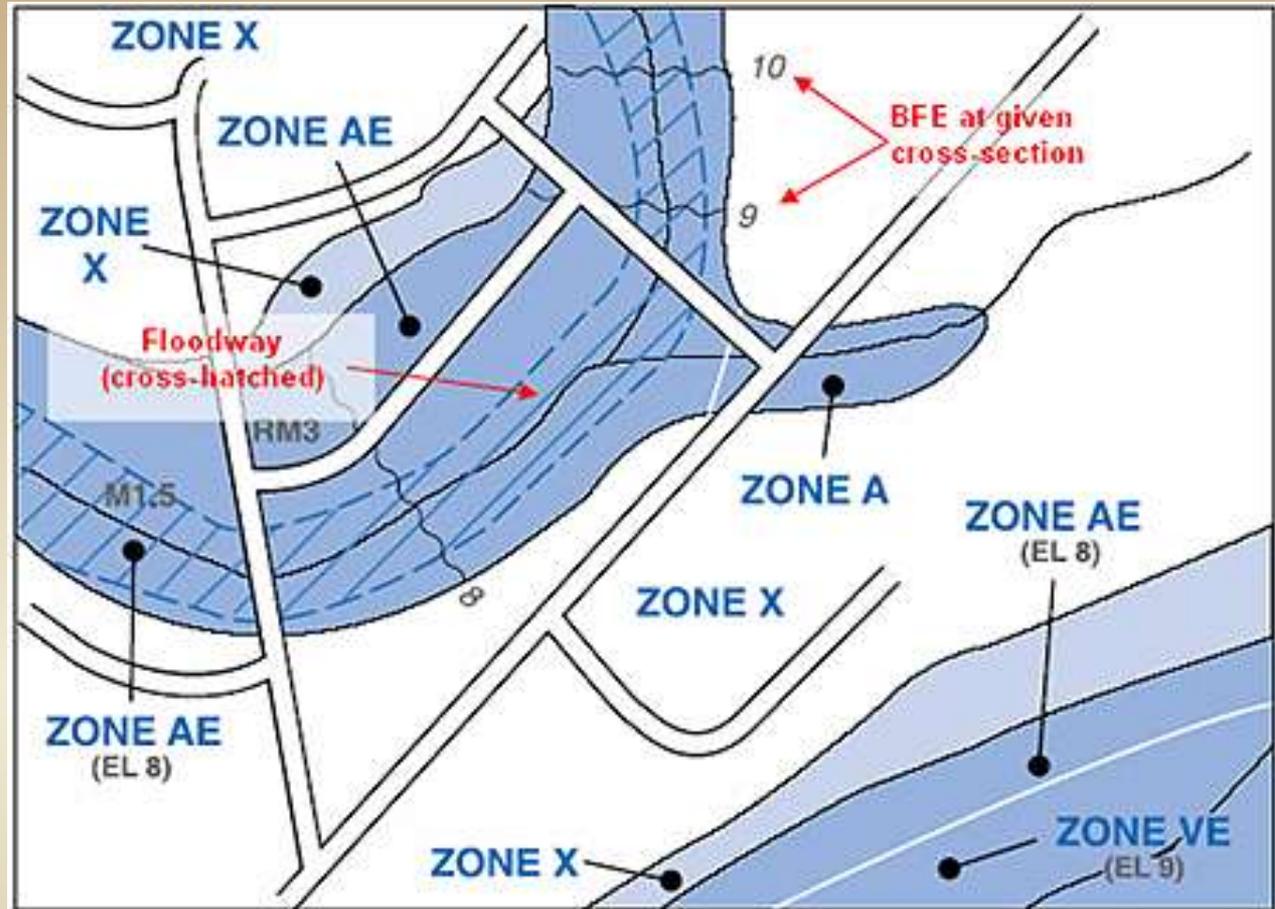
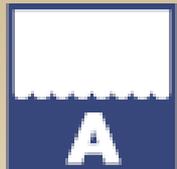
The NFIP – a Regulatory Program

Communities regulate new construction so future buildings have lower risk of flooding

Congress/FEMA had to create:

