



*What we know today “July 1, 2013” View
of the Biggert-Waters (BW12) Flood
Reform Act of 2012*

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July 6, 2012

On **July 6, 2012**, the Biggert-Waters Flood Insurance Reform Act of 2012 was signed into law which among other provisions, reauthorized the National Flood Insurance Program (NFIP) for 5 years (through September 30, 2017).



BW12 – What we know today, July 1, 2013

- Parts of Section 100205 will be implemented in January 2013 and October 2013.
- Section 100212 will be implemented in October 2013.
- Section 100207 will be implemented in 2014.



Section 100205 – Reform of Premium Rate Structure

What we know today, May 15, 2013

- **Exclusion of Certain Properties from Receiving Subsidized Premium Rates**

Pre-FIRM rated buildings located in Flood Zones A, AE, A1-A30, AO, AH, V, VE, V1-V30 or Flood Zone D will experience a premium rate increase up to 25% annually until they reach the actuarial rates:

- **January 1, 2013:**

- **Non-Primary Residence** for policies rated “Single Family” (this includes condo unit owner policies in multi family dwellings)

Pre-FIRM: Buildings built before the community’s first Flood Insurance Rate Map (FIRM) became effective or built prior to January 1, 1975 and the building has not been substantially damaged or improved.

Non-Primary Residence: A building that will **NOT** be lived in by the insured, or the insured’s spouse for at least 80% of the 365 days following the policy effective date.



Section 100205 – Reform of Premium Rate Structure

What we know today, May, 15, 2013

- **Exclusion of Certain Properties from Receiving Subsidized Premium Rates**

Pre-FIRM rated buildings located in Flood Zones A, AE, A1-A30, AO, AH, V, VE, V1-V30 or Flood Zone D will experience a premium rate increase up to 25% annually until they reach the actuarial rates:

- **October 1, 2013:**

- **Business Properties** (Although the bill states “business properties” – this includes any non-residential rated policy)
- Any **Severe Repetitive Loss Property** consisting of 1-4 residences that have had: 4 or more flood claims, more than \$5,000 each or 2 or more flood claims where the total of the payments exceed the current value of the building
- Any **property that has incurred flood-related damage** in which the cumulative amounts of NFIP flood insurance claim payments equaled or exceeded the fair market value to the property

IN ENGLISH THAT MEANS:

ALL Pre-Firm non-primary residences will see rate increases up to 25% each year for the next 4-5 years until “rate equity” is achieved



Section 100205 – Reform of Premium Rate Structure

What we know today, May 15, 2013

- **No extension of Subsidy to New, Lapsed “Assigned” (transferred to new owner) Policies – Full Risk Rates**
 - Pre-FIRM properties located in Flood Zones A, AE, A1-A30, AO, AH, V, VE or V1-V30 **will need an elevation certificate (EC), including photos**, if no EC provided, tentative or provisional rates will be used for the 1st year only:
 - **October 1, 2013:**
 - Any “new” policy with an effective date of July 6, 2012 or later
 - Any “assigned” policy with an effective date of July 6, 2012 or later*
 - Any “lapsed policy” with a new effective date of October 4, 2012
 - **The above applies to all occupancy types:**
 - single family, 2-4 family, other residential and non-residential buildings (including RCBAP’s)
- ***Exception** - if policy is assigned, gifted or transferred to an estate or trust.



Section 100205 – Reform of Premium Rate Structure

What we know today May 15, 2013

- **No extension of Subsidy to New, Lapsed “Assigned” (transferred to new owner) Policies – Full Risk Rates**
 - Pre-FIRM properties located in Flood Zones D will need to be rated with using submit-for-rate rates **to allow full-risk rating** as D zones are not rated with EC’s:
 - **October 1, 2013:**
 - Any “new” policy with an effective date of July 6, 2012 or later
 - Any “assigned” policy with an effective date of July 6, 2012 or later*
 - Any “lapsed policy” with a new effective date of October 4, 2012
 - **The above applies to all occupancy types:**
 - single family, 2-4 family, other residential and non-residential buildings (including RCBAP’s)
- *Exception** - if policy is assigned, gifted or transferred to an estate or trust.

