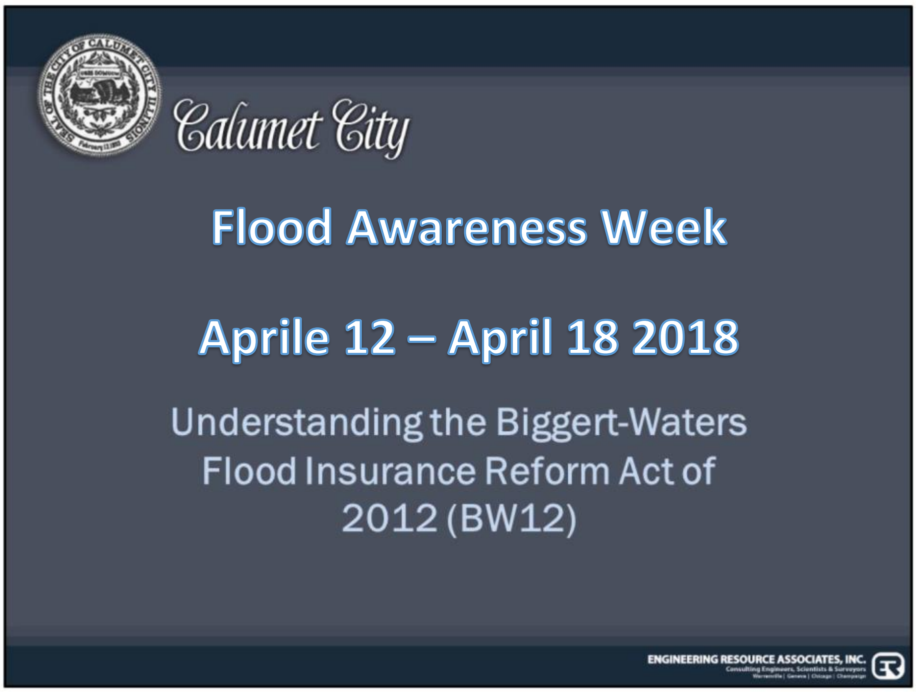
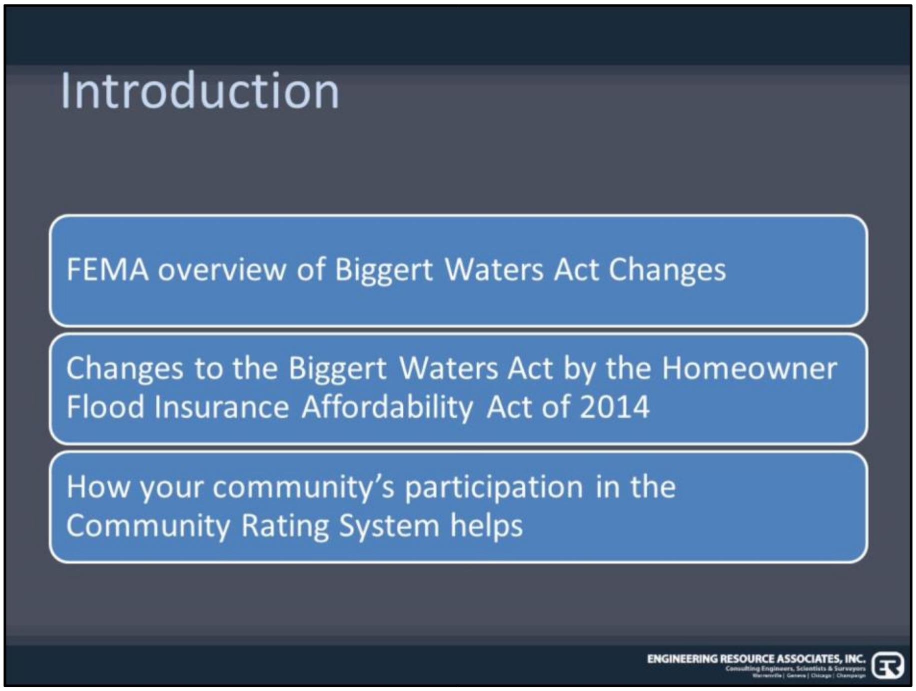


Welcome, thank you all for coming.