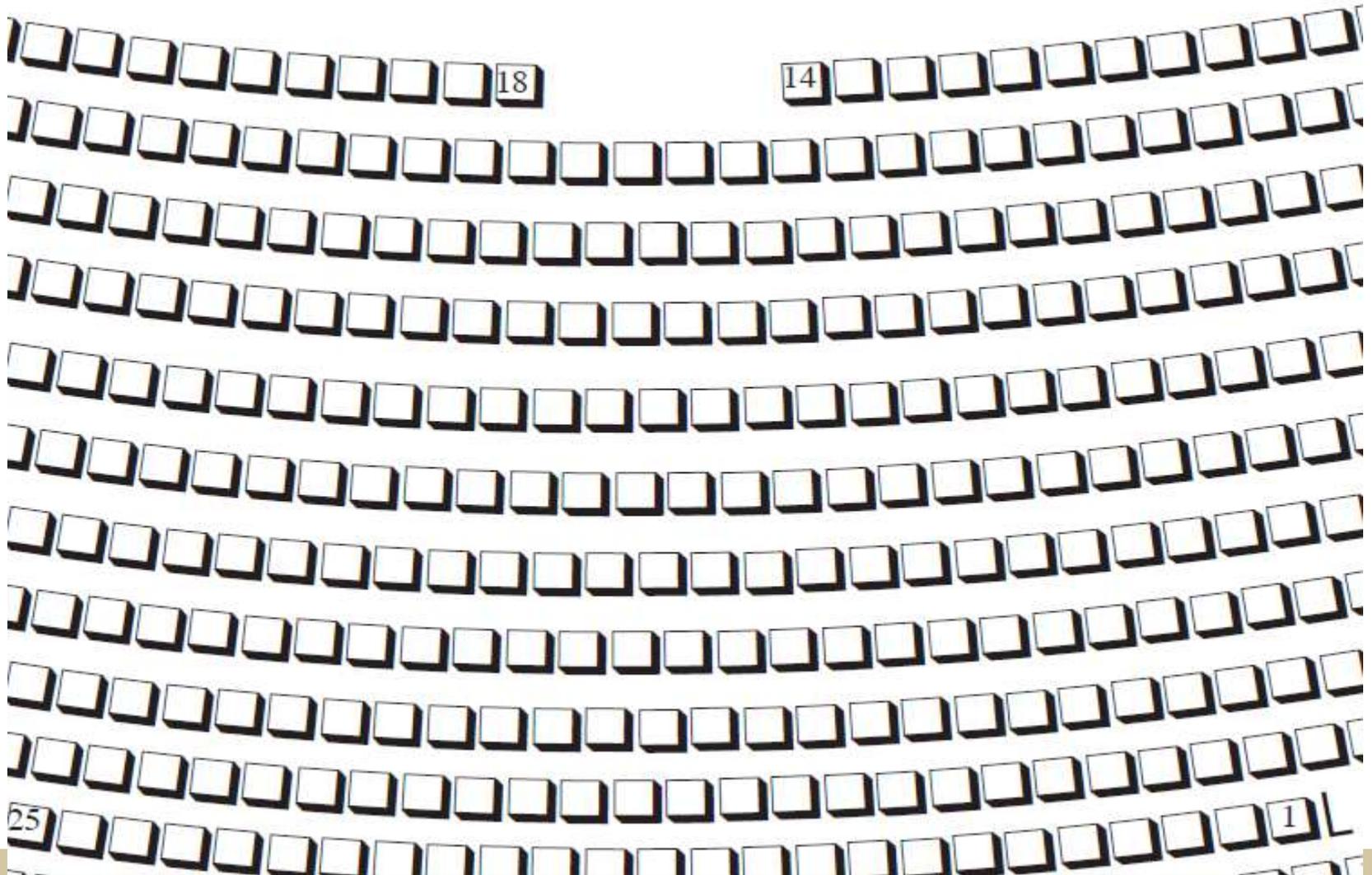
- Tools to determine site-specific flood risk (**FIRM**)
- Standard of acceptable risk (**1% annual chance**)
- Rules for regulating development (**44 CFR 60.3**)
- Rate tables and manuals for rating and writing insurance on individual properties

FIRM – Flood Insurance Rate Map



Tools ... Standard of acceptable risk ... Regulations

Slope City – Est. 1890



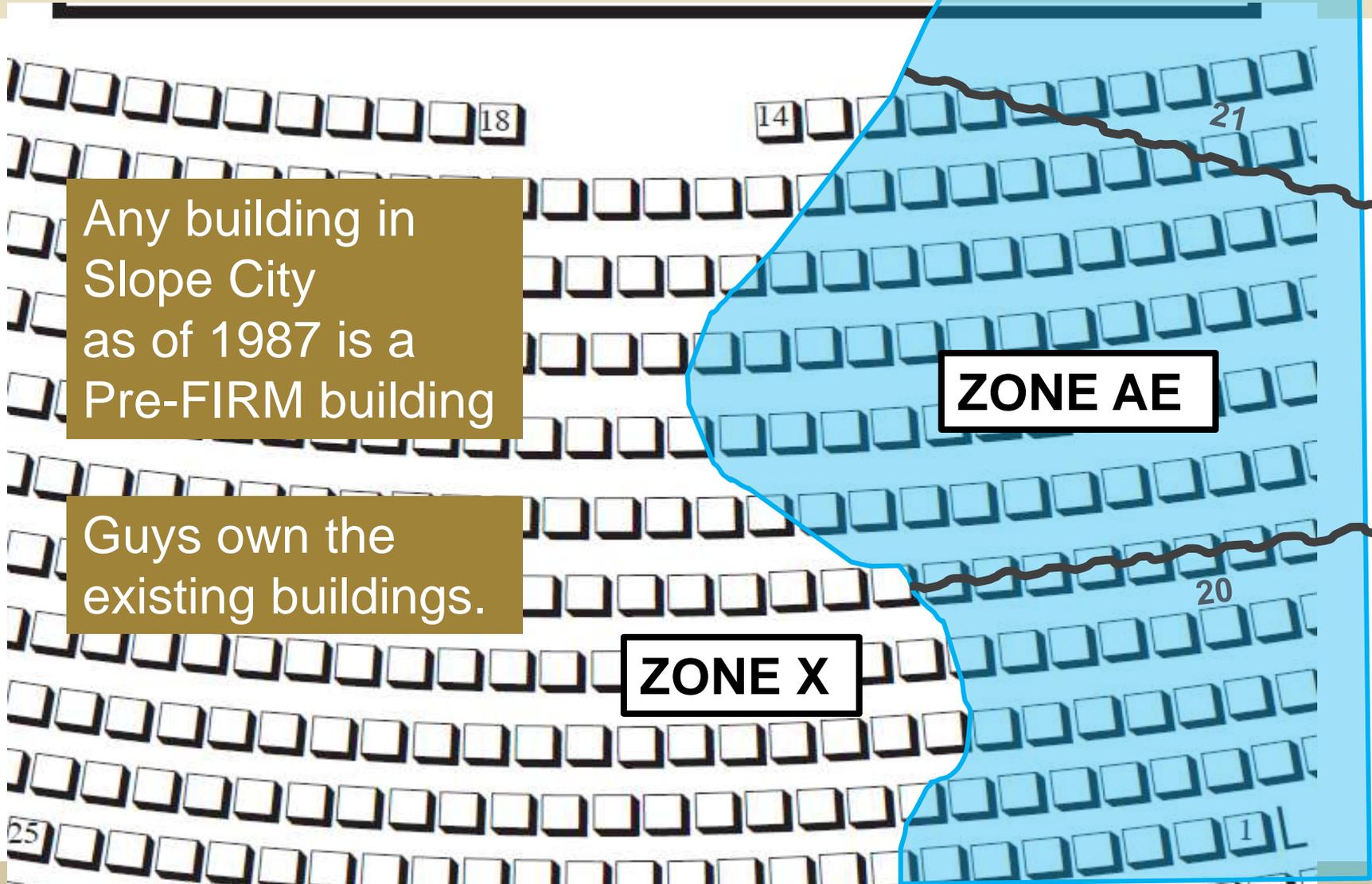
1987 - Slope City gets its initial FIRM

Any building in Slope City as of 1987 is a Pre-FIRM building

Guys own the existing buildings.

