

# BW-12 QUICK REFERENCE GUIDE



FEMA



## Subsidized Pre-FIRM Buildings in Special Flood Hazard Areas (SFHAs)

	Pre-FIRM Primary or Non-primary Residence or Business	Pre-FIRM Residence or Business With a Lapsed Policy	Pre-FIRM Primary Residence	Pre-FIRM Non-primary Residence	Pre-FIRM Severe Repetitive Loss or Cumulative Payments Exceeding Fair Market Value	Pre-FIRM Business**
<b>Policy Effective Date</b>	Policy first in effect on or after July 6, 2012*	Policy reinstated on or after October 4, 2012	Policy in effect before July 6, 2012	Policy in effect before July 6, 2012	Policy in effect before July 6, 2012	Policy in effect before July 6, 2012
<b>Premium Change (when and how)</b>	<b>October 1, 2013:</b> <ul style="list-style-type: none"> <li>Immediate shift to full-risk rates</li> <li>Tentative rates available for 1 year</li> <li>Elevation Certificate required</li> </ul>	<b>October 1, 2013:</b> <ul style="list-style-type: none"> <li>Immediate shift to full-risk rate</li> <li>Tentative rates available for 1 year</li> <li>Elevation Certificate required</li> </ul>	<b>October 1, 2013:</b> <ul style="list-style-type: none"> <li>Average increases of 16-17 percent increases within the 20 percent cap authorized by law</li> </ul>	<b>January 1, 2013:</b> <ul style="list-style-type: none"> <li>25 percent premium increase at renewal</li> <li>Elevation Certificate needed to determine full-risk rate</li> </ul>	<b>October 1, 2013:</b> <ul style="list-style-type: none"> <li>25 percent premium increase at renewal</li> <li>Elevation Certificate needed to determine full-risk rate</li> </ul>	<b>October 1, 2013:</b> <ul style="list-style-type: none"> <li>25 percent premium increase at renewal</li> <li>Elevation Certificate needed to determine full-risk rate</li> </ul>
	<b>Future:</b> <ul style="list-style-type: none"> <li>Increases based on actuarial analysis and the Reserve Fund</li> </ul>	<b>Future:</b> <ul style="list-style-type: none"> <li>Increases based on actuarial analysis and the Reserve Fund</li> </ul>	<b>Future:</b> <ul style="list-style-type: none"> <li>Increases based on actuarial analysis and the Reserve Fund</li> </ul>	<b>Future:</b> <ul style="list-style-type: none"> <li>25 percent annual increases until full-risk rates are reached</li> </ul>	<b>Future:</b> <ul style="list-style-type: none"> <li>25 percent annual increases until full-risk rates are reached</li> </ul>	<b>Future:</b> <ul style="list-style-type: none"> <li>25 percent annual increase until full-risk rates are reached</li> </ul>
<b>All Pre-FIRM Buildings</b>						
<b>Map Changes</b>	FEMA is still analyzing the impacts section 100207 of BW-12 will have on rates other than pre-FIRM subsidized premiums upon the effective date of a new, revised, or updated FIRM.  For now, grandfathering and the Preferred Risk Policy Eligibility Extension remain cost-saving options for policyholders when maps are updated.					

\* Assignment of an NFIP policy is allowed. However, the assignment of an NFIP policy from a seller to a buyer occurring on or after July 6, 2012, could require re-rating and an Elevation Certificate for the buyer if it is currently rated with a subsidized rate (e.g., not a standard Zone X or PRP rate).

\*\* BW-12 calls for increases to business properties. Businesses are included in a larger group of non-residential properties. Consequently, all subsidized pre-FIRM policies for non-residential properties will see the same increase upon purchase or renewal on or after October 1, 2013.

## TERMS TO KNOW >>

**Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12):** Congress passed this legislation, which was signed into law on July 6, 2012, calling for changes to the National Flood Insurance Program to make it more sustainable. The changes include the elimination of long-standing subsidies previously available to certain pre-FIRM policyholders.

**Elevation Certificate:** An Elevation Certificate is an official FEMA form that is completed by a land surveyor (architects and engineers also are permitted to complete the form in some communities) to show a building's elevation. In high-risk areas, this document must be provided to an insurance agent who will compare it to the Base Flood Elevation and calculate an elevation-based premium. CRS communities might have elevation information on file for some buildings.

**Non-primary Residence:** A building that is lived in for less than 80 percent of the policy year.

**Tentative Rates:** Tentative rates are a rate class used for up to one year on policies where the necessary information to rate a policy is missing such as the absence of an Elevation Certificate. These rates are higher than subsidized pre-FIRM rates but are not elevation-rated.

### AFFECTED PRE-FIRM BUILDINGS ARE:

- Located in Zones V, A (except AR and A99) or D as shown on the Flood Insurance Rate Map (FIRM)
- Built before the community adopted the first FIRM
- Insured using subsidized rates instead of elevation-based rates
- Not likely to have been documented on an Elevation Certificate

**Agents should help policyholders determine if their rate is subsidized.**

## MAP CHANGES >> GRANDFATHERING AND PRP ELIGIBILITY EXTENSION

Currently, the NFIP provides rating options to help reduce the financial impact of map changes: Grandfathering and PRP Eligibility Extension.

**PRP Eligibility Extension:** Policyholders whose properties are changing from a low- or moderate-risk area to a high-risk area on new FIRMs could qualify for the Preferred Risk Policy Eligibility Extension rule that allows policyholders to retain their PRP instead of paying the new high-risk premiums. Premiums for these PRP Eligibility Extension policies will increase 20 percent each year starting October 1, 2013, until they reach the full rates for Zone X.

**Grandfather Rules:** Policyholders whose properties are mapped into a higher-risk area or higher BFE when new FIRMs are adopted by a community can qualify for grandfathering. This process allows policyholders to maintain their previous zone and BFE instead of shifting to the rate they could pay if the premium were calculated using the zone and BFE shown on the new FIRM. Some pre-FIRM properties were grandfathered using Zone X standard rates. These standard rates are not subsidized and thus will not increase because of the subsidy phase-out. Premiums still could increase based on actuarial analysis and the NFIP Reserve Fund.

Further guidance on grandfathered rates and premium changes required by Section 100207 of BW-12 when maps are revised or updated will be released in late 2014 at the earliest. But until then, grandfathering and PRP Eligibility Extension remain cost-saving options for eligible policyholders. According to BW-12, policyholders' whose premiums increase after a map change will see the new rates phased in by 20 percent of the total difference each year for 5 years.

## RESOURCES >>

BW-12 Fact Sheets and Information:  
[www.FEMA.gov/BW12](http://www.FEMA.gov/BW12)

Write Your Own Company Bulletins:  
[www.NFIPiService.com](http://www.NFIPiService.com)

Flood Insurance Rate Maps:  
[MSC.FEMA.gov](http://MSC.FEMA.gov)

Flood Insurance Information:  
[FloodSmart.gov](http://FloodSmart.gov)

