

# Executive Summary: Flood Insurance in NJ

**New Preliminary FEMA Flood Insurance Rate Maps (FIRMs) have been issued for Bergen County**

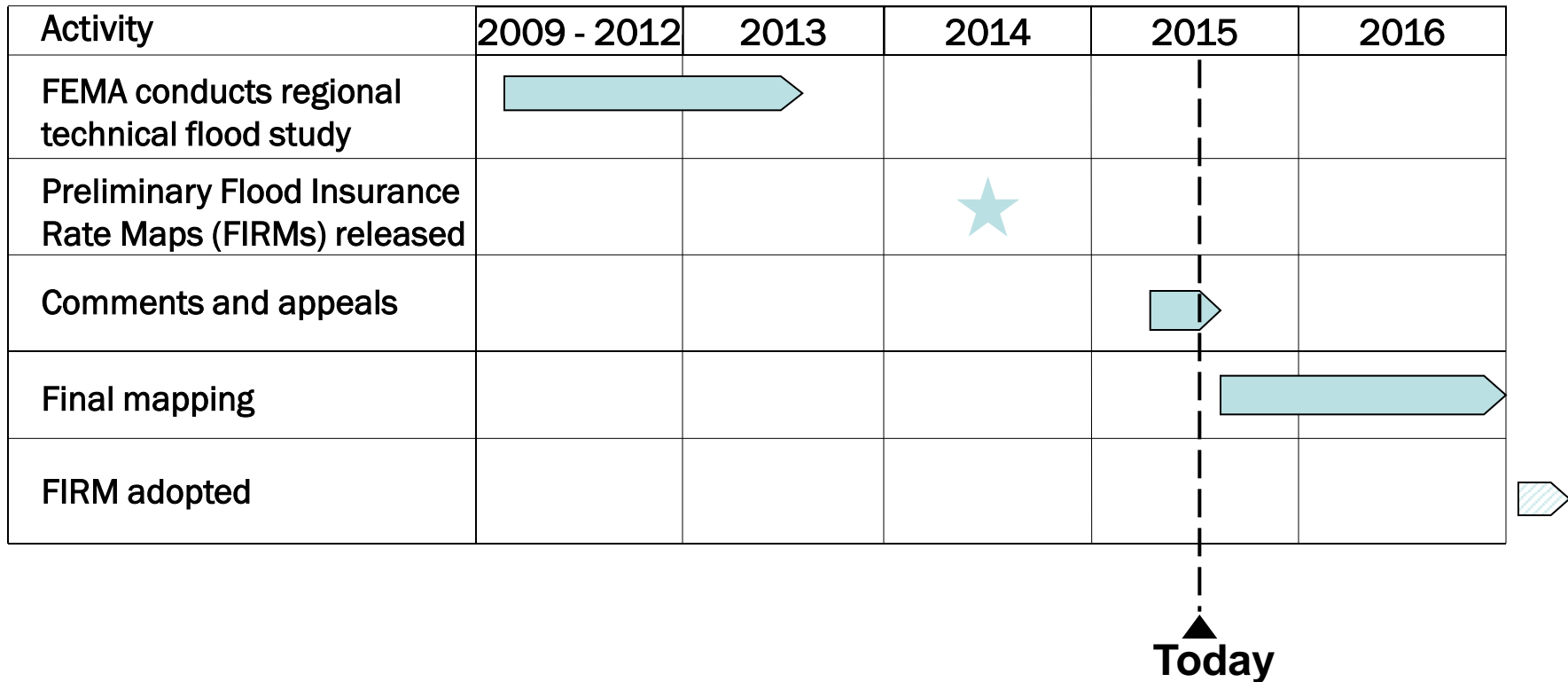
- Risk has changed since last maps (2005) and affects flood insurance purchase requirements
- Expect FIRMs to be official for insurance purposes in late 2016

**Federal legislation has changed FEMA's National Flood Insurance Program removing long-standing subsidies**

**Key actions for residents:**

- Understand their risk and flood insurance purchase requirements
- Buy flood insurance: call several agents
  - Not all agents that sell flood insurance understand it
- Consult resources for help
  - [www.floodsmart.gov](http://www.floodsmart.gov)
  - [www.region2coastal.com](http://www.region2coastal.com)