It's finally spring! And while we look forward to the warm weather spring also brings increased rainfall. Thus it's important to recognize risks throughout the area associated with flooding. In order to reduce Flood Insurance Policy Rates the City is part of the FEMA Community Rating System or CRS.

One of the requirements is that the City host a Flood Awareness week and provided education to the public for flood related topics. Today we will talk about the Biggert Waters Act that was passed by Congress in 2012 and subsequent Acts and how they are making significant reforms to the National Flood Insurance Program.

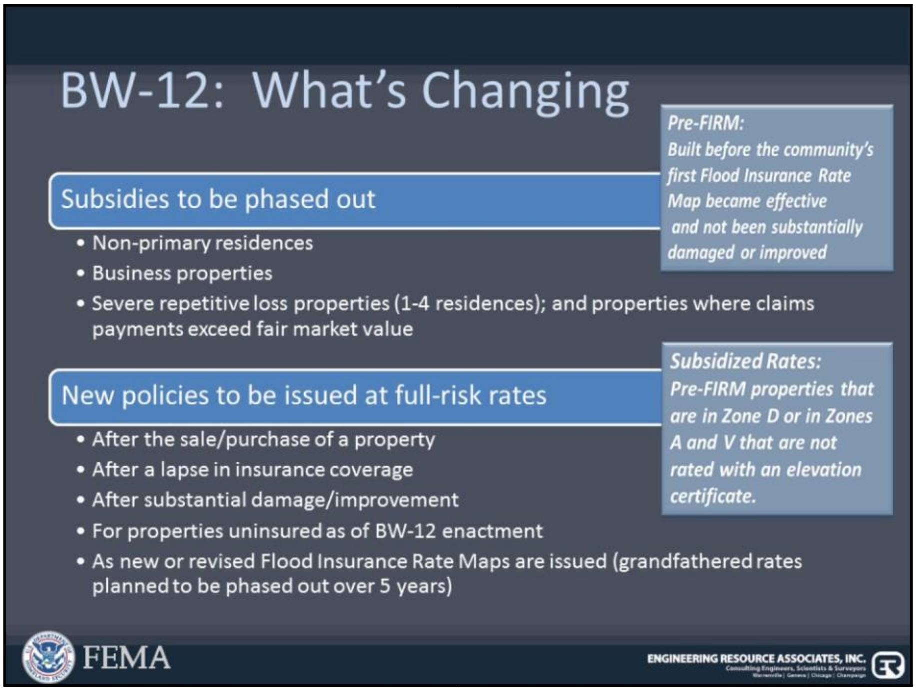


Below is a summary of the topics we will discuss today.

On July 6, 2012, the Biggert-Waters Flood Insurance Reform Act of 2012 was passed by Congress making significant reforms to the National Flood Insurance Program, or NFIP. Many of the reforms would have resulted in significant increases to flood insurance policy premiums.

Many of the changes to the NFIP were recently revised on March 21, 2014 by the Homeowner Flood Insurance Affordability Act of 2014.

No changes have occurred to the Community Rating System as a result of Biggert Waters or the Homeowner Flood Insurance Affordability Act