ZONE AE

ZONE X



NFIP Rating Example: Rate Comparisons

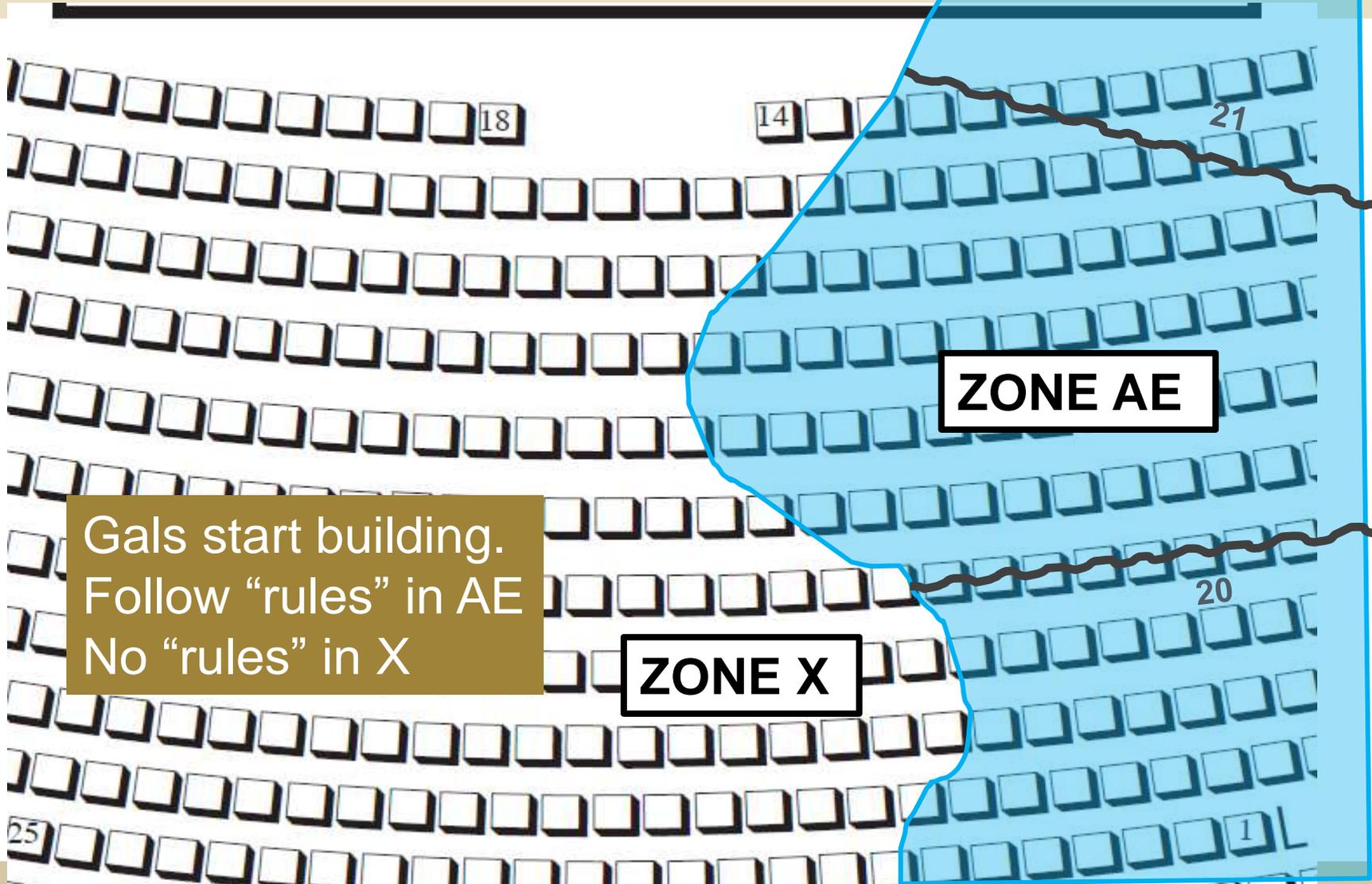


For insuring Pre-FIRM buildings rated as Pre-FIRM

Doesn't matter how high your building is relative to BFE
NFIP doesn't KNOW how high your building is.

