



# **BW-12: EFFECTS ON INSURANCE**

## **SECTION 205 & 207**

**Bruce A. Bender**  
**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

- **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 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?



*Chad Berginnis*