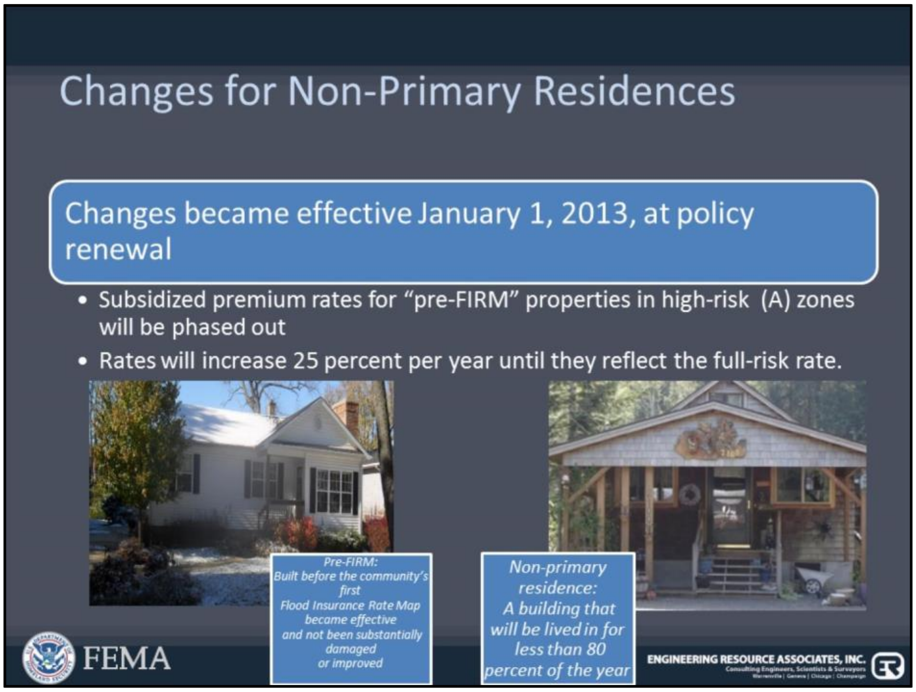
On July 6, 2012, the Biggert-Waters Flood Insurance Reform Act of 2012 was passed by Congress making significant reforms to the National Flood Insurance Program, or NFIP.

Among other things, this law required FEMA to take immediate steps to eliminate a variety of flood insurance subsidies.
Here is a quick summary of the changes in flood insurance rates that began in 2013. First, subsidized rates are being phased out.

What is a subsidized rate?
A subsidized premium rate is one that does not reflect the true risk of flood to that property. Homes located in a high-risk flood zone, for example, zones beginning with an "A" that were built before the first flood insurance rate map became effective for a community, and that have not been substantially damaged or improved, may currently be receiving subsidized rates. The Biggert Waters Act required subsidized rates for "pre-FIRM" properties to be phased out.

Second, some policies that previously could be issued at lower rates were to be moved to full-risk rates under the Biggert Waters Act.

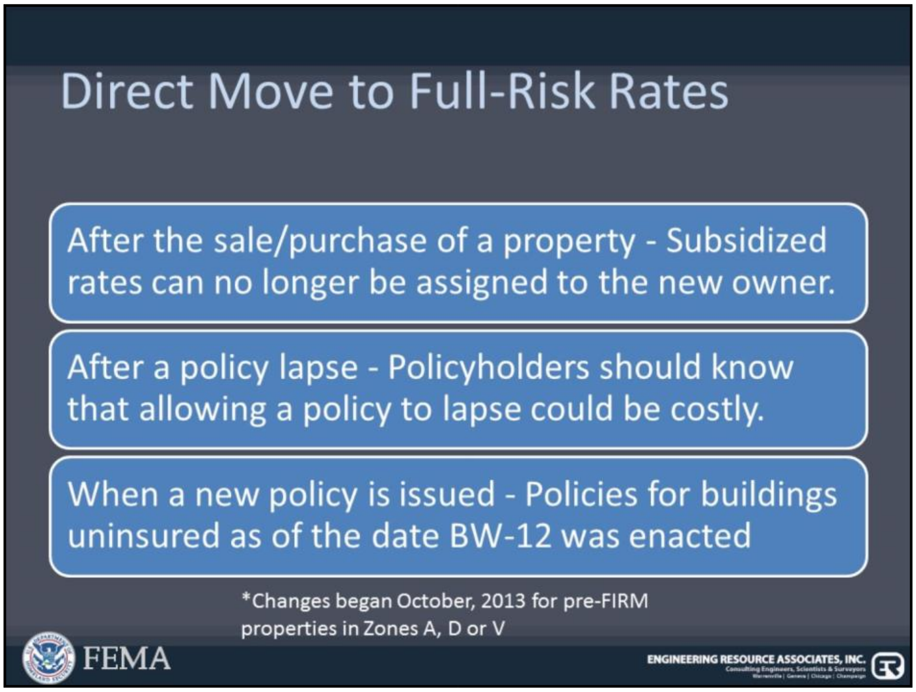
FEMA notes that not everyone will be affected immediately by the new law – about 20 percent of all NFIP policies nationwide were paying subsidized rates.



