



NFIP Overview and Legislative Changes



North Carolina Emergency Management



Reauthorization

- Extended to July 31, 2018
- Congress to consider reforms



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Who Writes Flood Insurance?

State Licensed Insurance Agents:

- Can write property and casualty policies.
- Are in good standing with the licensing department.
- Must meet mandatory training requirements.
- WYO and NFIP Directly

Referrals to agents by locality are at:

www.floodsmart.gov 1-888-379-9531



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General Rules: Writing NFIP Flood Insurance



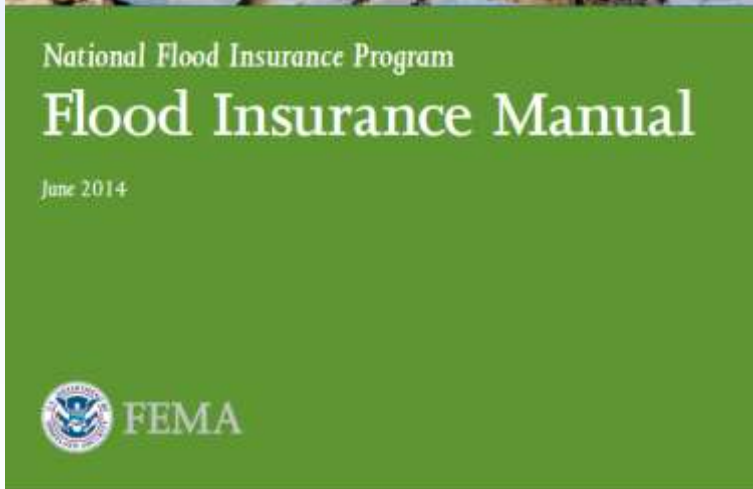
The NFIP Flood Insurance Manual:

Provides the general rules for writing NFIP flood insurance.

Is available at:

<http://www.fema.gov>

Write your own
NFIP Direct



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NFIP Limits of Coverage

Insured Buildings	NFIP Coverage Limits	
Structure	Emergency Program	Regular Program
▪ Single Family	\$35,000	\$250,000
▪ Other Residential	\$100,000	\$500,000
▪ Nonresidential	\$100,000	\$500,000
Contents		
▪ Residential	\$10,000	\$100,000
▪ Nonresidential	\$100,000	\$500,000



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Mandatory Purchase Requirement

The mandatory purchase requirement applies to properties in SFHAs.

Insurance is a prerequisite to receive a loan from Federally regulated and insured lenders.

- The requirement is triggered when a loan is:
 - Made.
 - Increased.
 - Renewed.
 - Extended.

Flood Fact: A structure in the SFHA has a minimum 26% chance of flood loss over a 30-year period.

The insurance must be in effect for the life of the loan.

NFIP Policies by State

	State	Policies in Force	Insurance In Force	Written Premiums in Force
1	Florida	1,759,229	\$ 434,492,887,000	\$ 960,007,933
2	Texas	664,251	\$ 183,132,882,200	\$ 395,675,599
3	Louisiana	498,276	\$ 128,696,302,200	\$ 356,998,464
4	New Jersey	226,595	\$ 56,511,828,500	\$ 221,818,500
5	New York	181,318	\$ 49,509,462,100	\$ 205,931,194
6	California	239,912	\$ 68,792,457,600	\$ 189,720,955
7	South Carolina	203,401	\$ 53,128,849,400	\$ 136,920,114
8	North Carolina	133,948	\$ 33,362,152,300	\$ 110,052,206
9	Virginia	106,459	\$ 27,740,969,600	\$ 78,418,140
10	Massachusetts	63,420	\$ 16,217,539,500	\$ 78,205,857



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Current NFIP Status – July 2017

Nationwide

- Insurance In Force: \$1,273,929,808,300
- Policies In Force: 5,047,602
- Participating Communities: 22,271

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- Insurance In Force: \$33,362,152,300
- Policies In Force: 133,948
- Participating Communities: 583

