The Future of Floodplain Management in Kentucky
Outline

• Background
• Federal Reauthorization
• Regulation Changes
• Insurance Changes
All changes discussed in this presentation are PROPOSED ONLY. None of these programmatic changes have been implemented.

- This presentation is for informational and understanding purposes only!

Please hold all questions until the end.
National Flood Insurance Program

• Provides federally backed flood insurance in communities that participate in the NFIP
  – Insurance only required with a federally backed mortgage

• Revenue neutral program
  – Government backed
  – WYO companies manage claims
    • Some policies are Submit-To-Rate

• Then something happened to the NFIP
Hurricanes

• Top 5 Costliest Disasters in US history
  1) Katrina 2005
      • $163.8B
  2) Harvey 2017
      • $126.3B (currently)
  3) Maria 2017
      • $90.9B (currently)
  4) Sandy 2012
      • $71.5B
  5) Irma 2017
      • $50.5B (currently)
• Rep Loss and Severe Rep Loss
  – 1% of NFIP policies
  – 25-30% of all claims
  – 1 in 10 RL properties have received payments worth more than the structures value

• Kentucky as of 9/4/18
  – 2,229 Repetitive Loss Properties
    • 2+ claims of $1,000 in any 10-year period
  – 143 Severe Rep Loss
    • 4+ claims of $5,000 each, or
    • 2+ claims totaling more than structures value
NFIP Reauthorization & Proposed Congressional Changes
NFIP Overview

• NFIP must be reauthorized by Congress at least every 5 years
  – 38 of previous 41 have been straight extensions
  – Next authorization deadline November 30, 2018

• NFIP currently $20+ billion in debt
  – Includes a $16 billion cancellation to Treasury

• Recent disaster cost increases has Congressional members proposing programmatic changes
Proposed Legislation

• Proposed legislation in 2017-18
  – S. 1368  (SAFE NFIP Act)
  – S. 1313
  – H.R. 3285
  – H.R. 2875
  – H.R. 2874
    • Passed House 11/14/17
  – Plus dozens more

• GovTrack.us gives all these proposals ~4% chance of being enacted.
Proposed Programmatic Changes

- Caps premium rate hikes at 10%
- Expand coverage limits from $500K to $1.5M
- Increase ICC max payment from $30K to between $60-100K
- Encourage private insurance markets
- Monthly premium installation vs. lump sum
- Provide increased funding for mitigation programs and LiDAR collection
- Improved training requirements for Agents, Adjusters, and Local Administrators to improve programmatic understanding
- Reforming the insurance claims process
- Landlord disclosure requirement
- No Ins for property with claims exceeding 3x structure value
Kentucky Statute & Regulation Changes
• In July 2016, Governor Bevin introduced the Red Tape Reduction Initiative
  – “The goal is to eliminate those regulations deemed unnecessary or duplicative, simplify those considered too complex, and judge each for intent and effectiveness.”

• KDOW reviewed state statutes and Kentucky’s floodplain development regulations
KRS 151 Update

• Clarify language based on current program implementation & procedures
• Removes redundancy
• Remove defunct language
• Proposing to allow the cabinet to assess fees for KRS 151-related activities similar to other KRSs in use
• Proposing a requirement for Emergency Action Plans (EAPs) for high and moderate hazard dams
401 KAR 4:060 Update

- State NFIP staff tasked with reviewing state statutes and regulations
- 3 primary goals identified:
  1) Remove unnecessary or duplicative regulations
  2) Streamlining the state permitting procedure
  3) Propose higher regulatory standards
1) Removing Unnecessary & Duplicative Regulations

- Removes dated regulations & procedures
- References to 44 CFR, where applicable
- Example
  - Current (700+ words)
    (1) In order to minimize or prevent the harmful effects of stream flooding, the cabinet shall not issue permits for the placement or construction of flood-damageable property in the base floodplains of streams, unless the placement or construction conforms to the requirements of the following subsection.
    (2) In issuing construction permits………..
  - Proposed (83 words)
    (6) A permit issued for the development of flood-damageable property in a floodplain shall be as established in 44 C.F.R. 60.3 except:
2) Streamlining the Permitting System

• Currently all development requires a state floodplain permit, a public notice, and local floodplain permit

• Proposal: Three Permit Tiers
  – Unregistered Permit-by-Rule (No contact)
    • Open space activities
    • Below grade swimming pools
    • Installation of utility poles with below grade foundations
    • Athletic or recreational structures that don’t impede flow
    • Subfluvial utility crossing (directional drilling)
  – Registered Permit-by-Rule (Limited contact, conditions provided)
    • Low water crossings that don’t impede flow
    • Subfluvial utility crossing (trenching)
    • Installation of utility poles with above grade foundations
    • Activities approved in a FEMA buyout area (44 CFR 80.19)
  – Floodplain Permit
    • Similar to existing floodplain application procedure
Streamlining Cont.