This image shows various communities and their associated percentage of subsidized rates. Currently 51-75% of the insurance policies in your community are subsidized.
This is because most structures in the floodplain were built before the communities first Flood Insurance Rate Map. The first FIRM for Calumet City is dated 1978. This is a segment of that map, any structure in the gray area built before 1978 would be considered pre-firm and receive a subsidized rate.
Now, let's look at these changes in more detail.

Currently, those Non-Primary, "Pre-FIRM" properties in high risk zones, like A, are seeing a phased out removal of the subsidized rates beginning at renewal.

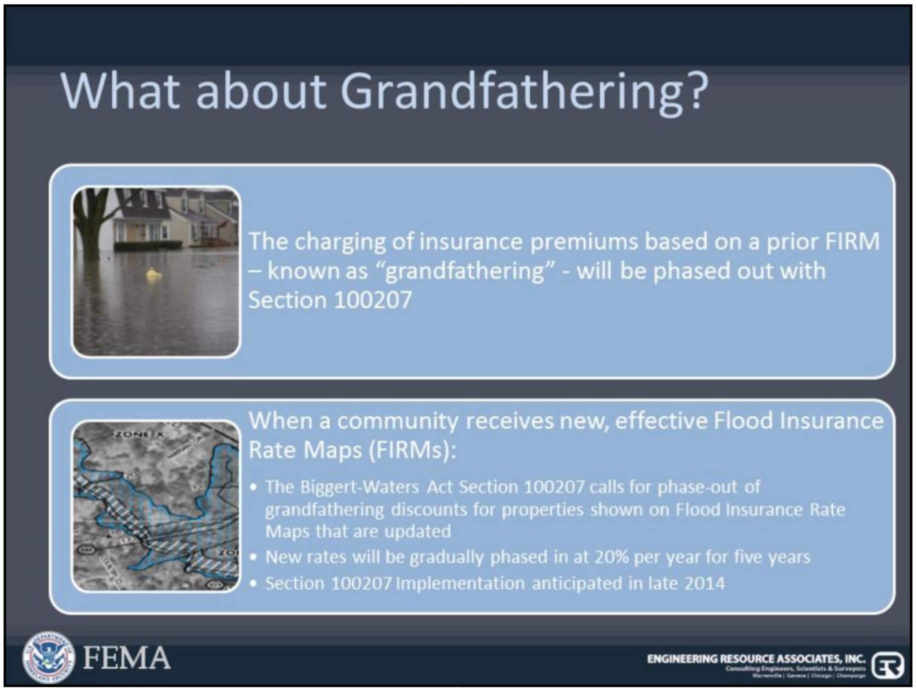
A "pre-FIRM" property, again, is one that was built before the community's first Flood Insurance Rate Map, or FIRM, became effective and has not been substantially damaged or improved. The NFIP defines a "non-primary residence" as a building that will be lived in for less than 80% of the year. It would be possible for a homeowner to have two non-primary residences by this definition if they spend less than 80% of the year in each. Rates for these properties will increase 25 percent each year until they reflect the full-risk rates, or the property owner provides an elevation certificate that shows their actual risk.



Beginning in October, 2013, subsidized rates on pre-FIRM business properties and severe repetitive loss properties began to increase at 25% per year until they reach full-risk rates. Each property's risk is different. This includes any property that has incurred flood-related damages where claim payments exceed the fair market value of the property. For application purposes, a business property is any non-residential building that produces income, or a building designed for use as office or retail space, or for wholesale, hospitality or similar uses.

