

**MID COAST REGIONAL PLANNING COMMISSION
FALL COMMISSION MEETING
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ABOUT THE NATIONAL FLOOD INSURANCE PROGRAM: Overview

- Flood Insurance Rate Maps
 - 1% chance in any given year
 - Foundation for local permitting
- Regulations
 - Via local ordinance adoption
 - Standards for floodplain development
- Flood Insurance
 - Federally backed
 - Can be purchased in participating communities
 - If it can be found in private market...very expensive!



FLOOD INSURANCE

- Home/business insurance does NOT cover flood losses
- Flood insurance only mandatory when borrowing from a federally backed lender

Typically, there is a 30-day waiting period on new flood insurance policies.

Floods are the #1 natural disaster in the United States.



FLOOD INSURANCE COMMON MYTHS

- No need for flood insurance because I will get federal disaster aid
- Flood insurance is only available to homeowners
- Can't get insurance because I do/do not live in a flood hazard area

Nearly 20% of flood insurance claims come from moderate-to-low risk areas.

Homeowners insurance typically does not cover flood damage.

In high-risk areas, there is at least a 1 in 4 chance of flooding during a 30-year mortgage.



PRE-FIRM VS. POST-FIRM

- Pre-FIRM

Constructed prior to 12/31/74 or the date of a community's first FIRM, whichever is later

- Subsidized rates

- Post-FIRM

Constructed after 12/31/74 or the date of a community's first FIRM, whichever is later

- Actuarially rated



BIGGERT-WATERS REFORM ACT OF 2012

FLOOD INSURANCE CHANGES

- Pre-FIRM buildings
 - Beginning January 1, 2013
 - Non-primary residences (lived in less than 80% of year will see a 25% increase per year x 4 years to reflect full risk rates
 - Beginning October 1, 2013
 - Business Properties
 - Severe Repetitive Loss Properties
 - Repetitive Loss Properties/cumulative amounts of claims payments have exceeded the fair market value of the building
 - All above will see a 25% increase per year x 4 years to reflect full risk rates



BIGGERT-WATERS REFORM ACT OF 2012

FLOOD INSURANCE CHANGES

- October 1, 2013
 - FEMA will begin to apply full risk rates to policies written for newly purchased properties
 - The sale of a pre-FIRM building will result in an immediate increase to full risk rates for the new owner
 - Policies can no longer be transferred to another owner at subsidized rate
 - In most cases, if a property was not insured when the law was enacted, subsidized rates will not be available
 - Policy holders should be aware that deliberately allowing a policy to lapse could prove costly



BIGGERT-WATERS REFORM ACT OF 2012

FLOOD INSURANCE CHANGES

- Beginning in 2014
 - Full risk rates will be phased in over 5 years at a rate of 20% per year for all property owners, including non-subsidized policy holders affected by map changes
 - This, in effect, does away with current 'grandfathering' for policies that do not lapse



BIGGERT-WATERS REFORM ACT OF 2012

FLOOD INSURANCE CHANGES

- Prior to the move to actuarial insurance rating, Elevation Certificates were not necessary for pre-FIRM buildings
- The example below was calculated using 2012 rates for a one-floor residential structure, no basement, post-FIRM, \$1,000 deductible with \$250,000 coverage and \$100,000 contents

A Zone: at BFE	+1 foot	+2 feet	+3 feet
\$1,556	\$799	\$574	\$509
	(\$757 savings)	(\$982 savings)	(\$1,047 savings)



HISTORIC STRUCTURES/FLOOD INSURANCE

- Substantial improvements can be given a variance from the elevation requirement as long as the proposed improvements will not preclude the structure's continued designation as "historic" as defined under the FPMO.
- Variance is the minimum necessary
- Subsidized insurance rates will no longer be available.



NATIONAL FLOOD INSURANCE PROGRAM SOLVENCY

- Reform will go a long way to improving the solvency of the flood insurance fund
- 40+ years subsidized rates have been in effect for pre-FIRM buildings
- Repetitive flood losses, less than 50% of building value, have been allowed to be put back to pre-damage condition without elevating or otherwise mitigating
- Subsidized rates were still available
- This practice will come to an end with the phase in of actuarial insurance rates that reflect true risk



WHAT CAN COMMUNITIES DO TO LOWER THE COST OF FLOOD INSURANCE?

- Consider joining the Community Rating System (CRS)/Prerequisite CAV
- Higher regulatory standards
 - Increase freeboard
 - V Zones only: limit breakaway walls to <300 sq feet

Increasing community resilience?

- Enforce the LiMWA (won't reduce insurance rates)
- Adopt Cumulative Substantial Improvement
- Put floodplains in Resource Protection District under Shoreland Zoning
- Integrate Hazard Mitigation planning into local comp plan





www.floodsmart.gov

- How to prepare for a flood
- Assess your risk
- Estimate cost for flood insurance
- Find a local insurance agent
- Links to community based information



PROPERTY OWNERS

- Encourage them to do the homework before buying/improving!
- A little leg work now can save a big headache!
- People need to know whether flood insurance will be required



BEFORE THEY ARE EMOTIONALLY AND FINANCIALLY INVESTED!



KNOW THE RISK....

...where you live or work

...build/improve sustainably

...take steps to protect
your investment



Remember: Insurance is only mandatory if there is a federally backed loan

