



# Changes To The Flood Insurance Causing Concern

Federal legislation passed in 2012 has led to uncertainty throughout the country about the future of the 46-year-old National Flood Insurance Program (NFIP).

Prior to 1950, flood insurance was a standard part of homeowner policies, but repeated flooding in the 1950s and the corresponding significant losses to insurance companies beyond what their premiums collected, led to private insurance companies no longer offering flood insurance in the 1960s. In 1968 in response to decades of flood-related damages and more immediately to Hurricane Betsy in 1965 (the first billion dollar hurricane to hit the U.S.) Congress passed the NFIP. Prior to the program, the primary response to serious flooding was the construction of structures such as dams, levees, and seawalls. Unfortunately, these approaches were less than effective at preventing or reducing losses, and often encouraged further development, which then created even greater damage if those flood control projects failed, not to mention the potential for loss of life and financial ruin.

Because of these problems, Congress created the NFIP to reduce future flood damage through community floodplain management ordinances, and by providing protection for property owners against potential financial losses through insurance. As it was designed and how it evolved over time, the NFIP was intended to accomplish four objectives:

- identify flood risk
- regulate floodplain management
- provide flood insurance
- reduce the need for federal disaster assistance after flooding

The NFIP was designed such that if a community like Bismarck adopted and enforced floodplain management ordinances to reduce future flood risks (identifying the location of the floodplain, and probability of floods in that area, building levees, or preventing development in the floodplain), affordable, federally subsidized flood insurance protection would be made available to property owners. The protection provided by the NFIP was successful in helping

to make flooding less financially devastating, and in determining flood risks for communities throughout the country. But over time, the rising costs of the NFIP, coupled with statutory limitations to the maximum rates that could be charged, led to premium rates not reflecting the actual costs of the program. In 2005, the tremendous damages incurred during Hurricanes Katrina and Rita led the NFIP to pay out a record \$16.7 billion dollars, and in the years since then, there have been a series of expensive hurricanes, causing the NFIP to pay out far more than it received in premiums.

The financial stresses facing the NFIP led Congress to begin efforts to reform the program in 2012, which resulted in the passage of the Biggert-Waters Flood Insurance Reform Act of 2012.

## **Biggert-Waters Insurance Reform Act of 2012 (BWIRA)**

Only 20% of the NFIP policies were subsidized, but those 20% were generally in the areas with the greatest number of claims. The BWIRA was an attempt to address the fact that the subsidies provided



Flooding in Minot in 2011.

to property owners through the NFIP were unsustainable due to the rising costs of the program. Primarily, this was done by removing exceptions to the program and by eliminating the government subsidies the NFIP provided, causing policy holders to pay premiums for policies that more accurately reflected their higher flood risk. Additionally, communities in the NFIP that were constructed prior to the adoption of its first Flood Insurance Rate Map (FIRM), or were given exceptions for structure features, such as basements, would now have those additional risk factors reflected in their premium rates. For example, Fargo is a pre-FIRM city. What this means for the people living in the areas affected by the changes to the NFIP, is that they would see rates increase by 25% or more, and would not receive exceptions for basements built before their FIRM was created.

### **Challenges to BWIRA**

Although the financial difficulties faced by the NFIP required action, there has been significant opposition to enacting BWIRA in its entirety.

In November 2012, a bipartisan group of US Senators, including John Hoeven and Heidi Heitkamp, began the process of gathering support for legislation that will

delay the implementation of the BWIRA rate increase for two years, until after the Federal Emergency Management Agency (FEMA) completes the affordability study that was mandated by the BWIRA, or until the

Administrator of FEMA certifies the agency has fully adopted a modernized risk-based approach to analyzing flood risk for properties bought or sold prior to July 6, 2012, that were covered under the policy prior to the BWIRA. The legislation, if enacted would also develop a series of measures that would ensure funding for the affordability study; provide

funds to reimburse homeowners for successful floodplain mapping appeals; eliminate the penalties on communities providing self-financing flood protection; bring back the basement exception that allows homes with basements to be covered in regions that require them because of severe weather; and establish a Flood Insurance Rate Map Advocate within FEMA to answer current and prospective policyholder questions about the flood mapping process.

