



# Connecticut Department of Energy and Environmental Protection



Connecticut Department of  
**ENERGY &  
ENVIRONMENTAL  
PROTECTION**

# Connecticut Association of Flood Managers Conference

*Flood Insurance Reform:  
Where the Rubber Meets the Road!*

October 21, 2015, Westbrook  
Diane Ifkovic, State NFIP Coordinator



Connecticut Department of Energy and Environmental Protection

IT'S OUR NEW  
FLOOD INSURANCE  
CLAIMS APPEAL  
PROCESS.



# Why Changes to the NFIP Rates?

- ❖ 45 years later, costs of flooding are increasing, program is in debt, not sustainable in the future
- ❖ Artificially low rates & discounts no longer sustainable
- ❖ In July 2012, Congress passed the **Biggert-Waters Flood Insurance Reform Act (BW12)**, to make the program more financially sound over the long term.
- ❖ In March 2014, Congress enacted the **Homeowners Flood Insurance Affordability Act (HFIAA)** which revised sections of BW12 and added new reform



# Biggert-Waters Flood Insurance Reform Act of 2012

## **BW12 signed into law July 6, 2012**

- Targeted Pre-FIRM structures to pay actuarial rate
- 25% increase for commercial, non-primary residence, severe repetitive loss properties (SRLP)
- Actuarial rating at sale of property or new policy
- Increased annual rate cap from 10% to 20%/year
- Reserve Fund – additional 5% of premium
- Start to phase out grandfathered rates October 2014
- Elevation Certificates required for rating



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# Pre-FIRM versus Post-FIRM

**FIRM = Flood Insurance Rate Map**

## Pre-FIRM

Built before  
initial FIRM

**Subsidized Rate, not  
rated with elevation data**

NATIONAL FLOOD INSURANCE PROGRAM

PANEL 0065 B

**FIRM**  
FLOOD INSURANCE RATE MAP

DADE COUNTY,  
MISSOURI  
AND INCORPORATED AREAS

PANEL 65 OF 295

(SEE MAP INDEX FOR FIRM PANEL LAYOUT)

CONTAINS:

| COMMUNITY   | NUMBER | PANEL | SUFFIX |
|-------------|--------|-------|--------|
| DADE COUNTY | 290796 | 0065  | B      |

Notice to User: The **Map Number** shown below should be used when placing map orders; the **Community Number** shown above should be used on insurance applications for the subject community.