Louisiana has about 82,000 Pre-FIRM rated buildings
Nation has about 1 million

1987 - Slope City gets its initial FIRM



Gals start building.
Follow “rules” in AE
No “rules” in X

ZONE AE

ZONE X

Post-FIRM Buildings Built according to FIRM

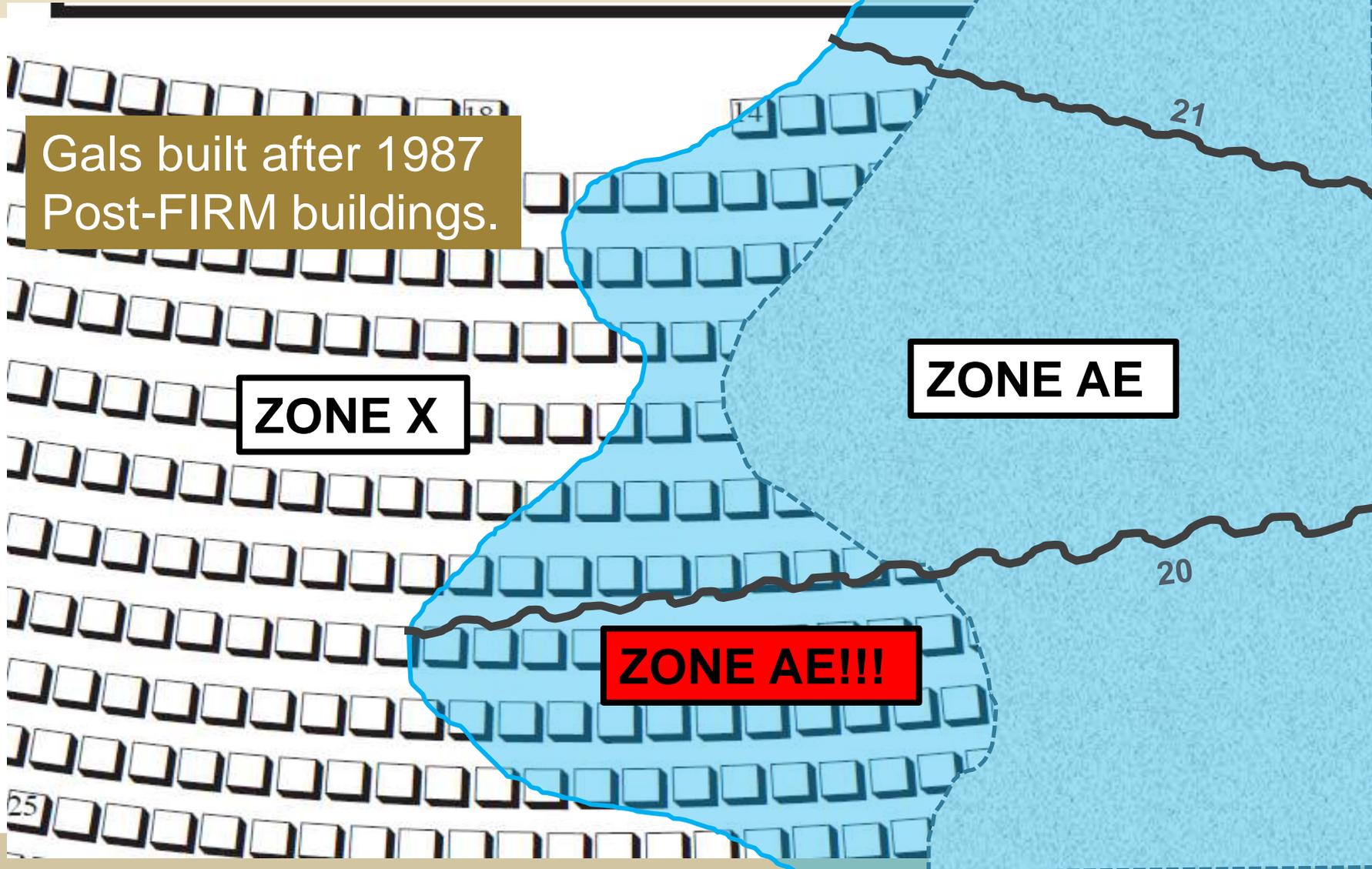
For insuring Post-FIRM buildings in A and V zones

Rate based on how high your building is relative to BFE.
Requires an official Elevation Certificate



1987 - initial FIRM

1998 – Slope City gets a Revised FIRM



Gals built after 1987
Post-FIRM buildings.

ZONE X

ZONE AE

ZONE AE!!!

Zone and rate-class are “grandfathered” when maps change.

If you were in Zone X – Keep that Zone Rating

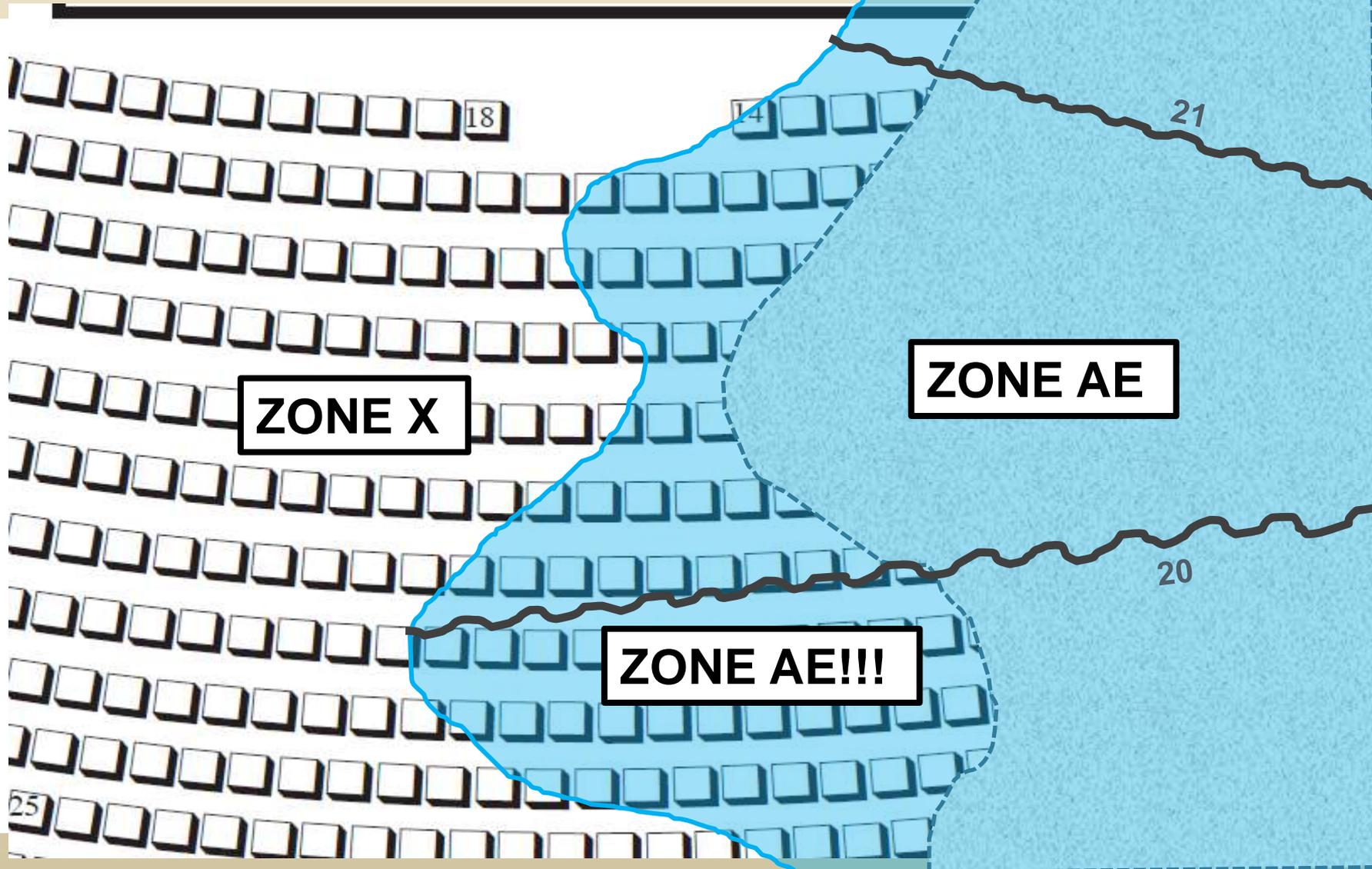
If you were in Zone AE at BFE+1 – Keep the BFE+1 Rating