# Flood Insurance Rate Map Update



**Insurance purchase requirements don't take effect until maps are**

- [www.region2coastal.com](http://www.region2coastal.com)

# Appeals and Comments Process

Public review period of Flood Insurance Rate Maps

	<u>Comments</u>	<u>Appeals</u>
<b>Timing</b>	Accepted anytime	90-day statutory period
<b>Requirements</b>	N/A	Must be based on scientific and technical issues with FEMA methodology and mapping  Must contain supporting data and documentation
<b>What submissions can address</b>	Location of municipal boundaries  Road name errors and revisions  Requests to incorporate Letters of Map Change (LOMAs, LOMR-Fs and LOMRs)  Other possible omissions or potential improvements to the maps	New or modified BFEs  Floodplain boundaries  SFHA zone designations

# Property Specific “Appeals”

- **Letters of Map Change**

- LOMA’s

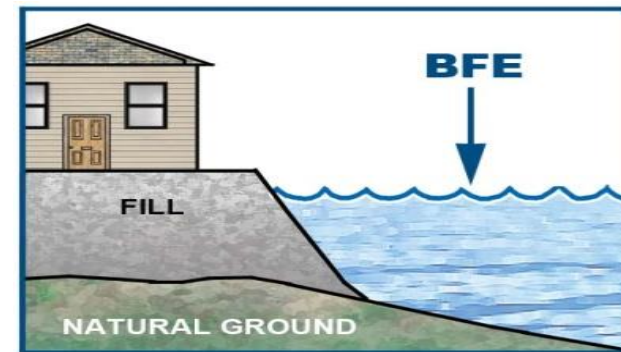
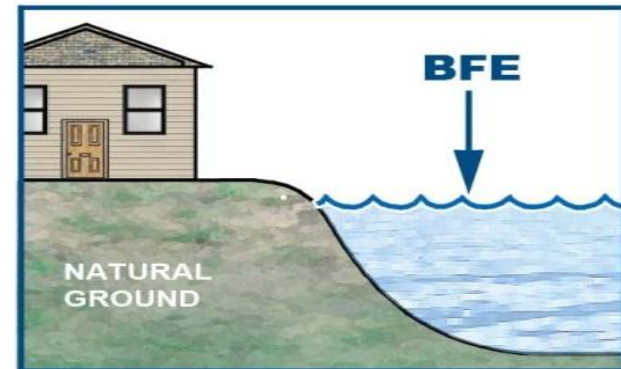
- Official letter from FEMA stating whether your home is mapped in or out of the Special Flood Hazard Area
- Often requires elevation data and Elevation Certificate (EC)
  - EC’s require a Licensed Surveyor

- LOMR-F’s (Letter of Map Revision based on Fill)

- Use when a home or non-residential structure has been elevated correctly and appropriately on engineered fill