Starting in October, 2013, FEMA began to apply full-risk rates after a property was sold, after the owner had allowed a policy to lapse, and when a new policy was issued for a building not covered as of July 6, 2012, the date the BW-12 legislation was enacted.

- It's important to note that after October 2013, subsidized rates could no longer be assigned to the new owner at the act of sale. The new owner began to immediately pay full risk rates for insurance.
- Letting a flood policy lapse could prove costly.
- Also, new policies for buildings uninsured as July 6, 2012, reflected the full-risk rate.

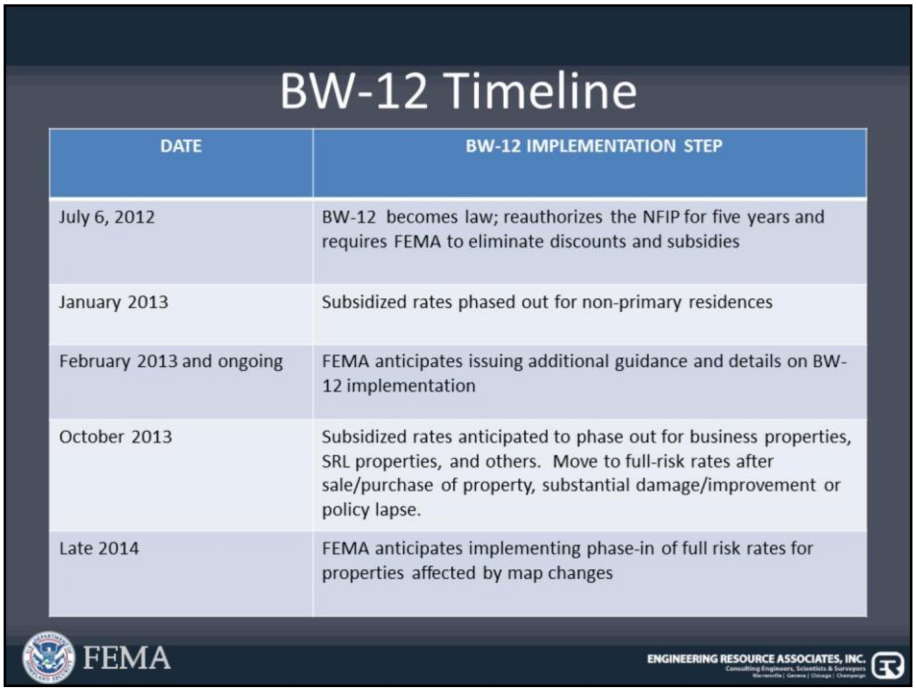


Please note the Homeowner Flood Insurance Affordability Act of 2014 has made some changes to this which we will discuss shortly.

Currently, the NFIP Grandfathering procedure provides eligible property owners to pay insurance premiums based on the previous effective Flood Insurance Rate Map, or FIRM.

As planned in 2014, the NFIP Reform will phase out grandfathered rates. Once a community receives new effective maps, full risk rates will be phased in over five years, at a rate of 20 percent per year until they reach full risk rates.
In this case, property owners may want to get an elevation certificate to establish actuarial rates for the structure

The Preferred Risk Policy, or PRP, will continue to be available. At this time the future status of the PRP Eligibility Extension has not been determined. This PRP Eligibility Extension allow buildings newly mapped into a special Flood hazard Area to retain their PRP premiums for an additional period of time.



