

# BW-12

The Biggert-Waters Flood Insurance Reform Act of 2012

# BW-12: What's Changing

## ■ Subsidies 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)

# Changes for Non-Primary Residences

- Subsidized premium rates for “pre-FIRM” properties in high-risk (A or V) zones will be phased out
- Rates will increase 25 percent per year until they reflect the full-risk rate.
- Changes effective January 1, 2013, at policy renewal

## *Pre-FIRM:*

*Built before the community's first Flood Insurance Rate Map became effective and not been substantially damaged or improved*

## *Non-primary residence:*

*A building that will be lived in for less than 80 percent of the year*



# Changes to Other Subsidized Rates

- **Rates on pre-FIRM commercial buildings**

Increase by 25% a year until they reach full-risk rates.

- **Rates for repetitively flooded buildings**

(known as Severe Repetitive Loss properties) of one to four residences increase 25% a year until they reach full-risk rates

Includes buildings with cumulative flood insurance payments that meet or exceed fair market value



- **These changes planned to start August 1, 2013**

# Direct Move to Full-Risk Rates

- **After the sale/purchase of a property**  
Subsidized rates can no longer be assigned to the new owner.
- **After a policy lapse**  
Policyholders should know that allowing a policy to lapse could be costly.
- **When a new policy is issued**  
Policies for buildings uninsured as of the date BW-12 was enacted
- **These changes also planned to start August 1, 2013**



# What About Grandfathering?

- **Grandfathering will be phased out**  
BW-12 calls for a phase-out of discounts, including grandfathering provisions, and a move to full actuarial rates
- **Section 100207 implementation anticipated in 2014**  
Phase-in to full-risk rates anticipated to begin
- **Note: The Preferred Risk Policy Eligibility Extension will be eliminated when Section 100207 implementation takes place**

# What About Today's New Policies?

- **Until specifically addressed as BW-12 is implemented, new and renewing policies are still eligible for:**
  - Pre-FIRM subsidies (except pre-FIRM non-primary residences)
  - Grandfathering
  - Extension of Preferred Risk Policy Eligibility
- **FEMA will clearly communicate when these subsidies and discounts are no longer available, as BW-12 implementation moves forward.**

# BW-12 Bottom Line

- **The elimination of subsidies and discounts could mean big increases for some property owners**

Properties that do not meet current requirements (e.g., below the current Base Flood Elevation) could see rates increase dramatically.

- **Properties that meet current requirements still could see increases when new maps show higher risk**

**So how can you help clients  
save money?**

# Saving Money on Flood Insurance

- **FEMA has programs to help owners reduce their risk and save money on flood insurance**
  - Community-wide discounts through the Community Rating System (CRS)
  - FEMA grant programs support rebuilding and relocating
  - Use of higher deductibles to lower premium costs

**But the smartest way to save may be to build higher**

# Key Takeaway

- **If your clients are rebuilding or building new:**
  - Let them know that Flood Risk changes over time
  - Help inform them that their rebuilding decisions now can affect their long term flood insurance premiums
  - Help inform them that elevating their properties and ensuring the right type of construction helps decrease their risk and reduce future flood insurance premiums

# BW-12 Timeline

DATE	BW-12 IMPLEMENTATION STEP
July 6, 2012	BW-12 becomes law; reauthorizes the NFIP for five years and requires FEMA to eliminate discounts and subsidies
January 2013	Subsidized rates phased out for non-primary residences
February 2013 and ongoing	FEMA anticipates issuing additional guidance and details on BW-12 implementation
Planned August 2013	Subsidized rates anticipated to phase out for business properties, SRL properties, and others. Move to full-risk rates after sale/purchase of property, substantial damage/improvement or policy lapse.
Planned 2014	FEMA anticipates implementing phase-in of full risk rates for properties affected by map changes



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