National Flood Insurance Program:

What changes are happening in Rhode Island?

RISEP Luncheon
March 13, 2014
National Flood Insurance Program

Background

- National Flood Insurance Act of 1968
  - Established the NFIP
  - Required mapping of flood-prone areas
  - Made flood insurance available to all residents of communities that meet floodplain management requirements
  - Afforded communities ability to obtain certain types of disaster assistance
The NFIP: How It Works
Flood Insurance Facts

- Standard homeowners insurance doesn't cover flooding.
- Flood Insurance is required if you live in a Special Flood Hazard Area (SFHA) or high-risk area AND have a federally backed mortgage or other commitment (reverse mortgage, line of credit, etc.)
- A lender can require flood insurance, even if a structure is NOT in the SFHA.
- Flood insurance can be purchased through a local insurance agent.
Rhode Island NFIP Facts

• All 39 communities and 1 Tribal Nation participate in the National Flood Insurance Program (NFIP).

• Approximately 16,000 structures in designated floodplains
  – 9,600 have flood insurance → 60%

• Currently 16,021 policies state-wide (both in and out of the floodplain)
  (Data as of January 29, 2014)
  – Bristol County: 2,081
  – Kent County: 2,349
  – Newport County: 3,030
  – Providence County: 2,729
  – Washington County: 5,832

• Average RI Premium is $1,369/annually
Types of flooding

- Riverine
- Flash
- Coastal
- Shallow

Photo: Bob McMillan / FEMA
Flash Flooding

Photo: Amanda Bicknell / FEMA
Coastal Flooding

Photo: Don McClosky, Entergy
Shallow Flooding

Shallow flooding occurs in flat areas with inadequate or no defined channels.

- Shallow Flooding Types:
  - Sheet Flow
  - Ponding
  - Urban Drainage
    - Urban drainage systems
    - Areas protected by levees
FLOODPLAIN MAPPING
Definitions

• **Base Flood**: Flood that has a 1% chance of being equaled or exceeded in any given year.

• **Flood Insurance Rate Map (FIRM)**: An official map where FEMA has delineated the special flood hazard areas.

• **Special Flood Hazard Area (SFHA)**: Areas subject to the Base Flood or greater in any given year. These areas include Zones A and V.
# Definitions of FEMA Flood Zones

<table>
<thead>
<tr>
<th>Risk Type</th>
<th>Zone</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low to Moderate</td>
<td>X (unshaded)</td>
<td>Area of minimal flood hazard</td>
</tr>
<tr>
<td>Low to Moderate</td>
<td>X (shaded)</td>
<td>0.2% Annual Chance Flood</td>
</tr>
<tr>
<td>High Risk</td>
<td>A</td>
<td>1% Annual Chance Flood&lt;br&gt; <em>Inland floodplains that do not have a base flood elevation (BFE)</em></td>
</tr>
<tr>
<td>High Risk</td>
<td>AE</td>
<td>1% Annual Chance Flood&lt;br&gt; <em>Special flood hazard area that has a determined elevation &amp; wave height &lt; 3 ft</em></td>
</tr>
<tr>
<td>High Risk - Coastal</td>
<td>VE</td>
<td>1% Annual Chance Flood&lt;br&gt; <em>Velocity zone that has a determined elevation &amp; wave height &gt; 3 ft</em></td>
</tr>
</tbody>
</table>
Flood Zone Wave Heights

- **V Zone**
  - Wave Height ≥ 3 ft
  - Flood Level Including Wave Effects
  - 100-Year Stillwater Elevation
  - Sea Level
  - Shoreline

- **Coastal A Zone**
  - Wave Height 3.0-1.5 ft
  - Overland Wind Fetch

- **A Zone**
  - Wave Height <1.5 ft
  - Limit of Flooding and Waves

RHODE ISLAND EMERGENCY MANAGEMENT AGENCY
Countywide Flood Insurance Rate Map (FIRM)
Digital Flood Insurance Rate Maps (DFIRMs)
New Coastal Mapping

• There is a nationwide project underway to update the FEMA FIRMs. A combination of new data and outdated maps has propelled the project.

• The maps were created by a FEMA contractor, STARR, through extensive modeling using new transects, surveys and coastal analyses.
Coastal Mapping Effective Dates

- Bristol County: July 7, 2014 (Datum change to NAVD 88)
- Kent County: September 18, 2013
- Newport County: September 4, 2013
- Providence County: September 18, 2013
- Washington County: October 16, 2013
Riverine Mapping

• FEMA in coordination with USGS working on remapping inland areas
• Providence and Kent Counties
• Data used in remapping utilized high water marks collected following the flooding in March 2010
NARRAGANSETT BAY WATERSHED
Kent County Riverine Mapping

Communities Affected
• Coventry
• Warwick
• West Warwick
Providence County Riverine Mapping