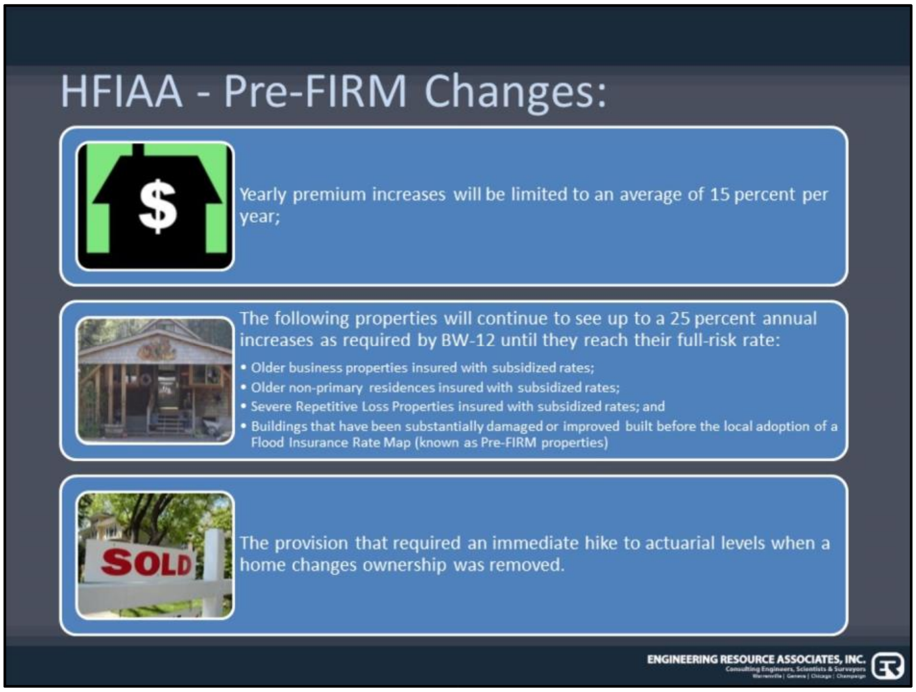
Please note the Homeowner Flood Insurance Affordability Act of 2014 has made some changes to grandfathering which we will discuss shortly.

So to review, here is the Biggert Waters Act timeline for changes in the NFIP.

- The Flood Insurance Reform passed by Congress on July 6, 2012, reauthorized the NFIP and required FEMA to eliminate certain discounts and subsidies.
- January 2013 began the phasing out of subsidies for Pre-FIRM, non-primary residence with pre-FIRM policies went into effect.
- The last section, which is anticipated in late 2014, is when Grandfathering was to begin being phased out.

Please note, that much of this has changed since the Homeowners Affordability Act was signed last month.

On Friday, March 21st, 2014 President Obama signed into law "The Homeowner Flood Insurance Affordability Act."

