INFORMATIONAL BRIEFING

IMPLICATIONS OF THE FEMA REFORM ACT OF 2012

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The Federal Emergency Management Agency (FEMA) administers the National Flood Insurance Program (NFIP), which offers flood insurance to homeowners, renters, and business owners if their community participates in the NFIP. Participating communities agree to adopt and enforce ordinances that meet or exceed FEMA requirements to reduce the risk of flooding.

In support of the NFIP, FEMA identifies flood hazard areas throughout the US and its territories producing Flood Insurance Rate Maps (FIRMs). The FIRMs depict several different types of flood hazards. One of these areas is the Special Flood Hazard Area (SFHA), a high risk area defined as any land that would be inundated by a flood having a 1-percent chance of occurring in any given year (also known as the base flood). SFHAs are defined as any type of "A" or "V" flood zone shown on a FEMA FIRM. Pursuant to the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994, flood insurance is mandatory on insurable buildings shown as being in a SFHA on the current FEMA FIRM where the building is being used as collateral for a federally backed loan. Historically, owners of older properties that were pre-existing prior to their communities' participation in the NFIP were eligible to obtain flood insurance at lower, subsidized rates that did not reflect the property's true risk. As a result, approximately 20% of all flood insurance policies do not accurately reflect their full flood risk. In addition, as FEMA FIRMS have been updated over time, many homes and businesses received discounted flood insurance rates. After 45 years, flood risks continue and the costs and consequences of flooding are increasing dramatically. Moreover, Hurricanes Katrina and Sandy resulted in huge payouts, putting the NFIP into about $24 billion in debt. To address the financial instability and future sustainability of the program, the Biggert-Waters Flood Insurance Reform Act (BW12) was easily passed by Congress and signed by the President in July 2012.

BW12 extends the NFIP for five years, and eliminates some artificially low rates and discounts which are no longer sustainable. Most flood insurance rates will now move to reflect full risk, and flood insurance rates will rise on some policies. Actions such as buying a property, allowing a policy to lapse, or purchasing a new policy can trigger rate changes. The implementation of rate changes began January 1, 2013 and will be phased in over the next several years.

Today's discussion before the Central Valley Flood Protection Board will consist of two presentations: first, Edith Lohmann of FEMA will walk board members through the basic provisions of BW12. Second, Andrea Clark will discuss impacts of BW12 in the Central Valley, the status of proposed legislation to deal with impacts, and policy implications of increasing flood insurance rates. Department of Water Resources representatives will also offer brief remarks.