

The Biggert-Waters Flood Insurance Reform Act of 2012

House Insurance & Banking Subcommittee

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What is the Biggert-Waters Flood Insurance Reform Act of 2012?

- 5-year federal extension of the National Flood Insurance Program (NFIP)
- Comprehensive reform
 - flood insurance
 - flood hazard mapping
 - grants
 - management of floodplains



Why was the Biggert-Waters Flood Insurance Reform Act of 2012 passed?

- Recurring financial deficits/subsidized policies
- Unsustainable premium structure
- Premium structure must reflect the true risks and costs of flooding



Factors Affecting Flood Insurance Premiums

- Type of building
- Number of floors
- Basement or enclosure
- Flood mitigation techniques (breakaway walls and flood-vents, elevation of the lowest floor)
- Geographic location in reference to flood hazards identified by the community and FEMA



Key Focus for Rate Impact

- Subsidized policies (not “full-risk rate”)
- Policies affected by remapping



What Effect will the Act Have on Rates and When?

Date of Implementation	Who Is Affected	What Will Happen
January 1, 2013	Non-primary residences	25% increase in premium each year until full risk rate
October 1, 2013	Owners of business properties, severe repetitive loss properties	25% increase in premium each year until full risk rate
October 1, 2013	Newly insured properties	Full-risk rate
Late 2014	Property owners affected by map changes	Full-risk rate will be phased in over 5 years at a rate of 20% per year until full-risk rate



NFIP Rate Status Nationally

Nationally: 5.6 million policies

Full-Risk Rates:

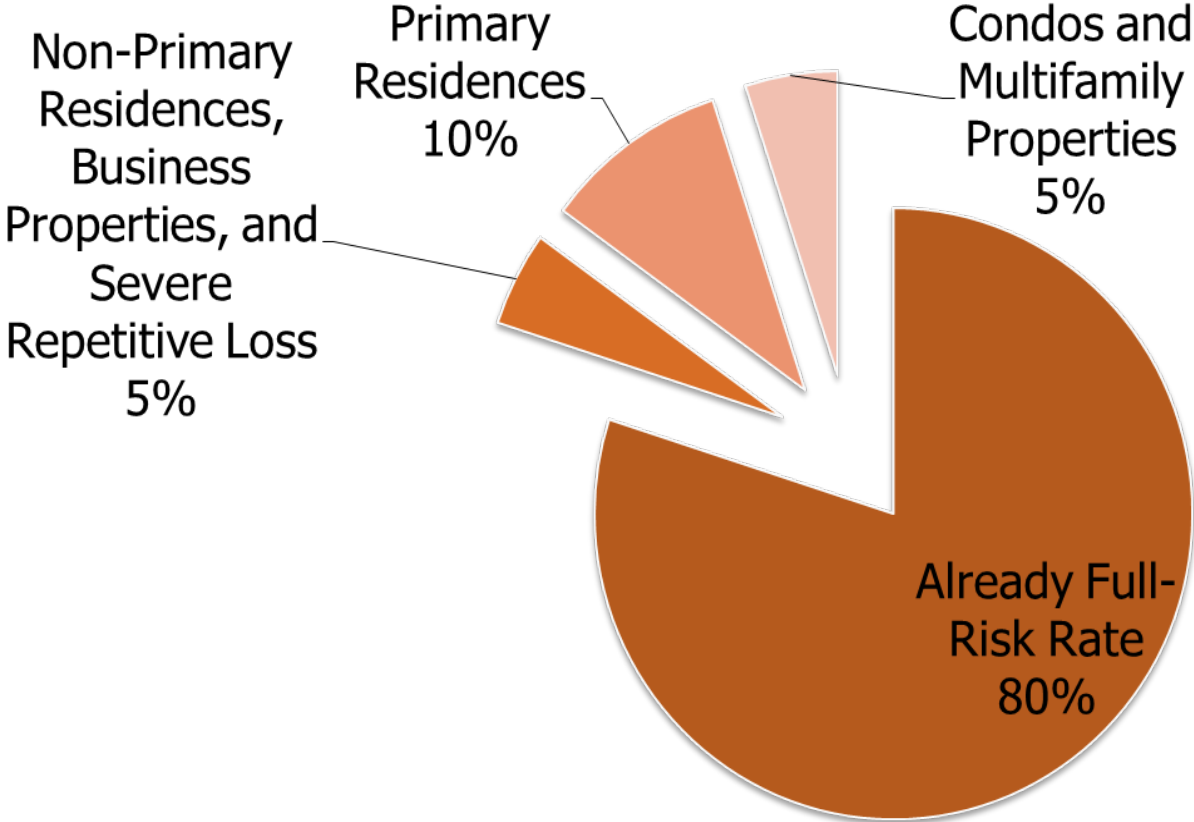
80% of policies (4.48 million policies)