**MAP NUMBER**  
29057C0065 B

**EFFECTIVE DATE**  
JULY 17, 2002

Federal Emergency Management Agency

## Post-FIRM

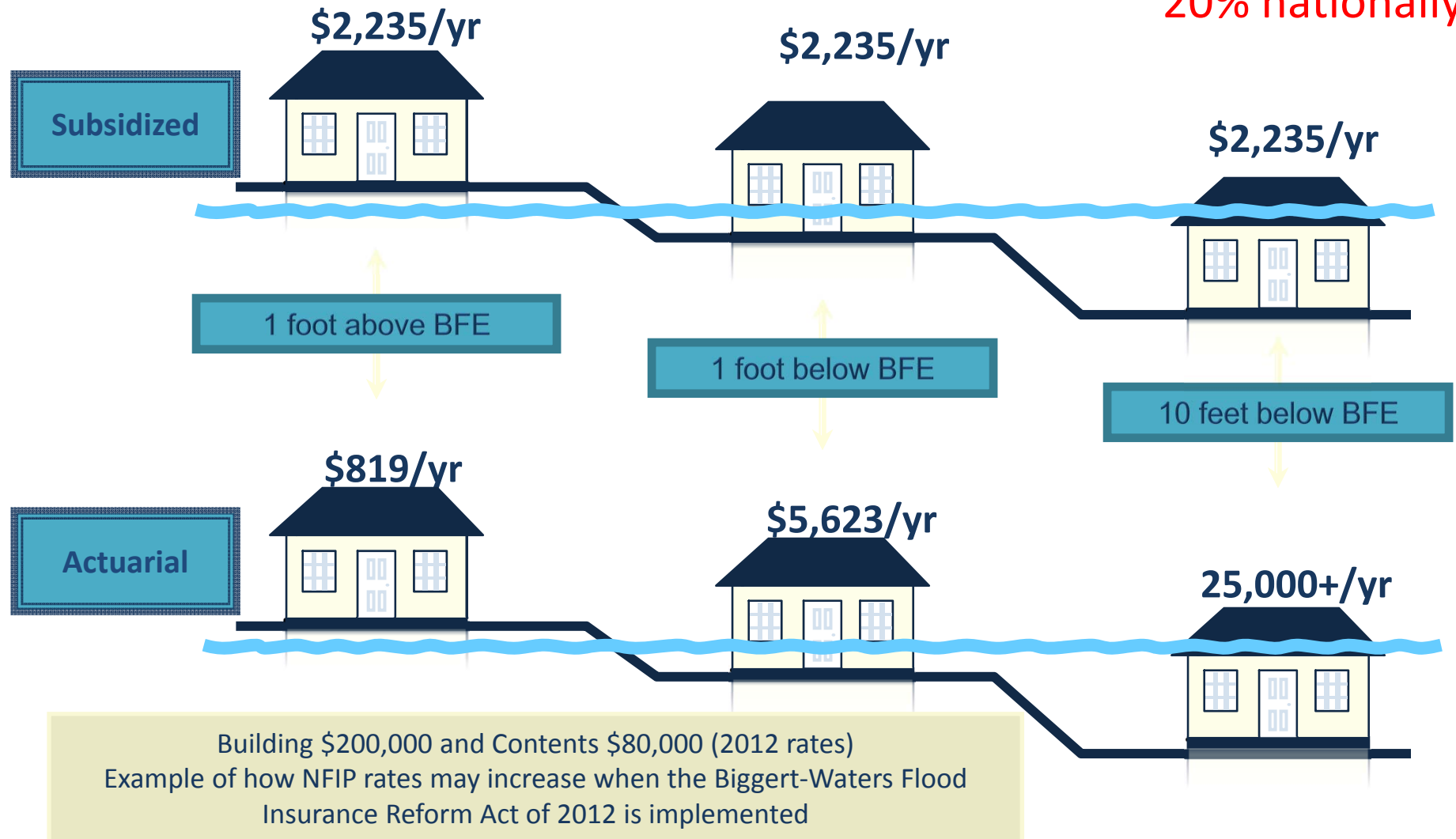
In Compliance as  
New Construction or  
Substantial  
Improvement