- Public notice not required for Permit-by-rules
  - Public notice still required for full floodplain permits
    - Newspaper notice or affidavits
- Public notice documentation will be required as part of the application submittal
- Applicants shall collect, compile, duly consider all public comments & complaints, and must respond in writing to all comments received
• Permits are valid ONLY for 2 years from the date of issuance
  – Applicant may request up to two 1-year extensions of the permit if requested in writing
  – No further extensions will be granted
3) Proposed Higher Standards

- Fill requirements
- Required lowest floor elevations
  - Critical facilities
  - Vulnerable populations
- Junk yard, scrap yard, salvage yard, recycling station, or transfer station
- Residential development in Floodways
- Staking floodways & BFES pre-development
Effects on Local Communities

• Community input is desired for the proposed regulations
  – Due Process phase

• Local communities will be required to update their local Flood Damage Prevention Ordinances
  – A new ‘State Model Ordinance’ will be provided to assist with this step

• Changes to floodplain management procedures may be required
Rollout Plan

- Annotated 44 CFR is available for use
- State Model Ordinance will be provided to communities
  - Includes template local applications & permits for use
- How-To guide will be developed for state applications
- Trainings
  - KDOW trainings will likely be offered
  - Webinars
  - KAMM Regional Trainings & Conference
FEMA’s Moonshots

- 5 million additional flood insurance policies
  - NFIP
  - Private Market
- Insured survivors are better able to recover
  - NFIP claim: $113,000
  - IA Grant: $4,200
- Flooding can happen anywhere, not just in high-risk areas. Where it can rain, it can flood.
Private Market Insurance

- Private flood insurance accounts for 3.5-4.5%
  - Not currently available in KY

- Pros
  - Can include additional coverages beyond NFIP limits
  - Replacement cost vs. physical losses

- Cons
  - 2 claim maximum; non-renewal after
  - Grandfathered properties lose discount
  - No fee supporting floodplain management, Risk MAP, or mitigation grants
Risk Rating 2.0

• New Rating Methodology
  – Replacement value cost
  – Intuitive rating variables
  – Commercial catastrophe models + NFIP map data
  – Easily collected data
• Not just in-or-out
  – Reflect different types of flood risk, including fluvial, pluvial, and surge
Example Rate Calculation

Example of two homes in AE zones with $250,000 limit and value for building:

- **Low storm surge and inland flood risk**
  - Current Premium: $1,169
  - Target Premium: $500

- **High storm surge and inland flood risk**
  - Current Premium: $1,169
  - Target Premium: $2,500
Risk Rating 2.0 Cont.

User Experience: Notional Prototype Graphic

SAMPLE RISK FACTORS

Distance to coast
- LOW
  You are relatively far from the coast. This results in a decrease to your premium.
  view details

Relative elevation
- HIGH
  Your home is low lying. This results in an increase to your premium.
  High volume rain events could flood your home even though you are not near a flooding source.
  view details

Basement
- LOW
  Your home does not have a basement. This results in a decrease to your premium.
  view details

YOUR FLOOD INSURANCE PREMIUM FOR JANUARY 2018

Your flood insurance premium is $-$$$.  
 Mitigation actions to reduce risk
  view details
• April 2019
  – Announce plant to change rates
  – Phase I will be single family homes in SE US
• April 2020
  – Implement Phase I
• Future phases and segments will likely be announced in 2019
Parting Thoughts

• What does this mean for you?
  – Today
    • Nothing
      – Unless you want to call your congressman
  – Tomorrow
    • Floodplain management program requirement changes
    • Permitting procedural changes
    • Outreach
      – Requirements
      – Insurance
      – Risk communication
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Questions