Communities Affected

- Central Falls
- Cranston
- East Providence
- Johnston
- Lincoln
- North Providence
- Pawtucket
- Providence
- Scituate
- Smithfield
Narragansett Bay Watershed

The Rhode Island areas studied in detail as part of this project were:

- **Moshassuck River**
  - West River
    - East Branch West River, Lincoln Downs Brook, and Upper Canada Pond Brook

- **Pawtuxet River**
  - Meschanicut Brook
    - Furnace Hill Brook
  - North Branch Pawtuxet River
  - Pocasset River
    - Dry Brook and Simmons Brook
  - South Branch Pawtuxet River
    - Flat River, Quidneck Brook, Tributary A1, and Tributary A2

- **Ten Mile River**
  - Sevenmile River

- **Woonsquatucket River**
  - Centerdale Brook
  - Cranberry/Hurlburt Brook
FLOODPLAIN MAPPING TOOLS
Insurance and Mapping Tools

**Floodsmart**

- **Real Life Flood Stories:** See What a Flood is Really Like
  - Watch the devastating stories of those who have experienced a flood and learn what they would have faced if they didn't have flood insurance.
  - See all video testimonials

- **One-Stop Flood Risk Profile:**
  - How can I get covered?
  - Get coverage for as low as $129 per year

- **What could flooding cost me?**
  - Shows the cost of a flood to your home.

**FEMA Map Service Center**

- **New to the FEMA Map Service Center?**
  - Online tools for streamlined Letter of Map Change (LOMC) processing
- **Try our new Live Chat service!**
  - Our staff is available online Monday through Friday, 8:00 am to 5:00 pm (Eastern Standard Time) (Eastern Daylight Time).

- Resources:
  - Insurance
  - Real Estate Flood Determination Agents
  - Insurance Agents
  - Engineers/Surveyors
  - Federal/State Customers

**Latest News**

- Home and business owners: updated flood maps available.
- Find out more about the Preferred Risk Policy Eligibility Extension (PREE).
- There is a 30-day waiting period on new flood insurance policies.

**RHODE ISLAND EMERGENCY MANAGEMENT AGENCY**
Rhode Island Floodplain Mapping Tool

• Tool is provided for reference only
• Designed to provide users with an easily accessible online resource by which to make informed decisions about the flood risk for a specific area or property
• The floodplains shown on this Tool are delineated on the FEMA historic, preliminary, or effective Flood Insurance Rate Maps

www.riema.ri.gov
FLOOD INSURANCE
Pre-FIRM vs. Post-FIRM

• PRE-FIRM
  – Constructed prior to the initial FIRM
  – No building codes to require lowest floor to be constructed above the base flood elevation
  – Prior to 10/1/2013 elevation certificate not required to rate policy (Subsidized)

• POST-FIRM
  – Constructed or Substantially Improved after the FIRM
  – Should be constructed based upon the map in affect at the time of construction
An example of how National Flood Insurance Program rates may increase when the Biggert-Waters Flood Insurance Reform and Modernization Act of 2012 is implemented.
Changes are Happening with the NFIP

• Congress passed the Flood Insurance Reform Act of 2012 (Biggert-Waters 2012/BW-12), which was designed to:
  – Make the NFIP more financially stable by raising rates on certain classes of property to reflect true flood risk; and
  – Trigger rate changes for certain properties within a revised or updated map area to accurately reflect the flood risk.
• Intent is to phase back in subsidies for renewal policies:
  – Structures built prior to the first flood insurance map in a community (pre-FIRM)
  – Policies based on the map in effect when structure was built (grandfathering)
• Artificially low rates and discounts no longer are sustainable.
Program Changes Effective Oct. 1, 2013

- **Revised Premium Rates**
  - V Zones (Coastal velocity zones)
    - Post-FIRM: Premium will increase 11%
    - Pre-FIRM: Premiums will increase 17%
  - A Zones
    - Post-FIRM: Premium will increase 6%
    - Pre-FIRM: Premiums will increase 16%
  - X Zones (outside the SFHA)
    - Standard-Rated Policy: Premium will increase 8%
    - Preferred Risk Policies (PRP): Premiums will increase 1%
    - Revised Premium Rates

- **Reserve Fund** – 5% reserve fund assessment is to be included for all policies other than PRP’s (Included in the percentages shown above).
Who Will Be Affected by Subsidy Changes?

• **Not everyone** – 43% of NFIP policies in RI receive subsidies.
  – Approximately 2,100 structures

• Owners of subsidized **non-primary residences** in a Special Flood Hazard Area will see 25% increase annually until rates reflect true risk – began January 1, 2013.

• Owners of subsidized **property that has experienced severe repetitive flood losses** or that has incurred flood cumulative damage with flood insurance payments exceeding the value of the structure will see 25% rate increase annually until rates reflect true risk – October 2013.