Subsidized Rates:

20% (1.12 million policies)



NFIP Rate Status Nationally



NFIP Rate Effect Nationally

- **Of the 20% of subsidized policies...**
 - **Non-primary residences, businesses, and severe repetitive loss properties (5%):** immediate 25% increases.
 - **Currently subsidized primary residences (10%):** no change unless or until triggering event - they sell their property, allow their policy to lapse, or purchase a new policy.
 - **Currently subsidized condominiums and non-condo multifamily structures (5%):** no change until FEMA has developed additional guidance for their removal.



NFIP Rate Status in Florida

- **Florida:** Just over 2 million policies or 37% of total NFIP policies

Nonsubsidized Rates:

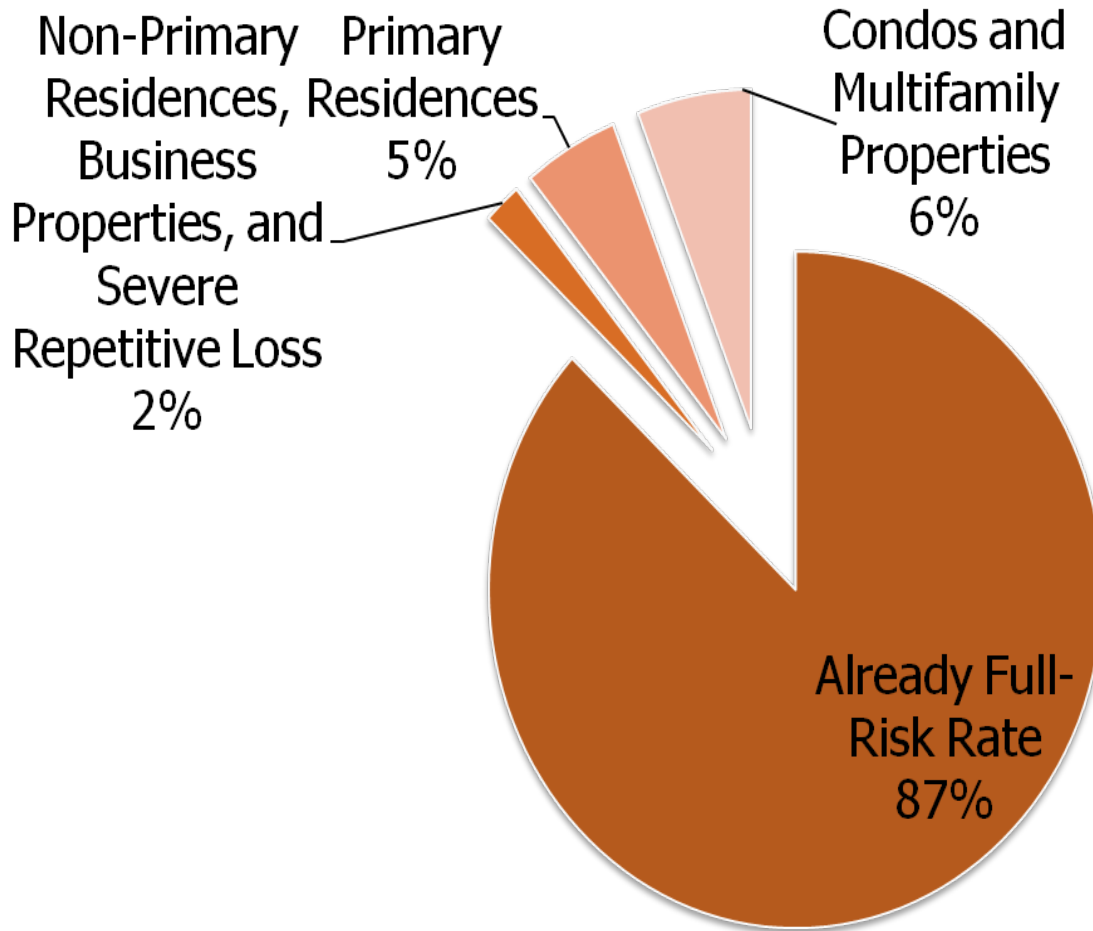
87% of policies (1.78 million policies)