FEMA doesn't know which policies are “grandfathered”.



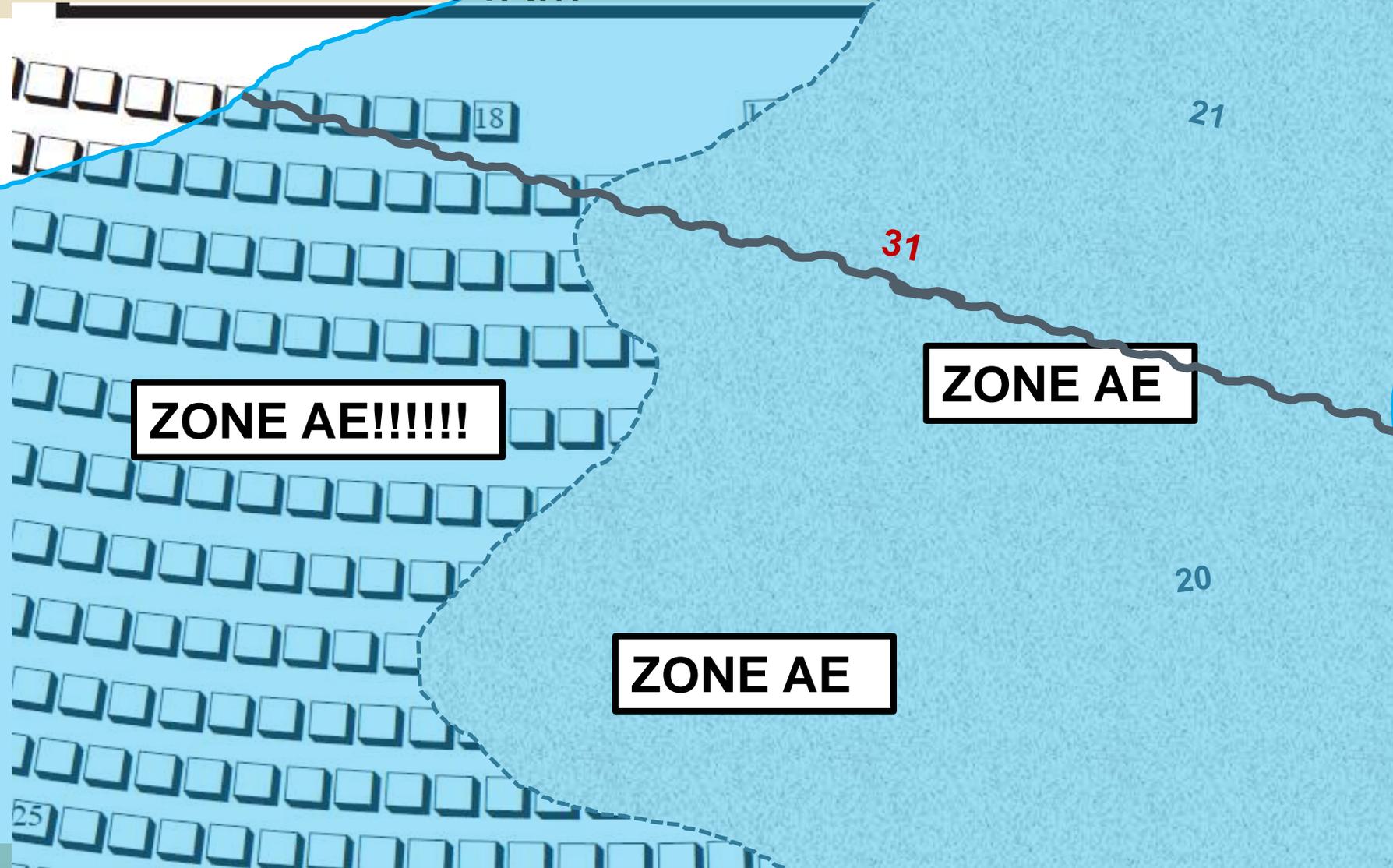
1987 - initial FIRM

1998 - Slope City gets a Revised FIRM



1987 - initial FIRM, Revised 1998
2007 – Slope City offered *another* Revised

FIRM



ZONE AE!!!!!!