• Owners of subsidized **business properties in a Special Flood Hazard Area** will see 25% rate increase annually until rates reflect true risk – October 2013.
Direct Move to Full-Risk Rates

- After the purchase of a property
  - Subsidized rates cannot be assigned to the new owner
- After a policy lapse
- When a new policy is issued
- If an offer to mitigate has been refused
- These changes started October 1, 2013
What About When a New Flood Map is Adopted?

• Charging of insurance premiums based on a prior FIRM is known as *grandfathering*

• BW-12 Section 100207 called for a phase-out of grandfathering discounts for properties shown on Flood Insurance Rate Maps that are updated.

• Implementation *was* supposed to become effective in late 2014

• New rates *were* scheduled to be gradually phased in at 20% per year for five years...but
June 1st 2014 Changes

• Policy form font increases to an 18 point font
• Duplicate building coverage clean-up
• Building coverage for other residential occupancies increases to $500,000
• Primary residence definition revised to:
  – A building that will be lived in by the insured or the insured’s spouse for more than 50% of the 365 days following effective date
  – A signed verification statement as well as proof of primary residence is now required
• Deductible increases
Omnibus Spending Bill

• Congress recently passed a spending bill which froze spending on Section 207 (Jan. 13, 2014)

• Includes a provision that will delay FEMA’s ability to use updated flood risk maps to prepare for rate increases that were set to take effect for some properties.

• FEMA is barred from using any funds in its current budget, which runs through the end of September, to lay the necessary groundwork for those changes.

• Unless Congress extends this restriction for the next budget cycle, FEMA will probably be able to go ahead with implementation in 2015.

• The grandfathering provision is now on hold to be phased in.
Homeowner Affordability Act of 2013

- Senate bill, S. 1926, Homeowner Flood Insurance Affordability Act of 2013 passed the Senate on 1/30/2014
  - Delay of certain BW-12 provisions for four (4) years
    - Direct move to full risk/actuarial rates
    - Removal of subsidies for primary residences
  - Create an affordability study for Congress
- House Bill, HR-3370 passed the House on 3/5/2014
  - Not a four (4) year delay
  - Relief primarily for residential; not commercial or secondary homes
  - Cap premium increases to no greater than 15-18% per year \( \rightarrow \) reflect true risk
  - Remove sales rate trigger
  - Grandfathering will be reinstated
  - Refunds excessive premiums
  - Surcharge placed on all policies $25/$250 per year
  - Minimize the # of policies with annual premiums that exceed 1 percent of the total coverage
What Can Be Done to Lower Costs?

Under the Flood Insurance Reform Act of 2012, you could save more than $90,000 over 10 years if you build 3 feet above base flood elevation.

- **Premium at 4 feet below base flood elevation**
  - $9,500/year
  - $95,000/10 years

- **Premium at base flood elevation**
  - $1,410/year
  - $14,100/10 years

- **Premium at 3 feet above base flood elevation**
  - $427/year
  - $4,270/10 years

*$250,000 building coverage only (does not include contents), AE (high to moderate risk) zone, single-family, one-story structure without a basement at: 4 feet below Base Flood Elevation (BFE); at BFE; and at 3 feet above BFE. (Rating per FEMA flood insurance manual, October 1, 2012). The illustration above is based on a standard National Flood Insurance Program (NFIP) deductible.*
Increased Cost of Compliance (ICC):
coverage helps pay for the increased costs to comply with floodplain ordinances after a flood, when the building has been declared substantially or repetitively damaged.

ICC coverage can be applied to FRED:
Floodproofing, Relocation, Elevation, Demolition up to $30,000
Community Rating System (CRS)

A voluntary NFIP program to recognize and encourage communities to go beyond the NFIP minimums in their local floodplain Management activities.

- Communities in full compliance can apply
- CRS uses a class rating system which entitles residents in SFHAs to premium reductions
Benefits of CRS

- Reduced flood insurance rates
- More risk awareness & education
- Improved public safety — less damage and $ losses
- Better floodplain management
- CRS training and technical assistance
CRS in Rhode Island

Participating communities

- Bristol: Class 8
- Middletown: Class 8
- Narragansett: Class 8
- North Kingstown: Class 9
- Westerly: Class 8
- Charlestown: Class TBD as of May 1, 2014
- East Providence: Class 9 as of May 1, 2014
- Pawtucket: Class TBD as of Oct 1, 2014
What You Need to Remember

• Many changes are happening to the Flood Insurance program
  • Congress acted to make program stronger financially, however the changes are uncertain and potential changes are still on the horizon.
• Building or rebuilding higher can lower flood risk and could save money.
• When rebuilding or building new:
  – Property owners need to be aware that flood risk changes over time
  – Rebuilding decisions now can affect their long-term flood insurance premiums
  – Elevating properties and ensuring the right type of construction helps decrease risk and reduce future flood insurance premiums
Resources

FloodSmart - www.FloodSmart.gov
RIEMA – www.riema.ri.gov
FEMA Map Service Center – www.msc.fema.gov
Questions?

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