Built on or after  
the initial FIRM

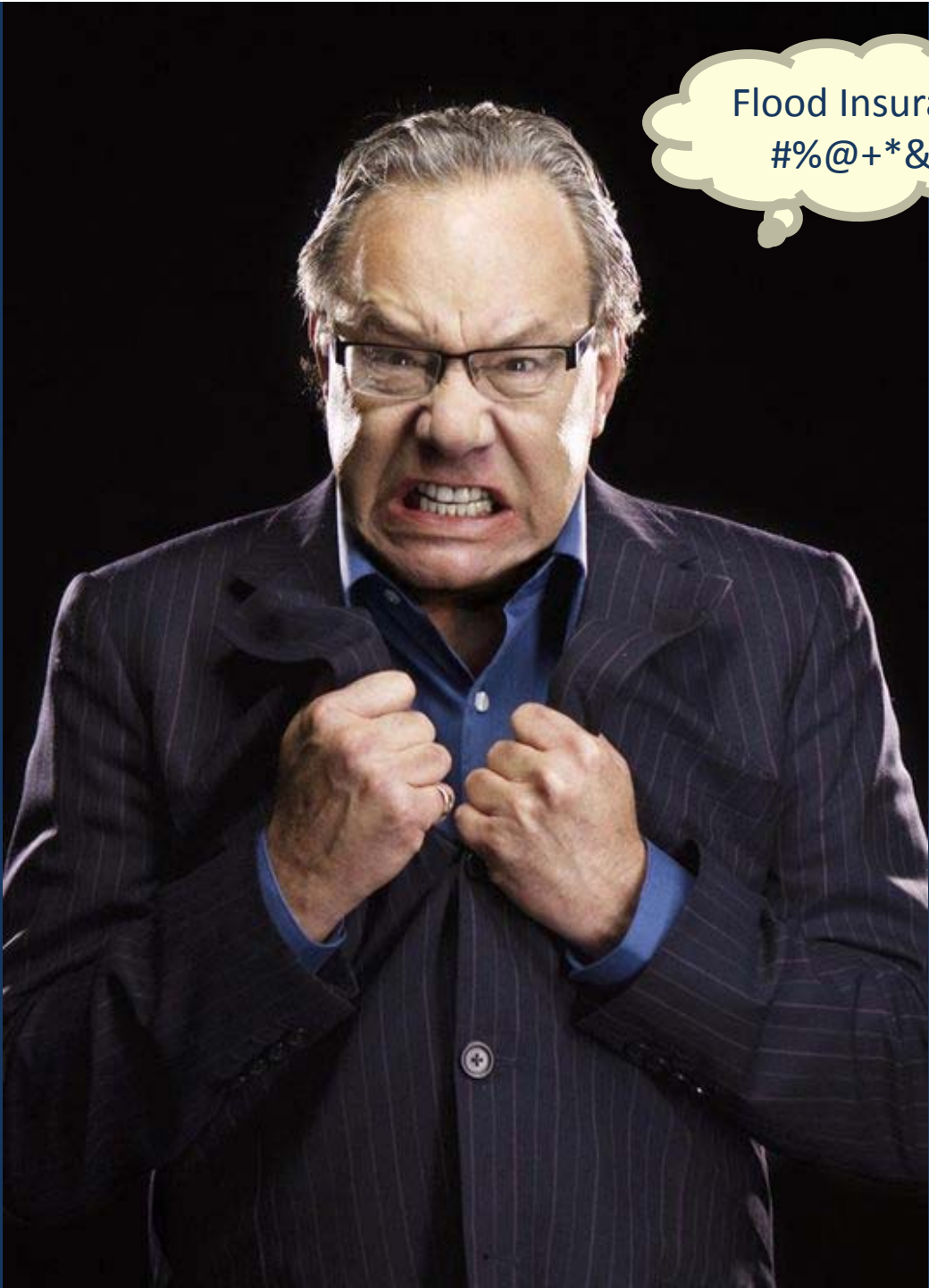
**Actuarial Rate**

# Rating Examples: Impact of Loss of Subsidies

45% of CT policies are subsidized,  
20% nationally







Flood Insurance  
#%@+\*&!