ZONE AE

ZONE AE

NFIP Rating Example: Rate Comparisons



Biggert-Waters Reform Act - [Section 205](#)

Pre-FIRM rated properties go to actuarial rates

Phase in 25% per year increases

Primary residence of the OWNER is exempt

- Until sale of the property *
- Unless history of repeat claims

Non-business, non-residential buildings exempt (e.g. churches)

Biggert-Waters Reform Act - Section 207

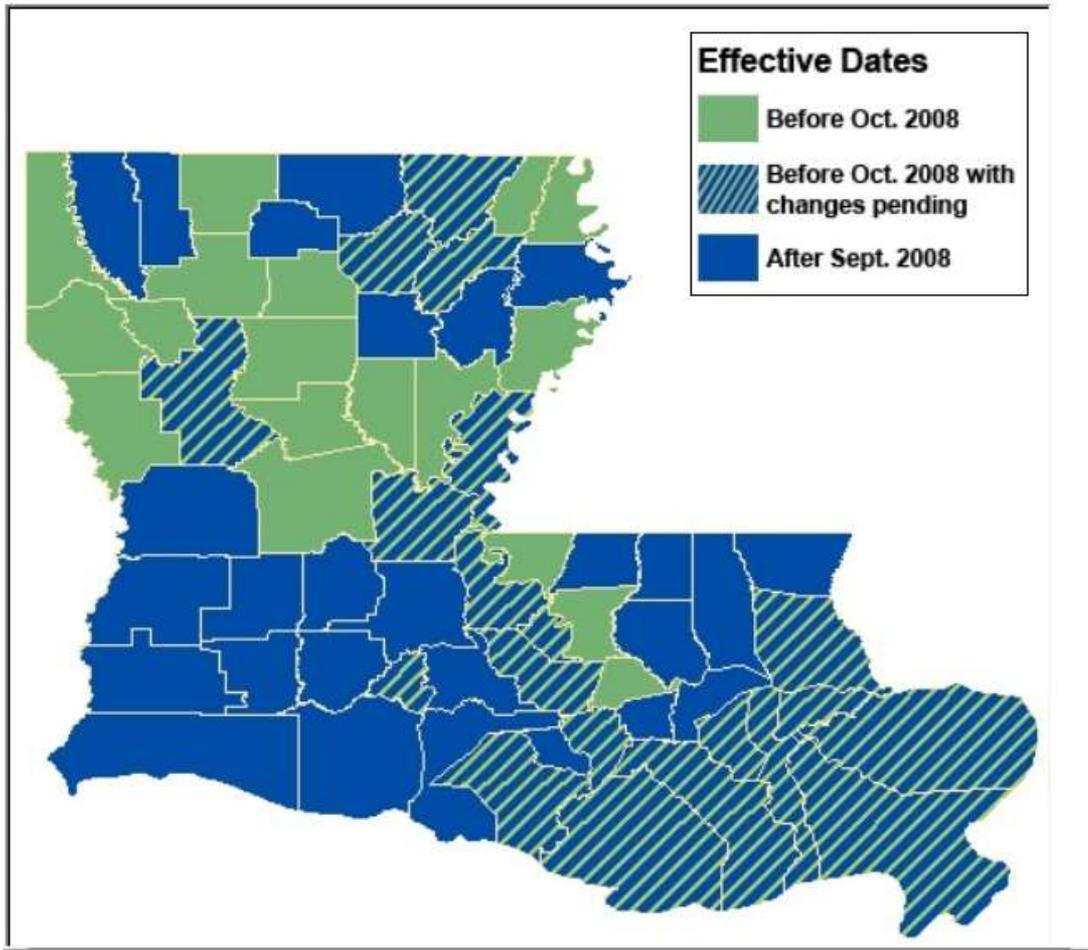
Post-FIRM rated properties go to rates based on **current** map.
(Discontinue grandfathering)

Phase in 20% of the difference per year (get to new rate in 5 years)
Starts with the Effective Date of the map showing increased risk.
Not interrupted by sale of the property.

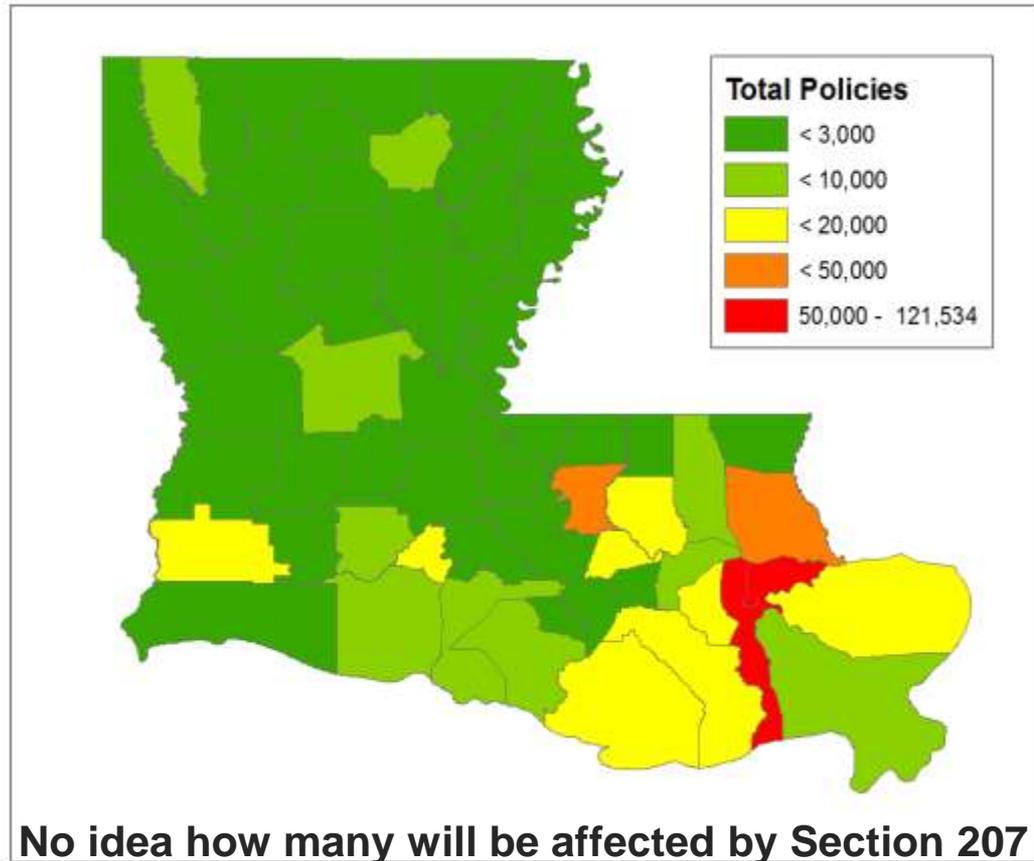
FEMA will begin implementing Section 207 in **late 2014 [Holding]**