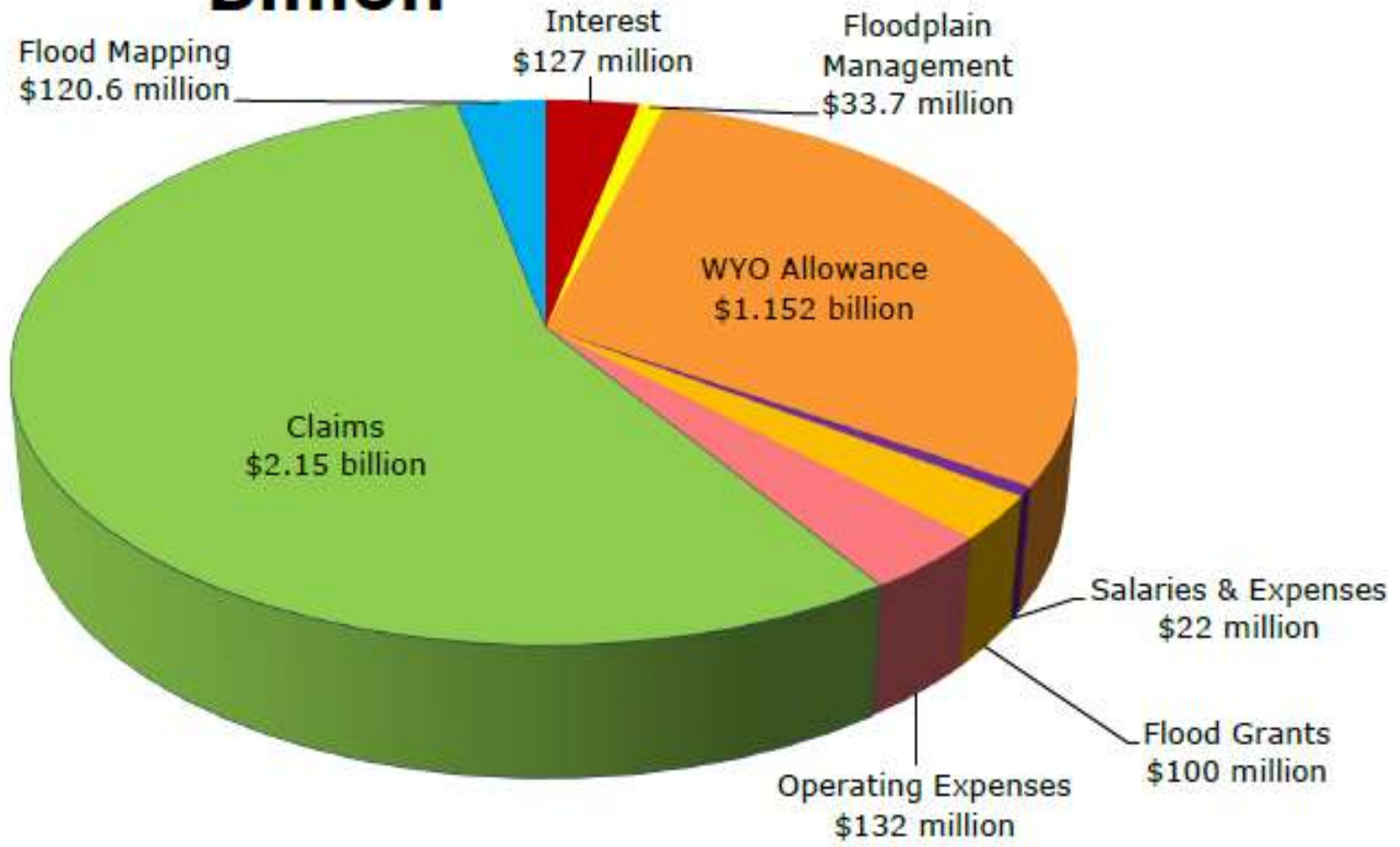


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FY14 Natl Flood Insurance Fund

Premium & Fee Revenue: \$3.84 Billion



SFHA Policy Penetration

- Significant amount not in compliance - **only 53% have policies.**
 - 1.5MM residential structures are required to have flood insurance, but only 783K structures are insured.

