BW-12: Effects on Insurance
Section 205 & 207

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Committee Co-Chair Retreat
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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

• **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)

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

**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 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?