Understanding the National Flood Insurance Program

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NFIP Goal: Break the Cycle
How the NFIP Works

- Quid Pro Quo: mutual agreement between the Feds (FEMA) and your community
- Community agrees regulate development in mapped floodplains
- Ordinance Adoption
- In return, federally backed flood insurance is made available
- 3 basic parts: Mapping – Insurance - Regulations
Regulations
Local Ordinance

- Definition of Development

“means ANY CHANGE TO IMPROVED OR UNIMPROVED REAL ESTATE, including but not limited to the construction of buildings or other structures; construction of additions or substantial improvements; mining, dredging, filling, grading, paving, excavation, drilling operations or storage of equipment or materials; ... (cont.)
(cont.) Def. of Development

...and the storage, deposition, or extraction of materials, public or private sewage disposal systems or water supply facilities.”

[This is very broad, including structural & nonstructural, with $500 recommended minimum threshold]
All Development Requires a Local Permit

Why?

• The goal is to break the cycle of having flooding – damage – repair
• Protect life and property (investments)
• Protect the natural and beneficial functions of floodplains
• Balance the needs of the environment with the pressure of development
Ordinance Standards in Floodplains

Minor Improvements

Normal maintenance/Building Improvements under 50%/Non-structural: filling, grading, water supply, sewage disposal

- Adequately anchored
- Flood damage materials below the base flood elevation
- Construction methods and practices to minimize flood damage
- Design and locate electrical, heating, plumbing so they will not be damaged
New Construction
Substantial Improvements

- New Buildings
- Substantial Improvement:
  50% or more improvement in the value of the building only

  **Lowest Floor** must be elevated to 1’ above the base flood elevation

  2’ in some coastal communities
  3’ in Saco
Elevation in A Zones
A, AE, A1-30

3 ways to accomplish elevation

• Fill

• Solid foundation walls with openings/flood vents

• Open foundation: posts, piers, columns
Elevation Options
(A, A1-30, AE, & AH)

Slab on fill
BFE
Elevation Options
(A, A1-30, AE, & AH)

Hydraulic Opening (typical)

Lowest Floor BFE

Continuous Foundation Wall with crawlspace
Wells
Elevation Options

(A, A1-30, AE, & AH)

Open foundation (posts, piles, piers, columns)

Lowest Floor

BFE
Georgetown
Elevation in V Zones
V1-30 or VE

Open foundation system only!

No fill allowed for structural support!
Flood Insurance

- Flooding is **not** covered by home owners insurance

- Disaster assistance will never make you whole again

- No matter where you live in a participating community, flood insurance is available

- Max limits: $250,000 residential/$500,000 non-residential/$100,000 contents/avail to renters
FLOOD INSURANCE

Mandatory Purchase Requirement

Any federally backed lending institution shall not make, increase, extend or renew any loan in the SFHA unless the building, mobile home, and any personal property securing the loan is covered by flood insurance for the life of the loan.
Biggert-Waters Flood Insurance Reform Act of 2012

- **Pre-FIRM**
  constructed prior to 12/31/74 or the date of a community’s first FIRM, whichever is later
  - Subsidized rates

- **Post-FIRM**
  constructed or substantially improved after 12/31/74 or the date of a community’s first FIRM, whichever is later
  - Actuarially rated
Biggert-Waters Flood Insurance Reform Act of 2012

- Pre-FIRM buildings
  - Beginning January 1, 2013
    - Non-primary residences (lived in less than 80% of year will see a 25% increase per year x 4 years to reflect full risk rates)
  - Beginning October 1, 2013
    - Business Properties
    - Severe Repetitive Loss Properties
    - Repetitive Loss Properties/cumulative amounts of claims payments have exceeded the fair market value of the building
      - All above will see a 25% increase per year x 4 years to reflect full risk rates
Biggert-Waters Flood Insurance Reform Act of 2012

• Beginning in late 2013
  • FEMA will begin to apply full risk rates to policies written for newly purchased properties
  • The sale of a pre-FIRM building will result in an immediate increase to full risk rates for the new owner
  • Policies can no longer be transferred to another owner at subsidized rate
  • In most cases, if a property was not insured when the law was enacted, subsidized rates will not be available
  • Policy holders should be aware that deliberately allowing a policy to lapse could prove costly
Biggert-Waters Flood Insurance Reform Act of 2012

- Beginning in 2014
  - Full risk rates will be phased in over 5 years at a rate of 20% per year for all property owners, including non-subsidized policy holders affected by map changes
  - This, in effect, does away with current ‘grandfathering’ for policies that do not lapse
Biggert-Waters Flood Insurance Reform Act of 2012

- Prior to the move to actuarial insurance rating, Elevation Certificates were not necessary for pre-FIRM buildings
- At some point, an EC will be necessary to properly rate the building
- Not all bad news!
  - Some will find they are pre-FIRM and properly elevated which means the rate will go down
  - Some will qualify for removal via LOMA process
National Flood Insurance Program

Solvency

- Reform will go a long way to improving the solvency of the flood insurance fund
- 40+ years subsidized rates have been in effect for pre-FIRM buildings
- Repetitive flood losses, less than 50% of building value, have been allowed to be put back to pre-damage condition without elevating or otherwise mitigating
- Subsidized rates were still available
- This practice will come to an end with the phase in of actuarial insurance rates that reflect true risk
Next Step for Property Owners

- This Fall: New preliminary maps will be issued
- Review the map
  - Find out how it affects your property
  - Banks will be reviewing loans for updated flood hazard determinations
  - If newly mapped in SFHA, lender will issue a 45 day letter to secure flood insurance
- Elevation Certificate
www.floodsmart.gov

• How to prepare for a flood
• Assess your risk
• Estimate cost for flood insurance
• Find a local insurance agent
• Links to community based information
Know the risk....

...where you live or work

...build/improve sustainably

...take steps to protect your investment

Remember: Insurance is only mandatory of there is a federally backed loan
Questions?

Contact information is in your MBC folder

Visit our website:  
www.maine.gov/doc/commissioner/flood/

Call the Floodplain Management Program:  
287-2801

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