Top 10 Compliant States

State	Total Structures with Policy Coverage	Total Structures	Mandatory Purchase Requirement Penetration Rate
LA - Louisiana	39,793	49,278	80.75%
SC - South Carolina	27,387	37,979	72.11%
NY - New York	23,336	39,189	59.58%
FL - Florida	403,652	702,758	57.44%
TX - Texas	58,763	102,607	57.27%
DE - Delaware	1,753	3,107	56.42%
NJ - New Jersey	33,131	61,710	53.69%
CA - California	63,862	119,728	53.34%
NV - Nevada	3,080	5,796	53.14%
AL - Alabama	3,186	6,184	51.52%

Bottom 10 Compliant States

State	Total Structures with Policy Coverage	Total Structures	Mandatory Purchase Requirement Penetration Rate
MN - Minnesota	830	8,358	9.93%
ME - Maine	262	2,260	11.59%
UT - Utah	230	1,893	12.15%
KS - Kansas	16	96	16.67%
MT - Montana	15	88	17.05%
NH - New Hampshire	844	4,856	18.13%
ID - Idaho	32	149	21.48%
HI - Hawaii	1,910	8,173	23.37%
MO - Missouri	2,208	9,052	24.39%
WI - Wisconsin	1,555	6,340	24.53%

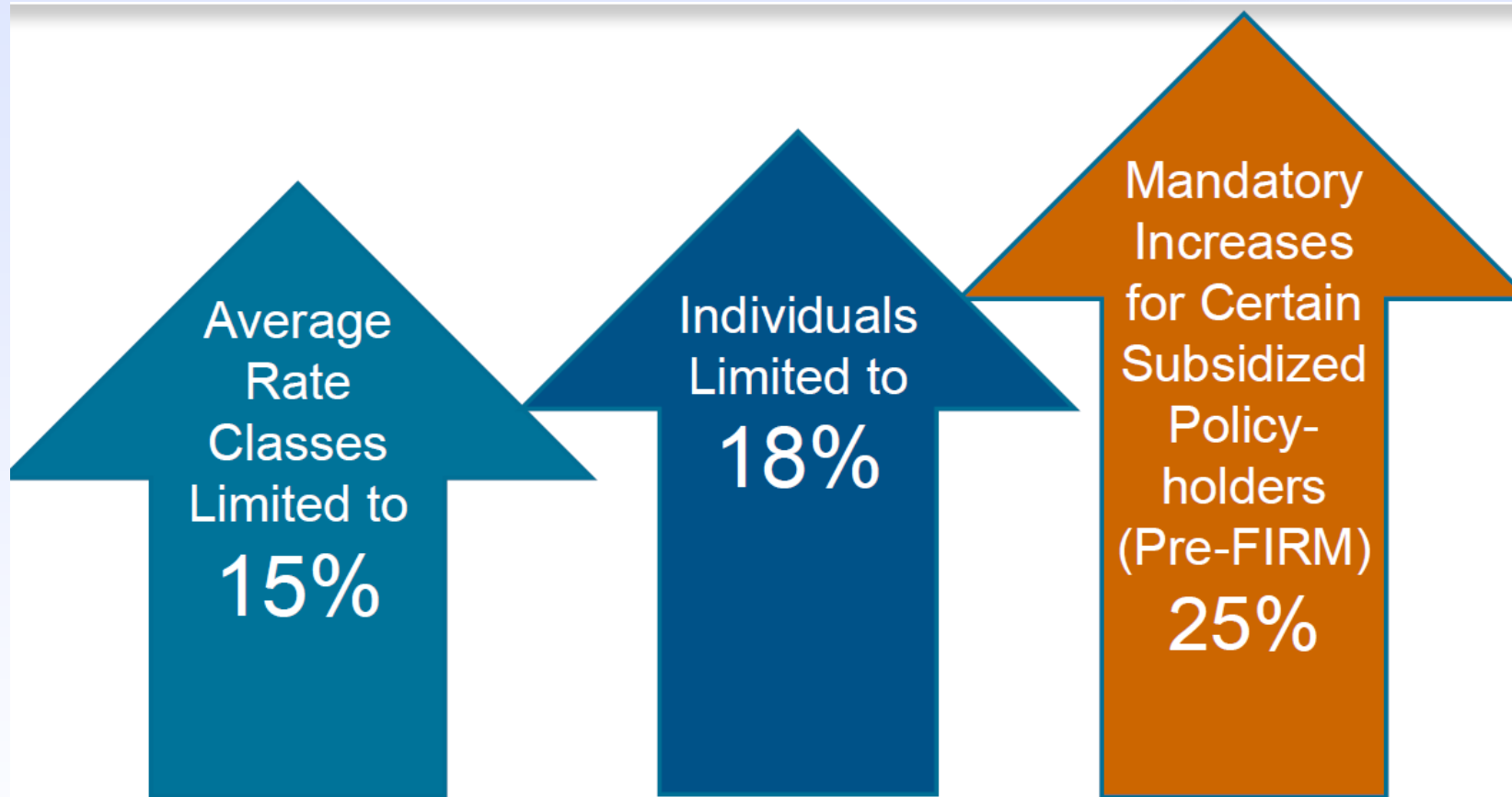
- Data as of month ending July 2014, pulled from Policy and Mandatory Purchase Requirement Penetration Report.
- Mandatory Purchase Requirements include residential structures located in High-risk areas (Flood zones of A or V), mortgage loan dates after January 1, 1994, active mortgages that have not been fully paid off, and mortgage loans from federally regulated lenders.
- Total structures are sourced from ESRI/Bing and Acxiom. Geocodes that are not derived from the physical location of the structure are excluded such as those that correspond to a P.O. Box or common geographic area including road intersections, neighborhoods, Zip Codes, etc.
- Structures with Coverage Includes Contracts in Force (CIF) with 'Building Only' or 'Building and Contents' coverage (excluded 'Contents Only'). Excludes Contracts in Force (CIF) where the address could not be standardized.