- **Can be submitted at any time**

- Will be revalidated when new maps are finalized if structure is above new BFE



# FEMA's National Flood Insurance Program

## Player

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**FEMA**



## Responsibility

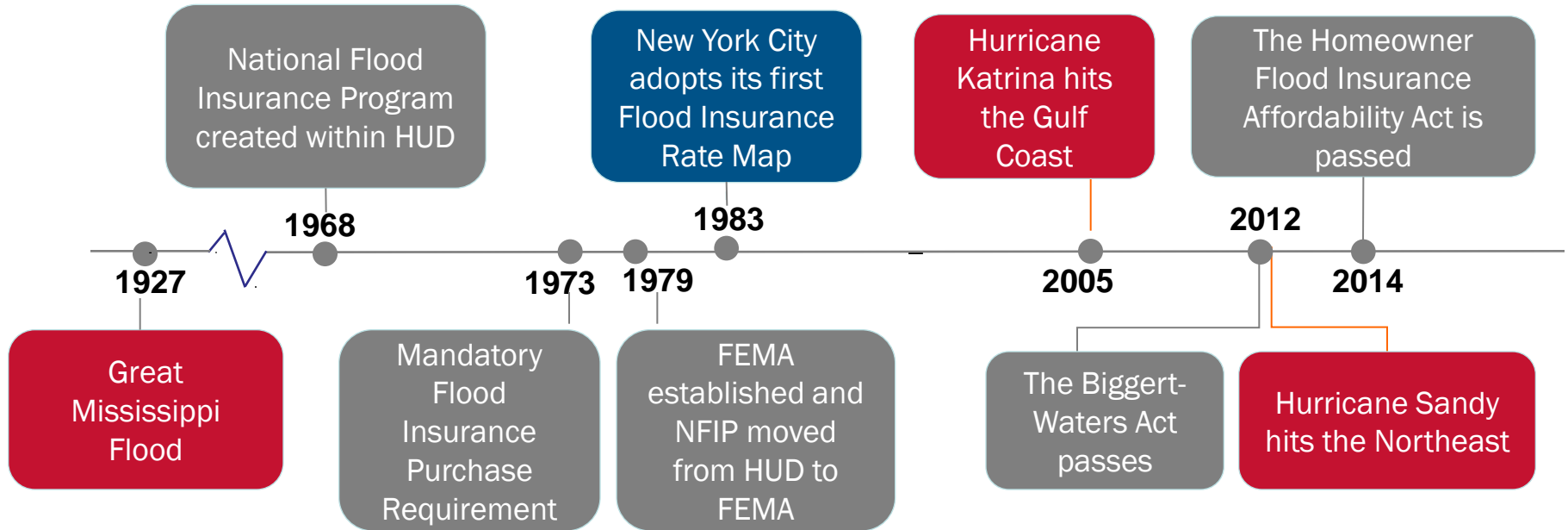
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**Administers NFIP**

**Underwrites almost all residential flood risk**

**Sample providers who sell flood insurance policies and manage claims as per FEMA's guidance**

# History of Flood Insurance



# National Flood Insurance Program Reform

## NFIP Challenges

- Pre-Sandy, NFIP was \$18B in debt to Treasury (\$16B from Katrina)
- Expected Sandy payouts are \$12-15B
- Subsidized rates do not adequately reflect actual flood risk

## July 2012: Biggert-Waters Flood Insurance Reform Act

- Prohibit premium subsidies on new or lapsed policies
- Phase out subsidies for all policies
- Require banks to enforce purchase requirements more vigorously
- Analyze affordability impacts by April 2013

