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To Our Valued Clients:

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Important Flood Insurance Changes Elevation Certificate May be Required Significant Premium Increases Likely

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) requires significant reforms to the National Flood Insurance Program (NFIP). The flood hazard mapping and the premium calculations are among the changes all designed to ensure that flood insurance rates more accurately reflect the real risk of flooding thereby reducing or eliminating rate subsidies and ultimately making the NFIP more financially stable.

Approximately 20% of policyholders currently pay subsidized premiums. Only a portion will see larger premium increases of 25% annually starting this year, until their premiums are full-risk premiums. However, **subsidies will no longer be offered for policies covering newly purchased properties, lapsed policies, or new policies covering properties for the first time.** These properties will be charged the full-risk premium.

The 80% of all NFIP policies that already pay full-risk premiums will not see these large premium increases. Most policyholders will see a new charge on their premiums to cover the Reserve Fund assessment that is mandated by the new law. Initially this will be a 5% assessment, which will increase over time.

Subsidies are already being phased out for policies covering non-primary residences, one to four residence properties, businesses, and severe repetitive loss properties.

Subsidies are not being phased out for existing policies covering primary residences. However, the subsidy provided to primary residences could still be lost. **Subsidies will be immediately phased out for all new and lapsed policies and upon sale of the property.** There may also be premium changes for policyholders after their community is remapped.

The single most important factor that determines the full risk rate of a structure is its elevation in relation to the Base Flood Elevation (BFE). The BFE is the elevation where there is a 1% or greater annual chance of flooding. This is the Special Flood Hazard Area, or high-risk zone. Generally, the higher the elevation of the structure above the BFE, the lower the flood risk. In order to determine the elevation of a structure, and ultimately the flood insurance premium, you need an Elevation Certificate form completed and signed by a licensed engineer or surveyor.

If you have a current policy that is no longer eligible to receive subsidized rates upon renewal you will receive a notice from the carrier. **To maintain coverage, the notice will ask that you provide:**

- An Elevation Certificate for flood insurance
- Clear exterior photographs of the front and back of the building to be insured
- A completed Renewal Application with your agent's signature
- Upon calculation, your new annual premium payment prior to policy expiration.

If you do not have the required information, particularly the Elevation Certificate, prior to your expiration date you can be offered a quote using tentative rates, which will allow additional time for you to secure an Elevation Certificate. **Tentative rates:**

- **MAY** be higher than your full-risk rate.
- Will **NOT** allow a flood loss to be settled before the full-risk premium is determined.
- Will **NOT** renew a second year under tentative rates.
- Will **NOT** allow for increase in coverage until full-risk rates are determined.

Please note: All insurers who issue policies through the National Flood Insurance Program are mandated to follow these requirements as a result of the Biggert-Waters Flood Insurance Reform Act of 2012.

Please let us know of any questions.

DeSanctis Insurance Agency, Inc.