Top 12 NC CRS Community Savings

COMMUNITY	CRS CLASS	NUMBER OF POLICIES	ANNUAL SAVINGS
DARE COUNTY	7	8,701	\$ 953,746
TOWN OF NAGS HEAD	6	3,491	\$ 709,402
TOWN OF KILL DEVIL HILLS	6	4,289	\$ 616,605
TOWN OF NORTH TOPSAIL BEACH	5	3,713	\$ 582,369
TOWN OF CAROLINA BEACH	7	3,576	\$ 523,113
TOWN OF TOPSAIL BEACH	5	1,102	\$ 514,102
TOWN OF WRIGHTSVILLE BEACH	7	2,683	\$ 507,955
TOWN OF OAK ISLAND	8	3,335	\$ 506,245
CITY OF CHARLOTTE	4	2,995	\$ 493,789
TOWN OF OCEAN ISLE BEACH	8	2,421	\$ 462,508
TOWN OF HOLDEN BEACH	8	1,864	\$ 451,153
CARTERET COUNTY	7	3,713	\$ 423,178

So ... What are the Changes?



Premium Increase Caps

HFIAA Provisions

Rate-increase limitations

- Limit increases for individual premiums to 18% of premiums
- Limit increases for average rate classes to 15%

Deductibles

- Maximum residential deductible limits are increased from \$5,000 to \$10,000

New annual surcharge (goes into reserve fund)

- \$25 primary residential
- \$250 for all other policies

The surcharge is NOT included in the rate calculation, so the total amount charged to the policyholder may increase more than 18%



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Big Changes to Pre-FIRM Policies

Subsidized rates to be phased out
(25%/year)

- Non-primary residences
- Business properties
- Severe repetitive loss properties (1-4 residences), and properties where claims payments exceed fair market value



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Option 1

Do Nothing

Your discounted rate will increase by up to 18 percent each year.



Option 2

Get an Elevation Certificate

There's no way to know exactly when having an Elevation Certificate will be beneficial, but www.FEMA.gov/cost-of-flood provides some guidance. If you get an Elevation Certificate, you can continue to pay the discounted rate if it's lower.



How to Get an Elevation Certificate

An Elevation Certificate verifies the elevation of your building. Ask if your local floodplain manager if there is one on file. If not, you can hire a licensed surveyor to provide one.

