COMMISSION AGENDA:
4.1.14 #18

TO: The Honorable Chair and Members of the Board of County Commissioners

FROM: Wendy Nero, Intergovernmental Relations Manager WN

THROUGH: Robert S. LaSala, County Administrator

SUBJECT: Flood Insurance Legislation

DATE: April 1, 2014

The Homeowner Flood Insurance Affordability Act of 2014 has been adopted by the House and Senate and has been signed by the President. There are many positive aspects of the law, but some gaps and challenges remain. This memo includes a summary of the law, next steps that the County should take, and the future of the Flood Coalition that was convened earlier this year.

Law Summary

There are many features of the law that are positive, and include the following items:

1. Caps Annual Rate Increases for pre-FIRM (Flood Insurance Rate Maps) Primary Homes
   - Ensures that pre-FIRM primary residence policyholders will have rate increases between 5 and 15 percent per year, and 18 percent in limited specific circumstances as described below;
   - Provides refunds (in roughly 14-18 months) to policyholders who overpaid after the implementation of the Biggert-Waters Flood Insurance Reform Act (BW12); and
   - Removes the sales trigger, meaning that the policy (and rates) remain with the property.

2. Reinstates Grandfathering
   - Does away with Section 207 of BW12 and reinstates "grandfathering," which will stay with the property so that homes that were built to code post-FIRM will not have rate increases due to changing flood maps.

3. Develops surcharges to help achieve solvency
   - Creates an annual surcharge of $25 for all primary residences and $250 for business and second home owners to pay down the debt of the National Flood Insurance Program (NFIP).

4. Provides options to lower policy rates
   - Provides for higher policy deductibles of up to $10,000, and
   - Allows for monthly payment of premiums.

5. Focuses on future mitigation and affordability
   - Requires FEMA to develop specific guidelines within one year to provide policyholders with mitigation opportunities to receive lower premiums;
   - Ensures that future mitigation activities will provide premium discounts;

- Provides additional funding and a new deadline of 2 years from enactment for the FEMA affordability study, which will have to consider mitigation assistance and means-tested premium assistance; and
- Requires establishment of a future FEMA "affordability framework" to address the affordability of the flood insurance sold through the NFIP. The framework is to consider communication regarding flood risk, targeted assistance to homeowners, individual or community mitigation actions to lower the cost of flood insurance, the impact of increases in premiums on participation in the NFIP and the impact that rate map updates have on affordability.

6. Creates a Flood Insurance Advocate

Two items of concern regarding what the law does not do and are important to Pinellas County include:

- The law does not offer relief to second homes and businesses, which will be subject to continued 25 percent annual increases until actuarial rates are reached.
- Rates can increase more than 18 percent each year if the policy lapses, the Community Rating System (CRS) rating is "downgraded" or there is a decrease in deductible or increase in coverage.

Next Steps:

There are a number of "next steps" to consider as the law is implemented, with the primary intent to ensure that intended benefits of the legislation are realized. A summary of next steps is shown below.

1. Educate the community about the Homeowner Flood Insurance Affordability Act and how it will help many property owners. There continues to be considerable confusion about what the new law does and the timetables for implementation.

2. Collect and analyze Property Appraiser data related to business owners, owners of second homes and others who continue to be impacted by BW12. Some of this analysis is underway, but should continue and be a focus of the next 18 months.

3. Monitor FEMA implementation of the many positive features of the law to ensure that potential benefits are realized in our community.

4. Work with Congress to ensure FEMA meets the deadlines set forth in the law, including the following reports and/or other actions:

    - *8 months*: guidance to provide refunds to pre-FIRM primary homeowners who overpaid
    - *12 months*: guidelines for property owners describing alternative means of flood mitigation, other than elevation, that can reduce flood risk and inform property owners about how mitigation can lower premiums
    - *14 to 16 months*: actual refunds provided to those who overpaid
    - *18 months*: Affordability Study (using $2.5 million in funding)
    - *18 months*: "Draft Affordability Framework" that addresses the "issues of affordability of flood insurance sold" via the NFIP

- *18 months*: a report assessing the impact of rate increases on the affordability of flood insurance for small businesses with less than 100 employees, non-profit entities, houses of worship and residences with a value equal to or less than 25 percent of the median home value of properties in the state in which the property is located
- *18 months*: allow for the monthly payment of flood insurance premiums
- Ensure reporting from FEMA to Congress of number of annual policy premiums that exceed one percent of the total coverage provided by the policy.

5. Work with Congress to fix any unintended consequences that may occur as well as improve the National Flood Insurance Program for the benefit of <u>all</u> participants.

<u>Flood Coalition</u>

When the Flood Coalition was established, it was before there were significant and meaningful changes to the NFIP. With the adoption of the Homeowner Flood Insurance Affordability Act, the primary purpose of the coalition has changed. However, they can and should continue to play an active role in implementing the "next steps" as outlined above, helping ensure that the intended benefits are realized. Our goal is to schedule the next meeting of the coalition in the next six weeks to two months.