BW-12: EFFECTS ON INSURANCE

SECTION 205 & 207

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Committee Co-Chair Retreat

August 13, 2013

What’s Changing

- **Subsidized rates to be phased out**
  - Non-primary residences
  - Business properties
  - Severe repetitive loss properties (1-4 residences), and properties where claims payments exceed fair market value

Pre-FIRM:
Built before the community’s first Flood Insurance Rate Map became effective and not been substantially damaged or improved

- **New policies to be issued at full-risk rates**
  - After the sale/purchase of a property
  - After a lapse in insurance coverage
  - After substantial damage/improvement
  - For properties uninsured as of BW-12 enactment
  - As new or revised Flood Insurance Rate Maps are issued (grandfathered rates planned to be phased out over 5 years)

Subsidized Rates:
Pre-FIRM properties that are in Zone D or in Zones A* and V that are not rated with an elevation certificate.

*Except Zone A99 & AR

Changes for Non-Primary Residences

Changes effective January 1, 2013, at policy renewal

- **Subsidized premium rates for pre-FIRM properties in high-risk (A* or V) zones and Zone D will be phased out**
- **Rates will increase 25% per year until they reflect the full-risk rate.**

***Except Zones A99 & AR**

Non-primary residence:
A building that will be lived in for less than 80 percent of the policy year

Changes to Other Subsidized Rates

Changes planned to start October 1, 2013 for pre-FIRM properties in Zones A*, V, or D

- **Rate increase by 25% a year until they reach full-risk rates for:**
- **Pre-FIRM commercial** buildings**
- **Pre-FIRM repetitively flooded buildings**
    - Severe Repetitive Loss properties of 1-4 residences
    - Includes buildings with cumulative flood insurance payments that meet or exceed fair market value

**Increase applies to all non-residential

Direct Move to Full-Risk Rates

More changes planned to start October 1, 2013 for pre-FIRM properties in Zones A*, V, or D

- **After the sale/purchase of a property after 7/6/2012**
  Subsidized rates can no longer be assigned to the new owner
- **When a new policy is issued after 7/6/2012**
  Full-risk rates will be charged
- **After a policy lapse after 10/4/2012**
  Full-risk rates will be charged
  Policyholders should know that allowing a policy to lapse could be costly.
- **Renewal letter cycle starts now**

Whose Affected by 205

- About 19% of the NFIP policyholders; BUT...

  Look at your state/county/community; e.g.,

- NY has 5.6% of the NFIP pre-FIRM policies, BUT...
  - 35% of the policies in NY are pre-FIRM; BUT...
  - 70-80% of the building stock in NY is pre-FIRM

- Also...average rate for primary pre-FIRM residence is going up 16-17% on October 1, 2013

What About Grandfathering?

- **Per Section 100207, Grandfathering will be phased out**
  BW-12 calls for a phase-out of certain discounted premiums, including grandfathered premiums, and a move to full actuarial rates

- **Section 100207 implementation anticipated in late 2014**
  Phase-in to full-risk rates at 20% a year for 5 years anticipated to begin

- **PRP Eligibility Extension will most likely be phased out.**

- **PRP Extension rates will go up 20% starting October 1, 2013**

QUESTIONS?