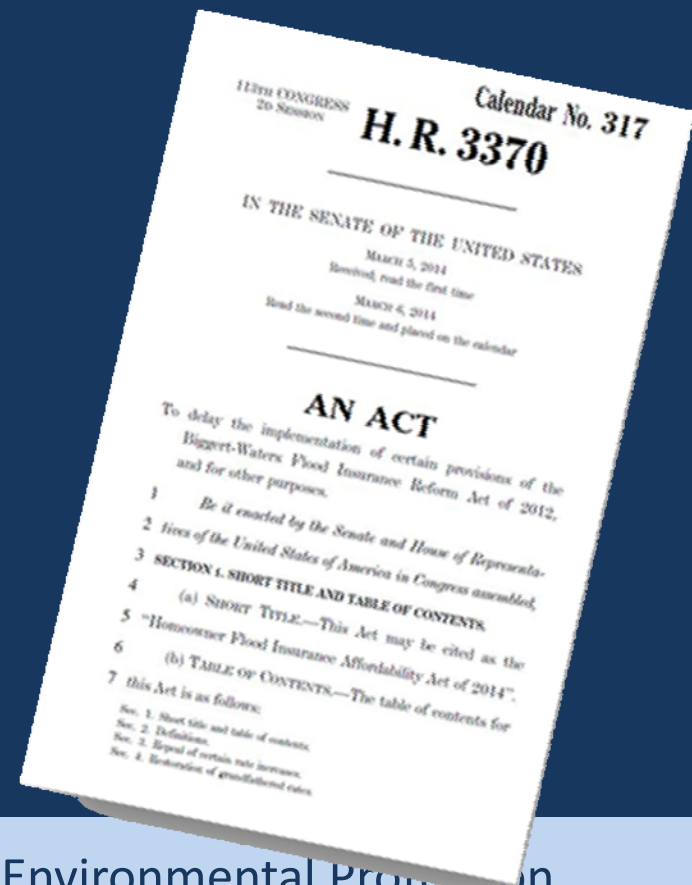
# Fallout from BW12

- Seen as “too much, too soon”.
- Sale of homes in floodplain were difficult, especially in coastal towns.
- Realtor organizations lobbied for reform.
- Property owners felt rates rose too sharply.
- Muddled with Sandy recovery and new maps.
- Pressure was put on Congress to provide relief in the form of revised legislation.



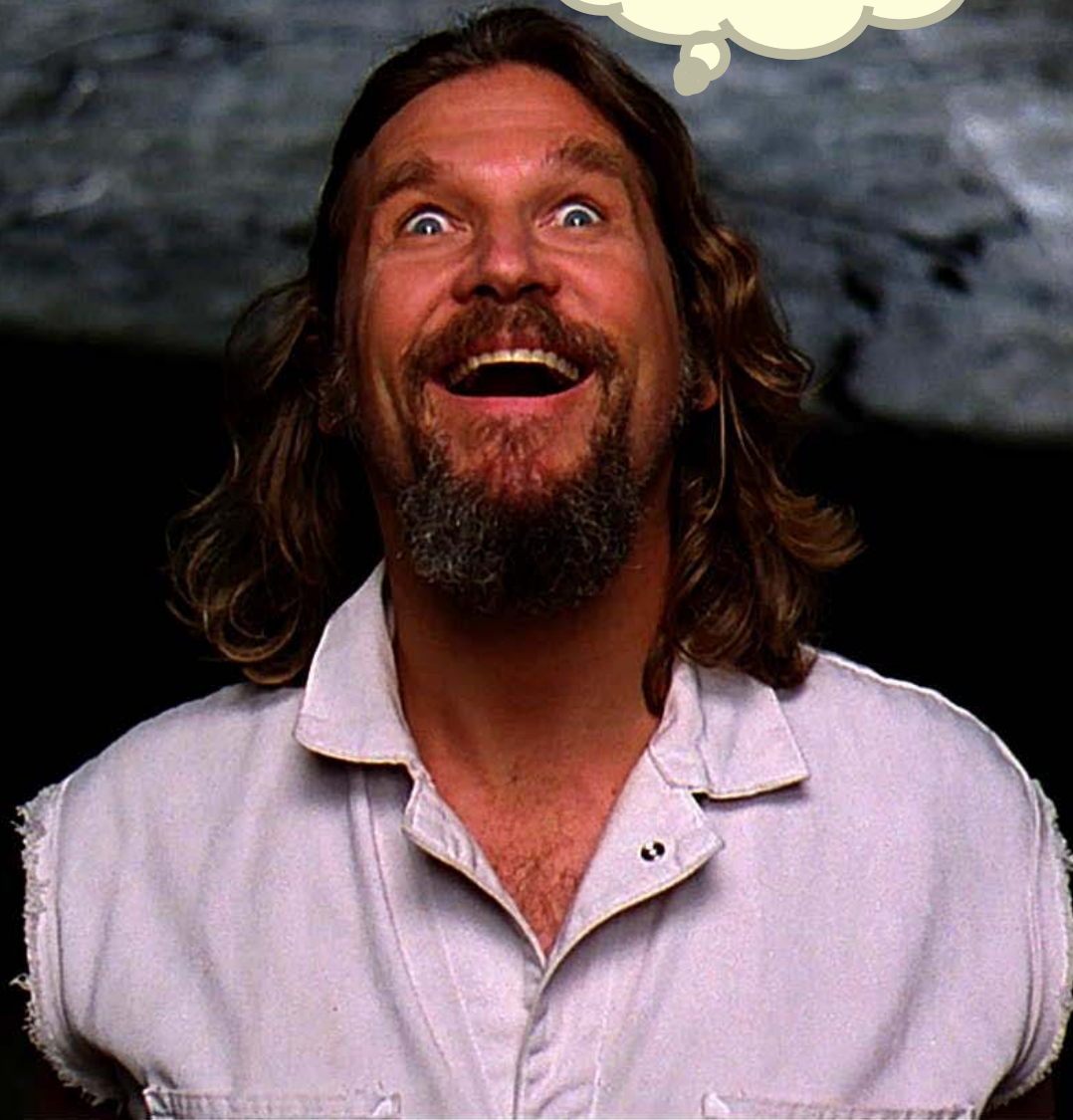
# Homeowner Flood Insurance Affordability Act of 2014