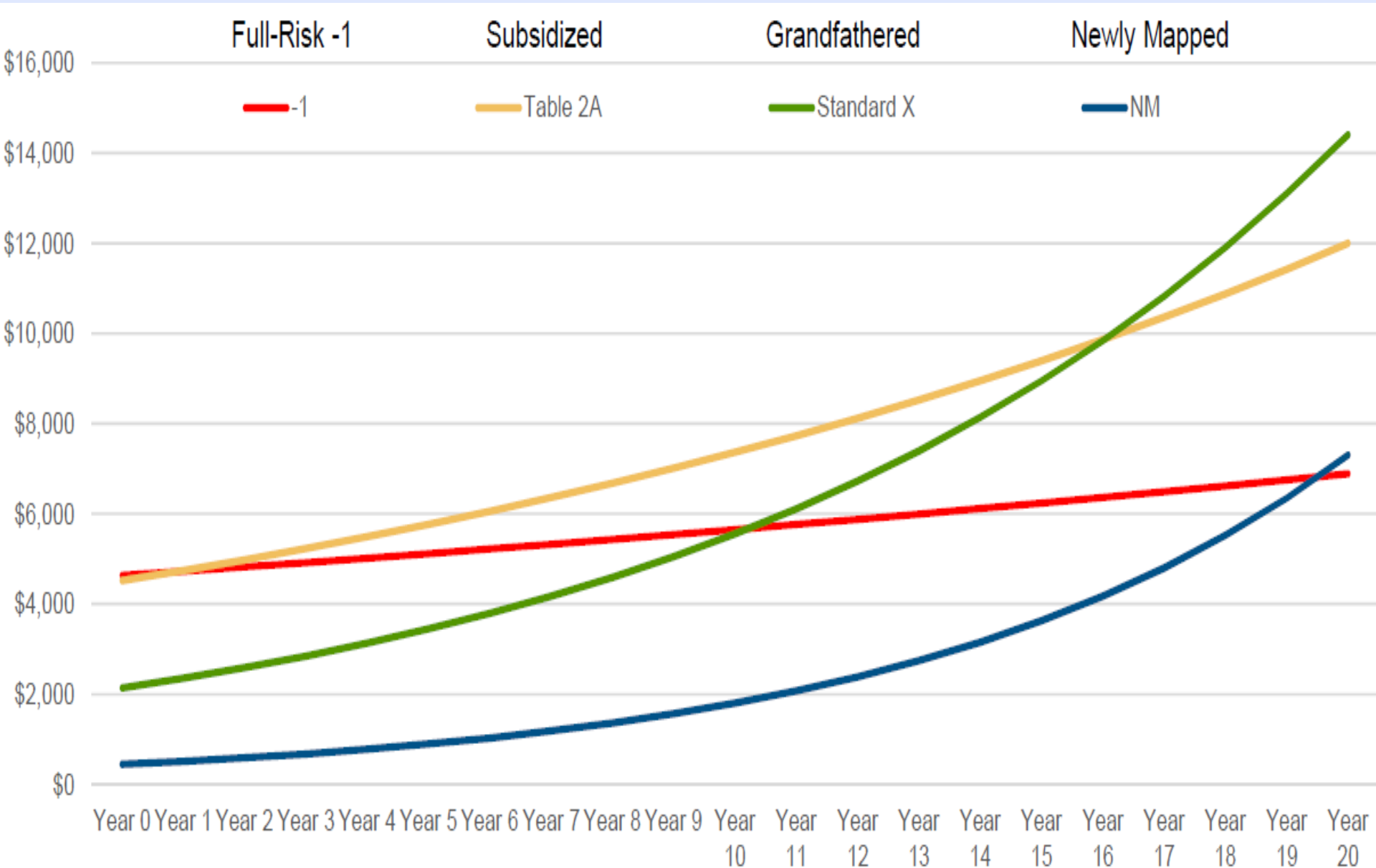


See Your Agent for Your Rate.

Knowing this, you'll know you're getting the best protection at the rate which fits your risk.



Pricing Newly Mapped Properties



**NATIONAL FLOOD INSURANCE PROGRAM (NFIP)
IMPORTANT NOTICE TO RESIDENTIAL POLICYHOLDERS**

Dear Policyholder:

Policy records indicate that you currently pay a Pre-FIRM subsidized rate for the policy on the building at the address listed above. If you will not live in the property for more than 50 percent of the 365 days following the policy renewal date, then no action is needed, but be aware that your renewal premium will reflect the 25 percent phased-in rate increase. However, if the property address listed above is your primary residence, lived in by you or your spouse more than 50 percent of the year, the NFIP requires verification of primary residence status through documentation. To maintain the primary residence Pre-FIRM subsidized rate, you or your agent must submit one of the following:

- Driver's license;
- Automobile registration;
- Proof of insurance for a vehicle;
- Voter's registration;
- Documents showing where children attend school; or
- Homestead Tax Credit Form for Primary Residence.

