

Meeting Date: 3/4/2014

Report Type: Staff/Discussion

Report ID: 2014-00152

Title: Biggert-Waters Flood Insurance Reform Act of 2012 Update

Location: Citywide

Recommendation: Receive and file.

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Presenter: Bill Busath, Engineering & Water Resources Manager, (916) 808-1434, Department of Utilities

Department: Department Of Utilities

Division: Flood Control And Policy

Dept ID: 14001021

Attachments:

1-Description/Analysis

2-Background

City Attorney Review

Approved as to Form

Joe Robinson

2/20/2014 9:54:24 AM

Approvals/Acknowledgements

Department Director or Designee: Dave Brent - 2/13/2014 9:27:39 AM

Description/Analysis

Issue Detail: In July 2012, the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) was passed by Congress. BW-12 reauthorized the National Flood Insurance Program (NFIP) for five years and required major changes to the NFIP to ensure it is financially sustainable. Some of the major changes have already been implemented and others will be implemented this year. Key provisions of the legislation require the NFIP to raise rates to reflect true flood risk. The changes will mean premium rate increases for some—but not all—policyholders over time. Recently legislation has been passed by the Senate to change major components of BW-12, but it is unclear at this time if the legislation will become law. Edie Lohmann with FEMA, Region IX will give a presentation on the current status of BW-12.

Policy Considerations: None

Economic Impacts: None

Environmental Considerations: None

Sustainability: Not applicable

Commission/Committee Action: None

Rationale for Recommendation: Report is for information only.

Financial Considerations: None

Local Business Enterprise (LBE): Not applicable

Background

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) was passed by Congress in July 2012. BW-12 reauthorized the National Flood Insurance Program (NFIP) for five years and required major changes to the NFIP to ensure it is financial sustainability. Some of the major changes have already been implemented by the NFIP and others will be implemented this year. Implementation of insurance provisions of BW-12 is currently focused on two major Sections – 100205 and 100207.

The following are the key provisions of Section 100205. The term Pre-FIRM means structures that were built before the first City Flood Insurance Rate Map (FIRM), which is September 15, 1978. The table below refers only to Pre-FIRM policy holders currently in the floodplain that receive subsidized rates for flood insurance.

Date of Implementation	Who is Affected	What Will Happen
January 1, 2013	Pre-FIRM subsidized structures on non-primary residences (i.e., rentals, vacation homes)	25% increase per year until premiums reflect full flood risk rate
October 1, 2013	Pre-FIRM subsidized non-residential (i.e., businesses) and 1-4 family severe repetitive-loss properties	Upon policy renewal, premium rates will increase by 25% a year until they reach full-risk rates
October 1, 2013	Pre-FIRM subsidized structures that: <ul style="list-style-type: none"> - purchased since July 2012 - Uninsured since July 2012 - lapse in policy or substantially improved/damage since October 2012 	Full-risk rates will apply immediately

Full-risk rates vary depending on the elevation of the structure compared to the 100-year flood level. For example, a structure that is 4-feet below the 100-year flood level will have a rate of approximately \$14,370 per year. A structure that is at the 100-year flood level will have a rate of approximately \$1,730 per year.

Currently, Section 100207, which calls for the phase-out of grandfathering and other discounted policies associated with map changes, is not being implemented. Section 100207 calls the phase out of grandfathering and discounted policies by implementing a 20% increase per year over five years until reaching the full risk rate.

Section 100207 also includes policy holders in the "Preferred Risk Policy Extension (PRPEE)" program. In October 2013, policy holders in the PRPEE received a 20% increase from \$412 to \$489. It is anticipated that the PRPEE policy holders will receive a 20% increase annually until reaching the Standard X Rate of between \$1179 and \$1767. But it is unknown at this time if the 20% will continue to be implemented because of holds on Section 207. Approximately 17,000 Natomas residents are currently in the PRPEE program.

Nationally, many attempts are being made by Congress to curtail or delay the further implementation of BW-12. On January 17, 2014, the "Consolidated Appropriations Act, 2014" was enacted (HR 3547 Section 572), which contains a provision prohibiting that Department of Homeland Security's appropriations be used to implement Section 207 of BW-12 in fiscal year 2014.

As a result, FEMA has halted planning and development activities related to Section 1308(h), and other insurance mapping activities will continue in the normal course of business. Once Congress has restored funding for this activity, the NFIP expects an additional 12-18 months would then be required for FEMA to develop guidance materials regarding implementation.

In January 2014, the Senate passed the "Homeowner Flood Insurance Affordability Act" (S1926) proposing changes to BW-12, which includes suspending Section 207 and parts of Section 205. It is still unclear whether this legislation will become law.

The City currently has approximately 47,000 flood insurance policies. About 277 of these policies are currently affected by Section 205 of BW-12.

More information on BW-12 can be found at www.fema.gov/bw12.