## March 2014: Homeowner Flood Insurance Affordability Act

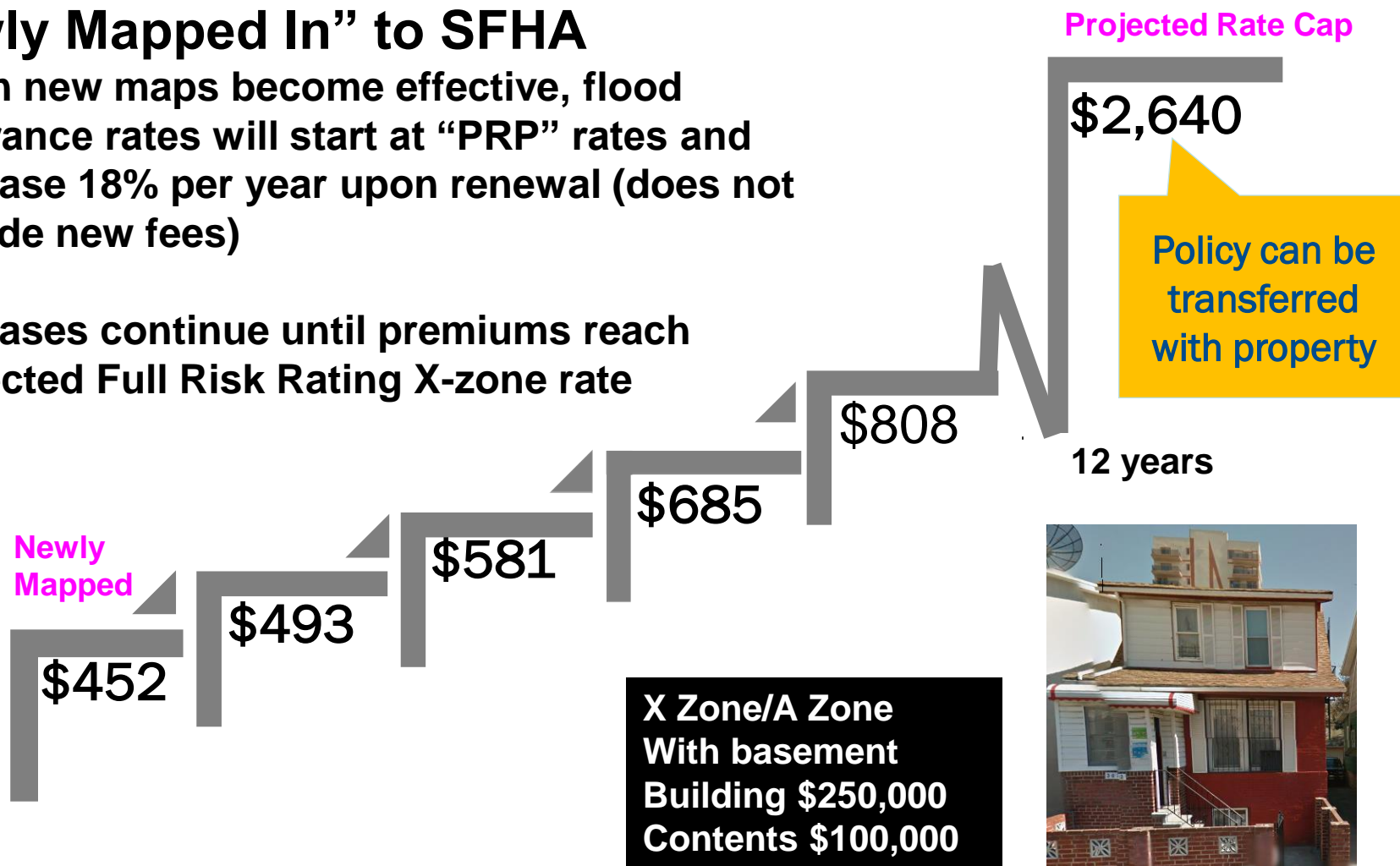
- Repeals triggers for new or lapsed policies
- Caps rate increases at 18% annually (some exceptions)
- Enables newly mapped properties to purchase preferred risk rate for 1 year
- Authorizes additional funds for affordability study

Rates are going up 18% per year plus fees for primary residents

# National Flood Insurance Program Reform

## “Newly Mapped In” to SFHA

- When new maps become effective, flood insurance rates will start at “PRP” rates and increase 18% per year upon renewal (does not include new fees)
- Increases continue until premiums reach projected Full Risk Rating X-zone rate