Parishes considering new flood maps



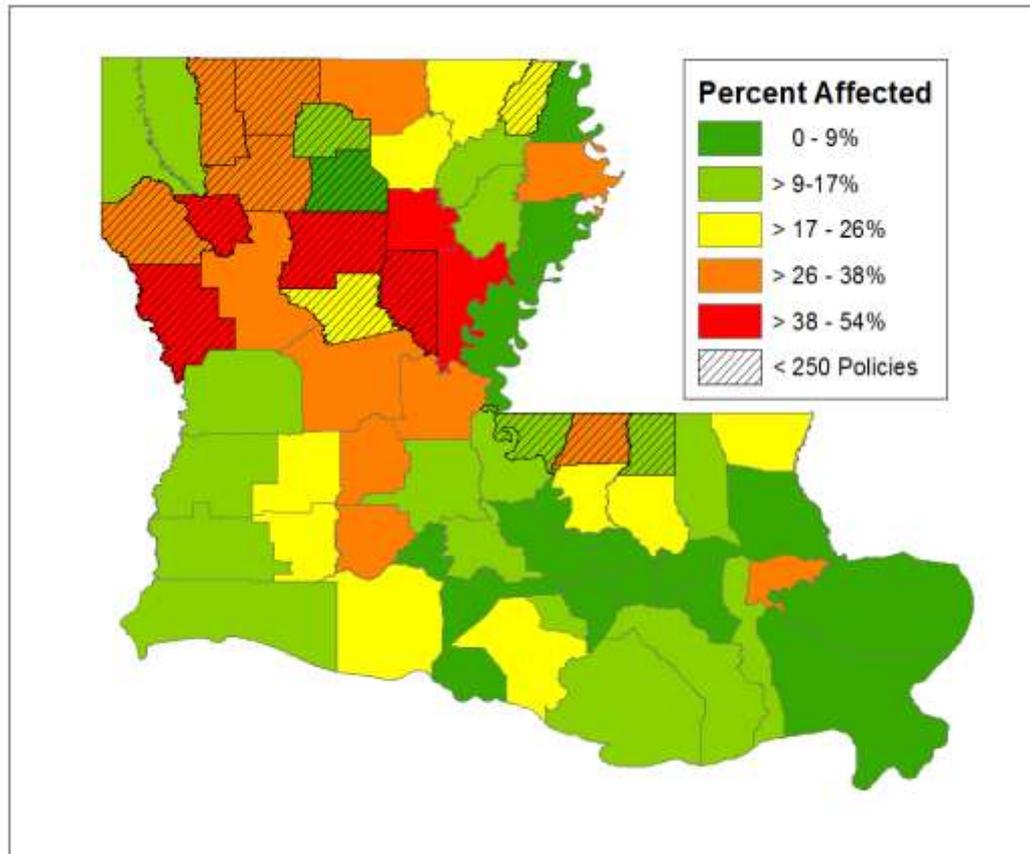
NFIP Policies in Force



December 31, 2012 data

Source: Spreadsheet on ASFPM BW-12 Website (www.floods.org)

NFIP Percent Affected – Sec 205



December 31, 2012 data

Source: Spreadsheet on ASFPM BW-12 Website (www.floods.org)

BW-12 Bottom Line

- **The elimination of subsidies and discounts could mean big increases for some property owners**

Properties that do not meet current requirements (e.g., below the current Base Flood Elevation) could see rates increase dramatically.

- **Properties that meet current requirements still could see increases when new maps show higher risk**

**So how can you help clients
save money?**

Clouds and Silver Linings

- 1. Personal tragedies**
- 2. FIRM and the program**
 - **Current risks withheld from consumers**
 - **Louisiana needs Flood Insurance**
- 3. No data – no way to determine impacts.**

“Upside down and backwards!”

Burden of obtaining elevation data on individual structures being placed on owners.

At best, the rise in premiums is coming in faster than efforts to reduce premiums through mitigation are coming on-line.

After a year of intense scrutiny, we know what this system is – and possibly how to fix it.

Thank you!



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FloodMaps.LSUAgCenter.com

Flood Maps

more... > Getting a Building Permit > Your Flood Zone > Flood Maps >

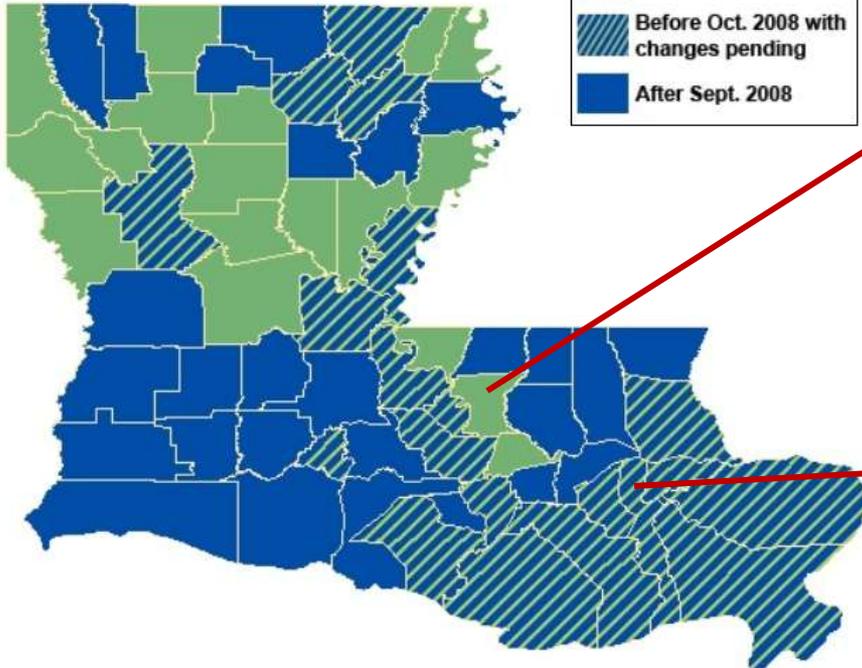
Louisiana FloodMaps Portal

~~We're moving to the NEW portal~~
 Click here for Tips, Tools and Navigation Aids

Access the maps (Goes to the NEW portal) Not ready to switch? Access the OLD Portal

Effective Dates

-  Before Oct. 2008
-  Before Oct. 2008 with changes pending
-  After Sept. 2008



Find out about FLOOD and WIND Hazards at your Louisiana location!

