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National **FLOOD** Insurance Reform Changes Are on the Horizon

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National FLOOD Insurance Reform

It's Not a Fairy Tale



First there was Bigger-Waters and now we have Grimm-Waters. It's not a fairy tale, but the story of the National Flood Insurance Reform. In 2012, Congress passed the Biggert-Waters Reform Act of 2012 (BW12) and as the writing of this article we are awaiting the President to sign into law the bipartisan HR 3370, Homeowner Flood Insurance Affordability Act of 2013. The bill was sponsored by Rep. Michael Grimm (R-NY11) and co-sponsored Rep. Maxine Waters (D-CA43) which rolled back most of the changes of the 2012 Act that dealt with subsidies.

While we are still digesting the effects the policies changes we can report the following:

- Repeals Sec. 205 (Pre-FIRM Structures only) - Trigger to full risk rate premiums at the point of sale or new policy (including the sale of second home or business)
- Restores grandfathering to allow the new owner to assume the old policy at

the current rate (i.e. policy stays with property, not owner)

- Refunds to those who paid the increased premium, including those who were not warned prior to property purchase
- Repeals Sec. 207, the trigger for the removal of grandfathering for structures who are impacted by a flood map change that changed the flood zone or base flood elevation. It restores grandfathering of properties in flood zone when built to code (including a grandfathered second home or business)
- Restores rate phase-in for newly mapped
- Annual Rate increases
- Pre-FIRM (generally if built before 1975)
- For Primary Home (50% occupancy by insured or insured's spouse): Sets 5% floor and 18% ceiling per property (BW12 allows higher as long as the average per flood zone doesn't exceed 20%)
- Second Home or Business: 25% increases until reach full risk (same as current law)
- Post-FIRM (generally if built after 1975)
- Primary Home, Second Home or Business: Sets 18% ceiling per property (down from the 20% average per flood zone)

Very good news compared to where we were heading, but don't get too excited yet. Congress still has to be concerned with the solvency of the National Flood Insurance Program. To accomplish this Congress added an additional fee or offset \$25 assessment on all NFIP primary homes; \$250 on the businesses and second homes in the NFIP

A word of caution that these changes will not happen overnight. Congress has given FEMA up to eight months to release the changes and then an additional six months to allow companies to prepare and implement the changes for up to a total of 14 months. Until the changes and implementation schedule is announced plan on the status quo. The good news is that refunds for overpayments will be retroactive. So if you are selling (sold) or buying (bought) an affected property don't leave any money on the table.

Editor's Note: Lisa is recognized nationally as an expert on the Biggert-Waters Reform Act of 2012 and has been traveling across the

country helping educate professionals on the Act and its impacts.

For your convenience the publications referenced in this article can be found at: <http://www.carolinafloodsolutions.com>

Lisa Jones is available to assist you with questions concerning the Act or questions about floodplain management, flood insurance, floodplain mapping or mitigation at (803) 730-8626, or by email at Lisa@CarolinaFloodSolutions.com. Lisa is owner of Carolina Flood Solutions LLC, a private environmental consulting company with over 25 years of

*direct floodplain management and flood insurance experience, and is the former SC State Coordinator for the National Flood Insurance Program and Project Manager for the Flood Map Modernization Initiative with the SC Department of Natural Resources. Lisa holds dual credentials as both a Certified Floodplain Manager (CFM™) and as an Associate in National Flood Insurance (ANFI™). Licensed Property & Casualty Producer in SC and NC. For more information please visit Carolina Flood Solutions' website at <http://www.CarolinaFloodSolutions.com>. **SCB***

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