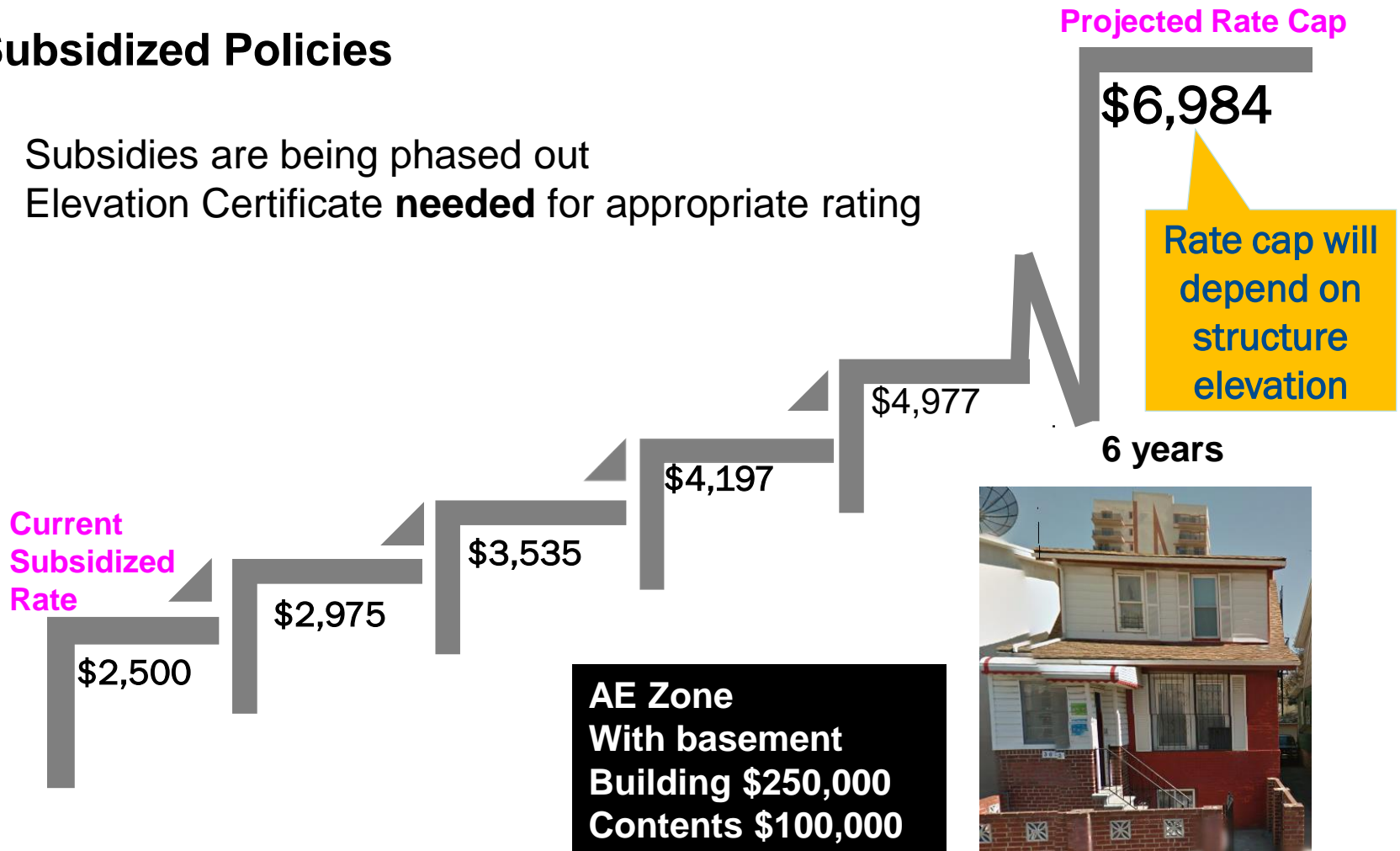




# National Flood Insurance Program Reform

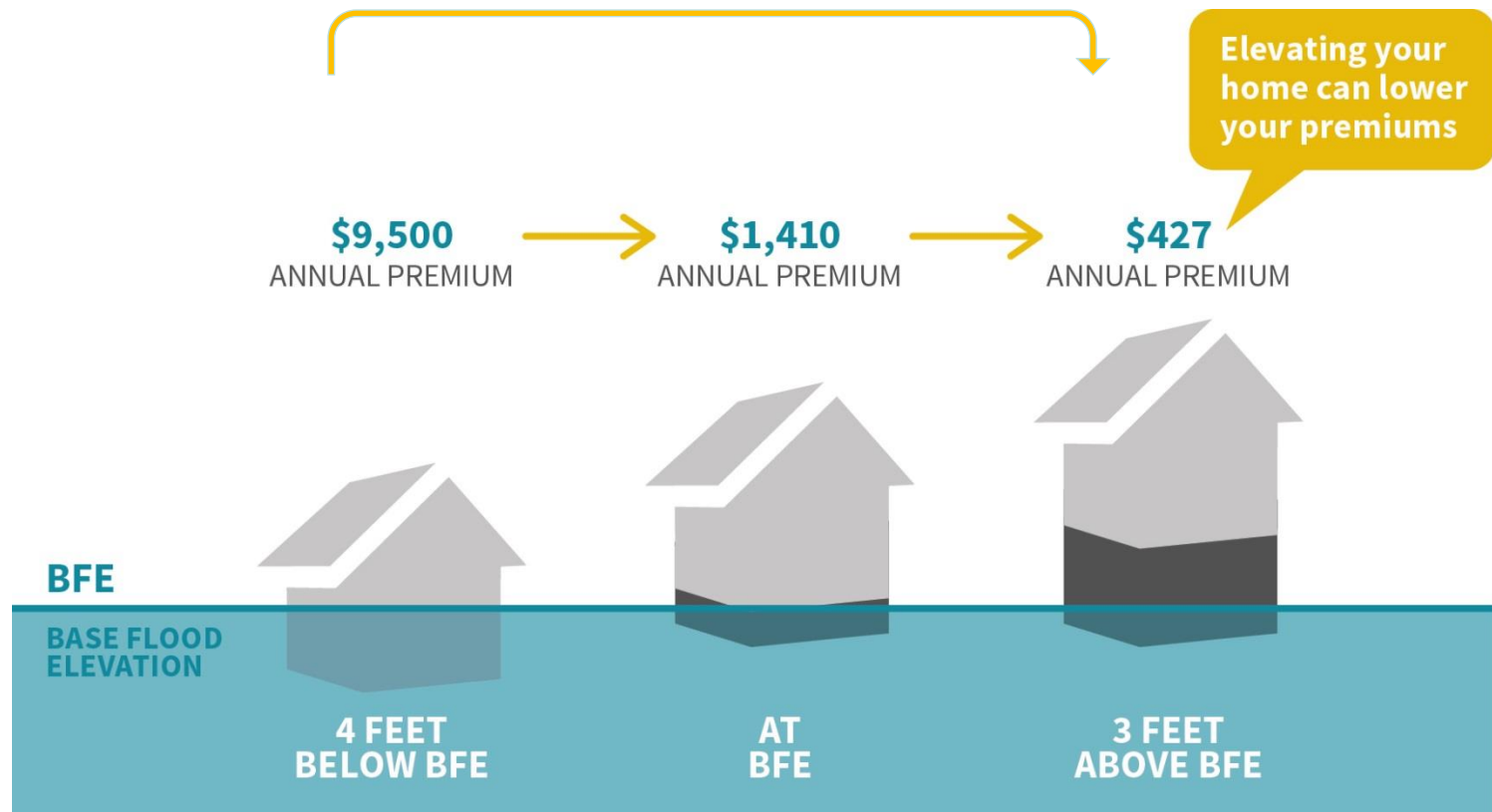
## Subsidized Policies

- Subsidies are being phased out
- Elevation Certificate **needed** for appropriate rating



# National Flood Insurance Program Reform

Rates increase based on building height relative to expected flood height. Home elevation will reduce risk and premiums.



# NFIP Surcharges and Fees



FEMA

Fact Sheet

Federal Insurance and Mitigation Administration

## How April 2015 Program Changes Will Affect Flood Insurance Premiums

### HFIAA Surcharge Begins

- HFIAA slowed the elimination of subsidies provided for in Biggert-Waters and amended most mandating that certain policies transition immediately to full-risk rates.
- To compensate for the decrease in revenue, the new law calls for the addition of a surcharge on policies that will be collected until, with limited exceptions, all subsidies are eliminated.
- The surcharge is a flat fee applied to all policies based on the occupancy type of the insured building associated with the flood zone in which the building is located or the construction date of the building (e.g., pre- or post-FIRM).
- The surcharge also applies to a renter's contents-only policy based on the policyholder's occupancy of the building or unit.

**Effective April 1, 2015  
Policyholders must provide  
proof their property is a  
primary residence to avoid  
excessive surcharges**

Occupancy Type	Annual Surcharge
Primary Residential: single-family and individual condominium units	\$25
Non-Primary Residential: single-family and individual condominium units	\$250
Multifamily Residential: condominium and other buildings	\$250
Non-Residential	\$250

# Options to lower premiums

## Mitigation

- Elevate structure
- Partially fill and vent basements
- Partial mitigation for partial credit

## Increased deductibles

## Type and amount of coverage

- Structural coverage up to \$250,000 – will depend on lender
- Contents coverage up to \$100,000 – not mandatory

# Heat Risk and Mitigation

**Heat waves kill more Americans every year, on average, than any other extreme weather event**

- Extreme heat kills more people by worsening chronic health conditions than through heat stroke
- In the NYC metro area, most heat stroke deaths occur in homes without air conditioning

## **What you can do:**

- Monitor the weather forecast for upcoming heat waves
- Check on family, neighbors and friends to make sure they are safe and cool





FEMA

Andrew Martin 212-680-8690  
[Andrew.martin@fema.dhs.gov](mailto:Andrew.martin@fema.dhs.gov)  
[www.region2coastal.com](http://www.region2coastal.com)

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