If you cannot provide the documentation listed above, you must submit a signed and dated statement to your insurer, as shown on the following page, to verify your primary residence status.

Because this premium increase is mandated by law, if you do not provide this documentation within 30 days of the date of this letter, your policy will be rated as a non-primary residence and your renewal premium will reflect the 25 percent phased-in rate increase.

Please inform us if the occupancy status changes for this property. If you fail to do so, this may result in avoidance of coverage or any other remedies available under law.

Determining Full-Risk Rate

- Obtain an Elevation Certificate (EC)
- Ask their insurance agent to rate using EC
- Estimate when 25% Phase-in = Full-Risk Premium

Example 1*: LFE-BFE = -3' Full-Risk Premium ~ \$8,900



Example 2*: LFE-BFE = 0' Full-Risk Premium = \$2,136

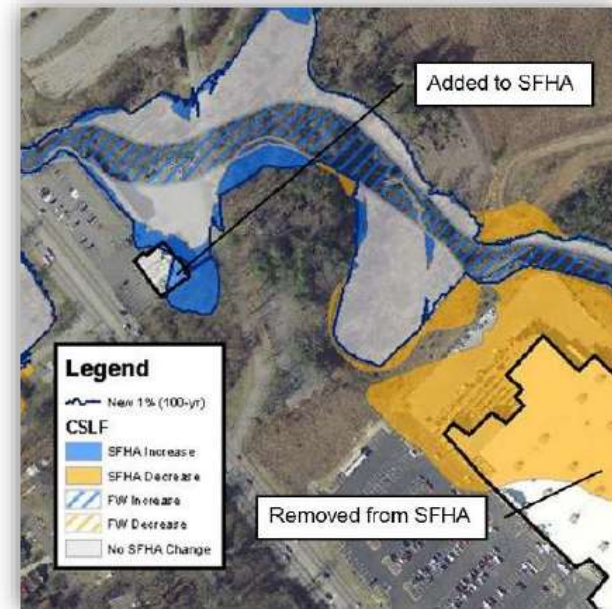
RATE USING FULL-RISK RATES!

Pre-FIRM Zone AE, Slab, **Secondary Home, \$200K/\$80K (Building/Contents); April 2016; excludes HFIAA Surcharge*

Map Change Impacts

HFIAA Section 6: Properties Newly Mapped into SFHA

- Repealed BW-12 “full-risk rate in 5 years” rate increase
- Grandfathering is still in place
- Newly Mapped properties are eligible for PRP rates* for first 12 months after map effective date
 - PRP EE replaced by Newly Mapped Procedure
 - Renewal premiums can’t increase more than 18%



*includes higher Federal Policy Fee (\$45) and Reserve Fund Assessment (15%)

April 2016 Changes

Federal Policy Fee

- PRP increases from \$22 to \$25; all other increase from \$45 to \$50

Newly Mapped Procedure and PRP Multiplier Added

- Changes each calendar year, starting January 2017

Lapsed Subsidized and **Newly Mapped** policies charged full-risk rates when re-written if:

- They lapse more than 90 days, or
- They lapse ANY amount of time twice = written at full-risk rates

Exception

- There is no lender requirement, or
- Community is suspended and policy reinstated within 180 days of community's reinstatement



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April 2017 Changes

Premium increase an average of 6.7%

- Average policy from \$827 to \$878 not including surcharge and FPF

No change to:

- Deductible factors
- Federal policy fees
- Reserve fund assessment
- HFIAA surcharge
- Probation surcharge
- ICC premiums



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April 2017 Changes

Pre-FIRM

- Primary residences increase 5%
- Condo policies increase 8%

Post-FIRM

- VE Zone increases 7%
- AE Zone increases 1%
- AO remains the same
- A Zone increases 5%
- Zone X increases 2% and PRP unchanged



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