IN ENGLISH THAT MEANS:

- EVERY NEW POLICY WRITTEN ON OR AFTER JULY 6TH 2012 WILL REQUIRE AN ELEVATION CERTIFICATE OR BE SUBJECT TO AN ENORMOUS RATE INCREASE FOR A POLICY THAT CAN NOT RENEW!



Section 100205 – Reform of Premium Rate Structure

What we know today, May 15, 2013

Increase in Annual Limitation on Premium Increases

– October 1, 2013:

- Maximum premium increase allowed under the NFIP is increasing from 10% to 20% (based on rate class).
October 1, 2013, the average rate increase will be 10%.
 - **The above applies to all occupancy types:**
 - » single family, 2-4 family, other residential and non-residential (including RCBAP's)
 - **All Flood Zones**
 - **All Pre & Post-FIRM buildings**

IN ENGLISH THAT MEANS:

Rate can now be increase up to 20% a year,
double the previous limit of 10%



Section 100205 – Reform of Premium Rate Structure

What we know today, May 15, 2013

Installment Payments

Will be implemented at a later date as this part of Section 100205 requires rule making which can take 2 or more years to implement.

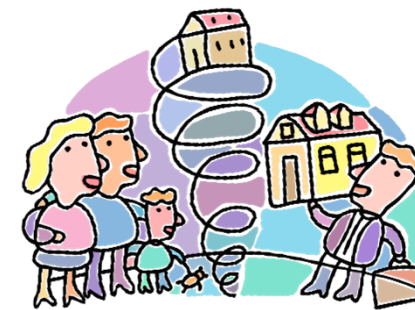
IN ENGLISH THAT MEANS:

- HA HA HA HA – THIS WILL NEVER HAPPEN!



Reserve Fund

Establish reserve fund in separate account to meet expected future claims. Entire amount goes into reserve fund (no commission to agent or Expense Allowance to WYO allowed).





Reserve Fund

Effective October 1, 2013:

- 5% “reserve fund” surcharge will be applied to all flood policies **except** Preferred Risk Policies (Regular PRP, PRP Extension and Group Policies)

This applies to:

- all single family, 2-4 family, other residential and non-residential buildings
- all flood zones
- all Pre & Post-FIRM buildings

**Note, the 5% increase is a separate cost, calculated based on the total premium, after the deductible impact, ICC premium and CRS discount.*

IN ENGLISH THAT MEANS:

They found a way to increase the cost
without increasing rate!

QUESTIONS?????

Our Intentions:

Wright Flood webinars are produced in an effort to communicate NFIP topics and/or underwriting rules as a convenience to Wright Flood agents and policyholders.

We apologize if any inadvertent miscommunications result, and defer all disputed topics to the NFIP guidelines expressed in the NFIP Flood Manual as well as the Standard Flood Insurance Policy, FEMA Bulletins and official statements on the topic. See www.fema.gov and www.floodsmart.gov

Opinions offered represent the speaker only, are presented for purposes of discussion and do not represent positions taken by either Wright Flood, the NFIP or FEMA.

If there are further questions, Wright Flood Marketing is always available to assist at 866-373-5663.

RESOURCES:

WWW.WRIGHTFLOOD.COM

Recorded webinars, bulletins and general information

WWW.FEMA.GOV/BUSINESS/NFIP

Official site for Flood Program

YOUTUBE: SEARCH - WRIGHT FLOOD

Video on BW 12 highlights

MOVE YOUR BUSINESS INCENTIVE

- \$10 Target gift card for EVERY policy converted from 8/1/13 to 11/13/2013
- Policy MUST be entered by the producer on-line.
- Policy must be entered as RENEWAL and have the accompanying current dec or renewal offer from the current carrier. Policy MUST be with WYO other than Fidelity or Wright Flood.
- RENEWAL DATE MUST BE BETWEEN 8/1/13-11/3013
- Policy must be active at time of payment.
- Cards will be mailed to agency 10 business days following the end of the month.