Subsidized Rates:

13% (268,500 policies)



NFIP Rate Status in Florida



NFIP Rate Effect in Florida

Of the 13% of subsidized policies...

- **Non-primary residences, businesses, and severe repetitive loss properties (2% or 50,500 policies):** immediate 25% increases.
- **Currently subsidized primary residences (5%, or 103,000 policies):** no change unless or until triggering event (map change, sell home, policy lapse).
- **Currently subsidized condos/non-condo multifamily (6%, or 115,000 policies):** No change until FEMA develops guidance for removal.



Top 10 Florida Counties Affected by Rate Subsidy Provisions of the Act

County	Subsidized Policies	Policies not subsidized	% of Policies Subsidized
Pinellas	50,255	91,509	35%
Miami-Dade	47,442	318,934	13%
Lee	30,398	111,735	21%
Broward	19,425	350,051	5%
Sarasota	18,770	49,431	28%
Collier	17,133	85,319	17%
Hillsborough	14,368	54,613	21%
Monroe	11,840	20,104	37%
Pasco	11,352	19,773	36%
Manatee	11,264	28,763	21%



Remapping Rate Effect Under the Act

- The Act requires remapping of flood zones
- Requires “full-risk rate” for property affected by a remapping. Potential new risks under NFIP.
- Rate change phased in over 5 years at 20% per year until full-risk rate achieved

Florida Under the NFIP: A Donor State

Estimated Premium from Inception:

\$16.1 to \$20.7 billion

Estimated Claims from Inception:

\$3.7B to \$5 billion

Premium Relative to Claims:

Between \$3.6 and \$4.2 of premium for every \$1 in claims (1978-2013)



Florida Under the NFIP: Premium History

PREMIUM

- **Per NFIP:**
 - 28% (\$1.0B) of the nation's in-force written premium (as of July 30, 2013)
 - \$3.6 billion (2009-2012) based on insurer annual statements
- **Per Wharton Study:** \$16.1 billion (1978-2008)
- **Estimated premium (1978-2013):** \$20.1 billion



Florida Under the NFIP: Claims History

CLAIMS

Per NFIP: 12% (239,695) of the nations flood claims representing 7% (\$3.7B) of the nation's total claim payments. (NFIP, 1978-2013)

Per Wharton Study: \$4.5 billion (1978-2008)



Florida Under the NFIP: Policies History

POLICIES:

- Largest number of policies nationally
- 37% (2,049,775) of the nation's in-force policies



Current Efforts to Delay Implementation of the Act

- Possible legal action/State of Mississippi
(Note: MS a “recipient state” per Wharton Study—
20 cents premium paid for every \$1 received in
claims payments)
- Congress (Hearings, Budget, GAO Study)
- Governor Scott Letter



Conclusion

RECAP:

- Full effect on Florida policyholders still uncertain
- On the one hand--Florida has a high percentage of properties paying full risk rate.
- On the other hand--Unclear how remapping might affect this, especially those under old maps. Will map updates substantially increase the number below full-risk rate?
- Florida is currently an NFIP donor state and historically has paid \$4 in premium for every \$1 in claims payments received.
- Office seeking additional info from FEMA and monitoring the legal developments



Questions?

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