When you're planning, building or insuring a home, it's important to know your exposure to natural hazards such as floods and high winds.

Throughout Louisiana, building to minimize flood and wind damage is a code requirement.

Use this online tool to check conditions at your site or to explore how flood maps are changing in your parish.

Map Effective Date

-  Before Oct. 2008
-  Before Oct. 2008 with map changes pending
-  After Sept. 2008

Use the online tool to check conditions at your site or to explore how flood maps are changing in your parish.

LSUAgCenter.com/floodmaps

Search for a parish, an address, or latitude, longitude or click and select to find your point of interest.

Turn on map layers you want to view and compare.

Click on the **Address** tool and enter it to locate your property on an aerial photograph.

This LSU AgCenter Floodmaps portal and Floodzone and Flood Insurance are from FEMA Region VII through the La. Dept. of Transportation and Devolop. Contact Paul Stroner at paulstroner@lsuagcenter.lsu.edu with questions about the site.

FLOOD Insurance Old vs New Map For Louisiana



Using the LSU AgCenter Floodmaps portal to explore map changes at your point of interest

Above: Side by side views of the Effective FIRM (left, scanned image) and Preliminary FIRM (right, digital product) in the Harvey/Marigny area of Jefferson Parish, West Bank. Address on the Effective FIRM are shaded (pink). Address on the Preliminary FIRM are shaded (pink). Two sites have been marked with pins.

Below: The two views from above are overlaid by checking both boxes (Preliminary FIRM and Effective FIRM), using the Layer tool.

The parcel indicated by Pin 2 (i.e. Core 6) as the Effective FIRM lot will be in a Zone A (1) the Preliminary Map's category. The situation for Pin 2 is reversed, in Zone B on the Effective, but will be reverts in Zone A.



East Baton Rouge

Search



Points



Layers



Events



Legend



Print



Info



ZONE AE

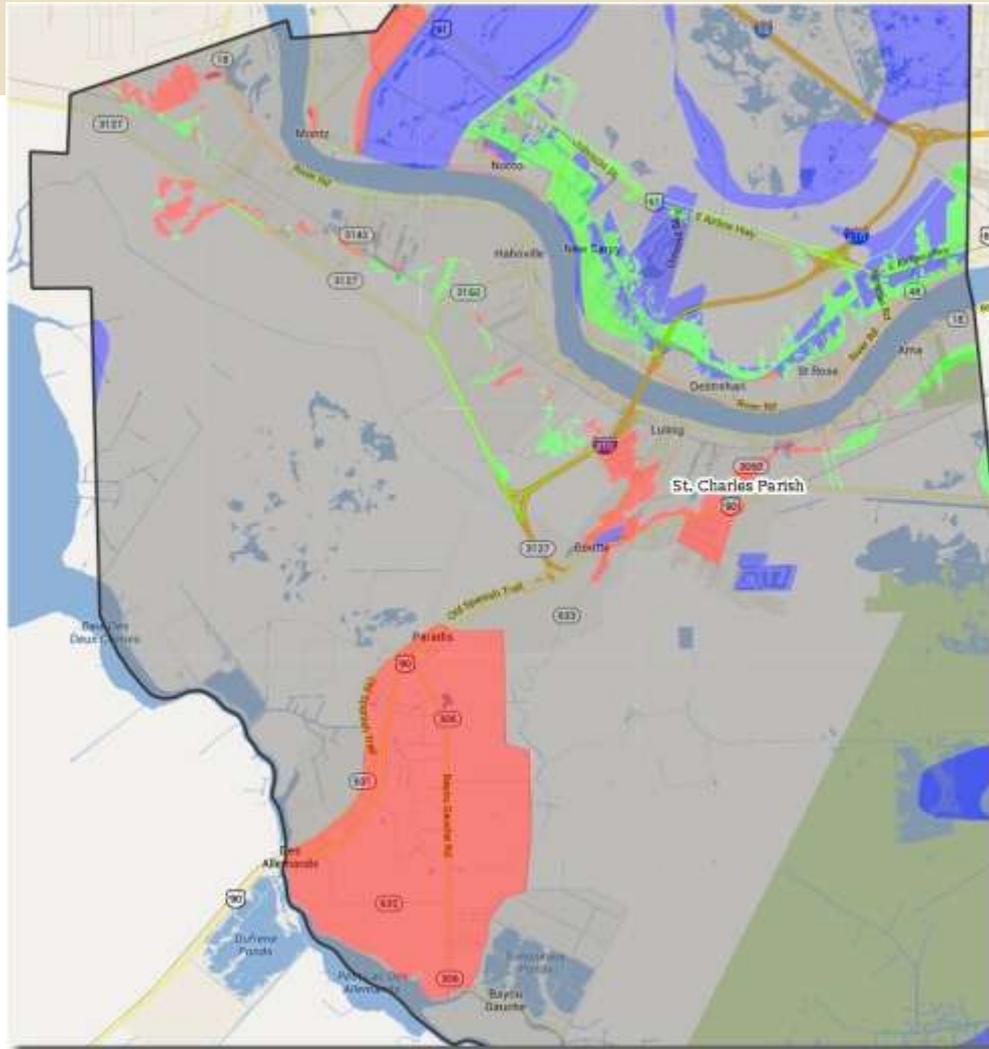
PARKER

BLVD

FOUNTAIN

Baton Rouge

St Charles Parish – Old vs. New



Fewer properties going into A and V zones – Major BFE changes

Jefferson Parish – Old vs. New



5,000 properties going into A and V zones