- **HFIAA signed into law on March 21, 2014**
- Repeals or modifies some BW12 provisions
- Adds some new provisions
- Maintains long term goal of removing subsidized rates



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Affordability



## HFIAA – What Stayed the Same?

- 25% annual increase for commercial, SRLP, non-primary residences until actuarial rate achieved. (definition for a non-primary [seasonal] residence changed from 80% to 50% annual occupancy)
- Reserve Fund – additional 10% - 15% of premium (increased from 5% initially in 2014)



# HFIAA – What Changed?

- Repeals actuarial rate at sale/new policy
- Restores grandfathered rates
- Rate increases lowered to 5-15%/year per class
- Added annual surcharge of \$25 residence, \$250 commercial and secondary home
- 18% annual rate cap on any individual policy (includes Reserve Fund 10%, excludes surcharge)
- Raised deductible limit to \$10,000
- Elevation certificates not required for rating



# FEMA Flood Insurance Advocate

- HFIAA established Office of Flood Insurance Advocate
- Educates residents on flood map appeals
- Aids policyholders with accurate rate information
- Assists with complicated claims issues
- Office established December 22, 2014
- Contact by email:

**[insurance-advocate@fema.dhs.gov](mailto:insurance-advocate@fema.dhs.gov)**



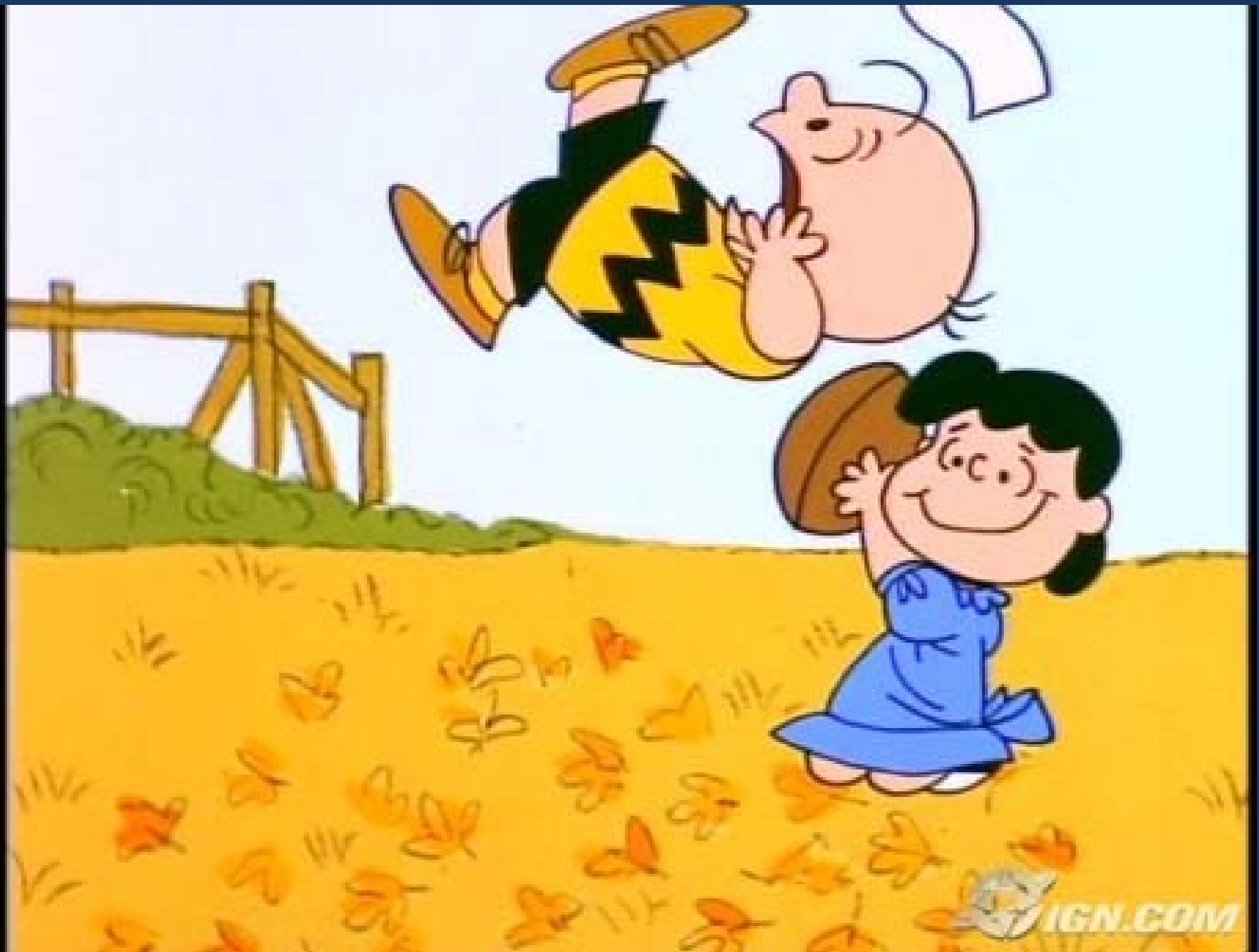
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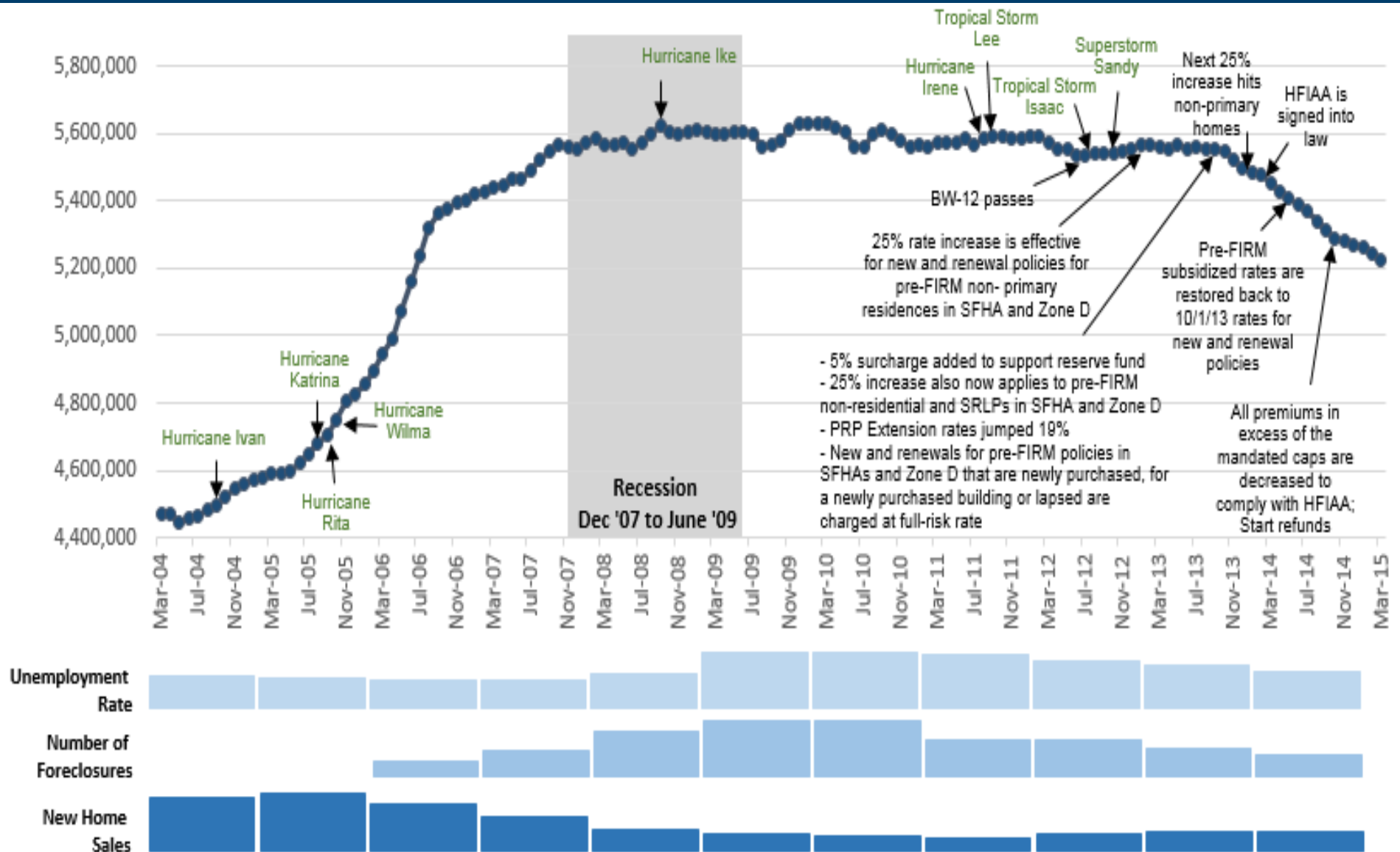
# What do these HFIAA changes mean?