While the future of the NFIP and BWIRA are still being debated, it is certain that the issue of how best to deal with flooding in the United States will continue to be a controversial and challenging topic into the future.

### **BWIRA Impacts To North Dakota**

- There are currently 13,762 flood insurance policies in effect in the state.
- In North Dakota, 21% of the 13,762 policies in effect are written in identified floodplains, and 79% are written for non-floodplain areas.
- Approximately 14% (1,900) of existing policyholders are now affected by the five-year timetable of flood insurance premium increases under the BWIRA.
- New policies written in the future for pre-FIRM structures will immediately be impacted.
- Historically, many North Dakotans have timed the purchase of flood insurance ahead of an impending spring snowmelt flood, with policies often dropped when the threat has passed.
- New policies will immediately be subject to full actuarial rates, meaning much higher premiums.
- The cost of all flood insurance will be increasing.



Joe Belford receives a plaque and congratulations on his years of service from Governor Jack Dalrymple at the December Water Commission meeting.

After 15 years of exemplary service to the people of North Dakota, Joe Belford retired from the Devils Lake Outlet Downstream Acceptance Program at the end of December.

The Water Commission created the Downstream Acceptance position in 1998 in order to build relationships with people downstream of Devils Lake along the Sheyenne and Red Rivers, and into Canada. It was recognized that the often controversial subjects of Devils Lake flooding and possible solutions required a very special individual that would be able to bridge the differences between people with sometimes very different objectives, and Joe Belford was that person.

Belford was born in Bemidji, Minnesota, but moved to Webster, North Dakota at a very young age, finishing school and college in Devils Lake. Coming from a long line of public service, including three generations of sheriffs, Belford was drawn to public service. Over the years, Belford actively pursued efforts to deal with water issues in and around Devils Lake in the early 1980s, all while working his way up to owning a fuel oil business, and eventually starting a gas station and car wash.

# Belford Retires

*From Downstream Acceptance Position*

When Devils Lake began its historic rise in 1993, Belford was drawn to help the community in dealing with the flooding issues, and was involved in the development of the Devils Lake Task Force, a local, state, and federal entity that was trying to grapple with the flooding issue. As the Water Commission worked on a multi-faceted approach to dealing with Devils Lake flooding issues, Belford was actively developing connections with many entities throughout the Red River watershed, explaining what the agency was doing and why. While Canadian interests may not have always agreed with the direction the state was taking, Belford's efforts to keep open the lines of communication about the status of the many Devils Lake projects fostered respect and understanding across the border. Ultimately, after the Water Commission completed its West and East Devils Lake outlets, the Devils Lake Levee, and the Tolna Coulee Control Structure, those lines of communication were integral in getting Canada to support running the outlets due to an imminent flood risk.

While working hard on Devils Lake flooding issues, Belford found time to get involved and serve his community in a wide variety of areas, holding seats in the Devils Lake City Commission, Ramsey County Commission, the Law Enforcement Board, as the current Chairman of the International Red River Basin Commission, as a volunteer firefighter, and many other positions left unmentioned.

As Joe leaves the Downstream Acceptance Position his efforts have greatly contributed to reducing the Devils Lake basin's flood risks for current and future generations.

In reflecting on his many years of service, and years of service yet to come, Belford reflected, "I have always endeavored to discuss issues and arrive at a consensus, and to build a better place to live for the community we all serve."

On behalf of the North Dakota State Water Commission and its staff – best wishes to Joe in his future endeavors and the greatest of thanks for his dedicated years of service.



Joe at the West Devils Lake Outlet Round Lake Pump Station.



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