

Flood Insurance Reforms Offer Little to Commercial Property Owners; FEMA Accepting Comments on Scope of NFIP Study

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Recent legislation changing the National Flood Insurance Program ("NFIP") is targeted mainly at homeowners. Commercial property owners concerned about federal flood insurance premium increases may want to consider turning to the private insurance market for alternative coverage. In addition, they have the opportunity until May 30, 2014 to comment on the scope of an upcoming study FEMA is planning on the NFIP.

Biggert-Waters

The 2012 legislation known as Biggert-Waters (i) made the NFIP more actuarially sound by increasing flood insurance premium rates, (ii) phased out certain subsidies for premiums, and (iii) directed FEMA to update flood insurance rate maps throughout the country. As a result, some property owners saw large increases in their flood insurance premiums, sparking an outcry leading to the passage of the recent legislation.

The recent legislation offers some relief from flood insurance premium increases for residents of NFIP-covered properties used as a primary residence (but not for second homes or vacation homes). For primary residences, the recent amendment will delay the effectiveness of some premium increases, restore some premium subsidies, and temporarily impose an annual cap on the year-over-year increase of premiums. The Biggert-Waters rate increases remain in effect for commercial properties. The recent legislation also imposes a surcharge on certain new policies issued under the NFIP.

As flood insurance premiums increase, some commercial property owners may turn to the private insurance markets, rather than the federally-run NFIP, to obtain flood insurance.

FEMA Seeks Comments on NFIP Study

Until May 30, 2014, FEMA will accept comments on the scope of issues to be addressed in a programmatic environmental impact statement ("PEIS") it is preparing under the National Environmental Policy Act addressing the impacts of the recent changes to the NFIP. FEMA will also accept comments during an online webinar to be held on May 20, 2014 from 4:00-6:00pm (Eastern

Standard Time). Large property owners might consider commenting to advocate that the study address the impacts of changes to the NFIP on those not afforded relief by the recent legislative amendments described above.

Goulston & Storrs continues to follow developments related to FEMA's regulatory initiatives and climate change more generally.

For questions about the information contained in this advisory, please contact your usual Goulston & Storrs attorney or the attorneys listed below.

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