Okaloosa County
News Release

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From the Association of State Flood Plain Managers "News & Views": *Pre-Flood Insurance Rate Map Insurance Rate Subsidies Begin to Disappear in 2013*

The Biggert-Waters Flood Insurance Reform Act of 2012 (FEMA's acronym is **BW-12**), was signed into law on July 6, 2012. With that will come many changes to the rate structure of the **National Flood Insurance Program (NFIP)**. The first impact will be on pre-**FIRM (Flood Insurance Rate Map)** buildings. Here's an overview of what will happen in 2013. You are encouraged to read the highlighted Bulletins for more detail.

The NFIP bulletins referenced below may be viewed by going to the NFIP service website, www.nfipiservice.com and clicking on the **Bulletins & Manuals link** that appears under the NFIP Documents heading on the left side of the screen**.** The bulletins are grouped by year, so **click on 2012** after clicking on the Bulletins & Manuals link.

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Starting January 1, 2013, subsidized premium rates for pre-FIRM non-primary residences in the high-risk Special Flood Hazard Areas will begin to increase by 25 percent a year until they essentially reflect full-risk rates. For clarity's sake, some definitions:

- A primary residence is a building that will be lived in by the insured or the insured's spouse for at least 80 percent of the 365 days following the policy effective date. If the building will be lived in for less than 80 percent of the policy year, it is considered to be a non-primary residence. Also remember that only primary residences receive replacement cost coverage on the building.
- A pre-FIRM building is one that was built before the community's first flood map became effective and has not been substantially damaged or improved.
- More details can be found in NFIP Bulletin W-12043.

Starting August 1, 2013, subsidies will be similarly be phased out at 25 percent a year for commercial properties, severe repetitive loss properties consisting of 1-4 residences, and properties that have incurred flood-related damages where claims payments exceed the fair market value.

- Note that new policies written on pre-FIRM buildings due to a sale or deliberate lapse will be issued at **full-risk rates.**
- More details can be found in NFIP Bulletin W-12109.

Beginning in 2014, FEMA indicates that premium rates for other properties, including non-subsidized properties, will increase as new or revised flood maps become effective and full risk rates are phased in for these properties. This refers to BW-12 Section 100207 and grandfathering. It is not clear how this will be implemented and if, for example, existing grandfathered policies will continue to be grandfathered. While FEMA figures this out, they have removed the 2-year policy limit for the Preferred Risk Policy (PRP) Extension until the new rates are implemented. More details about the extending the PRP Extension can be found in NFIP Bulletin W-12054.

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