- **Pre-FIRM structures - Almost guaranteed to max out at 18% per year rate increase  
(min. 5% rate increase & 10-15% reserve fund)**
- **Post-FIRM structures – Actuarial rate, still subject to surcharge (\$25 or \$250) and 10% reserve fund. These policies also subject to 18% annual rate cap but rates aren't quite there yet, but they are starting to see double digit increases.**









FEMA

# Policy Counts Dropping Nationally

# November 1, 2015 Program Changes

## **Identification of Business Properties - 25% increase**

- Insurance application form now asks if the property is a business (previously only categories were residential or non-residential)
- Business means a building where a licensed commercial enterprise is carried out to generate income
- Targeting older, Pre-FIRM commercial properties



I GOT A ROCK!



# Overall Program Concerns

- **Property owners are dropping flood insurance coverage due to high costs.**
- **Program is again losing revenue, fewer policies.**
- **Less flood insurance coverage leads to more requests for federal disaster assistance, and assistance from state and local relief agencies.**
- **Less flood insurance coverage may make it harder for residents without deep pockets to rebuild and recover after a flood event.**



# Concern for Municipal Officials

- Insurance costs will increase over time for older, non-mitigated structures, unable to pay premium
- Letter of Map Amendment (LOMA) requests.
- More requests for FEMA mitigation grants/\$\$.
- Pressure to join Community Rating System (CRS).
- Homes in floodplain areas may be difficult to sell.
- Home values may decrease, leading to decrease in the property tax base for local governments.
- More complaints from businesses on high rates.



# For Consulting/Design Professionals

- **More requests for Elevation Certificates (new EC coming very soon, form expires Oct. 31, 2015)**
- **More requests for LOMA applications.**
- **More work involving design of elevations or flood mitigation projects.**





# All bets may be off in 2017 . . .

- **As the NFIP is up for re-authorization in 2017.**
- **More changes may be coming.**
- **Potential political football.**



# Questions? Complaints?

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