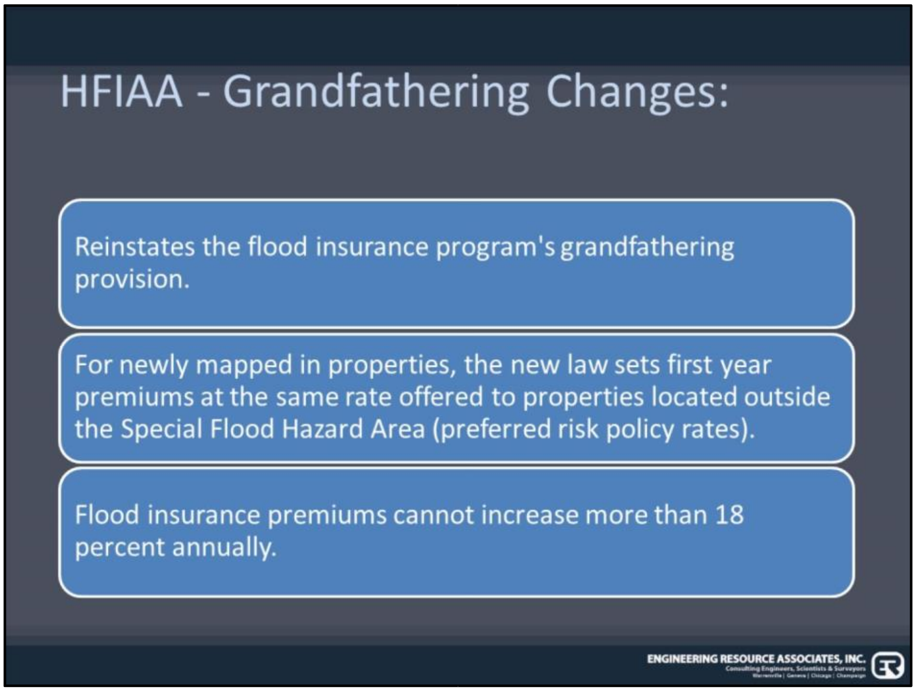


The bill made major changes to Biggert Waters Flood Insurance Reform Act which was passed by Congress in July 2012. The new bill overturns many efforts made in Biggert Waters to eliminate artificially subsidized premiums and move the NFIP towards an actuarially-sound program. The bill calls on FEMA to "strive" to reach the goal that most policyholders have a premium of no more than 1 percent of the value of their coverage - in other words premiums of $2,000 for $200,000 worth of coverage. Among other things, the act:

Yearly premium increases will be limited to an average of 15 percent per year, and stipulates that no individual policyholder pay an increase of more than 18 percent per year;

Increases will remain for business properties, non-primary residences, severe repetitive loss properties and buildings that were substantially damaged or substantially improved.

The provision that required an immediate hike to actuarial levels when a home changes ownership was removed, as it was slowing home sales in many communities designated high risk by FEMA flood maps. In order to enable new purchasers of property to retain

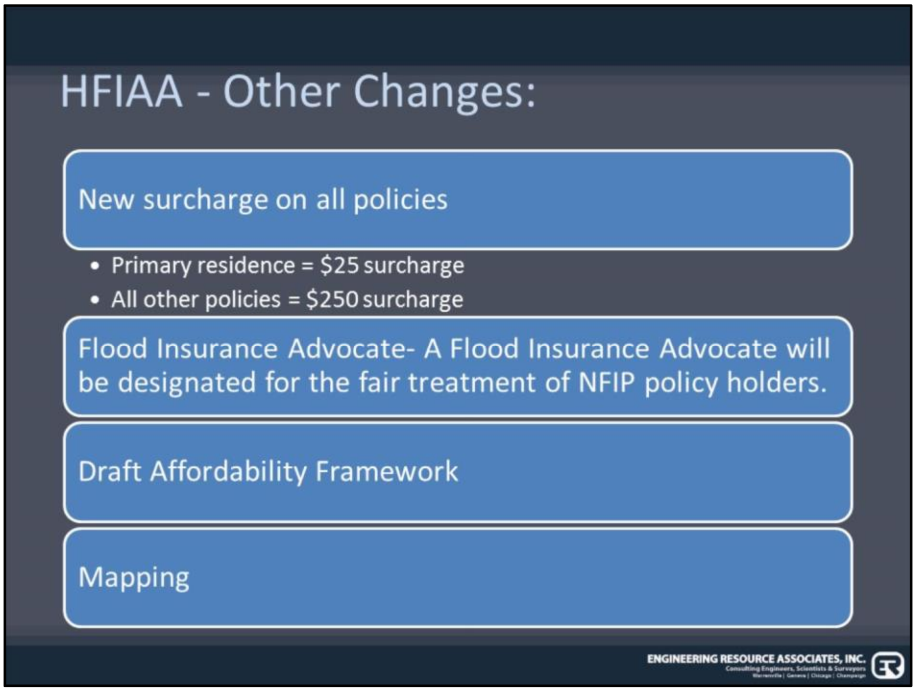


PreFIRM rates while FEMA is developing its guidelines, a new purchaser will be allowed to assume the prior owner's flood insurance policy and retain the same rates until the guidance is finalized. Also, lapsed policies receiving Pre-FIRM subsidized rates may be reinstated with Pre-FIRM subsidized rates pending FEMA's implementation of the rate increases required by the Homeowner Flood Insurance Affordability Act.

Reinstates the flood insurance program's grandfathering provision, meaning homes that complied with previous flood maps would not see large premium increases when new maps show greater risk of flooding.

Repeals a provision of BW-12 that required FEMA, upon the effective date of a new or updated Flood Insurance Rate Map, to phase in premium increases over five years by 20 percent a year to reflect the current risk of flood to a property, effectively eliminating FEMA's ability to grandfather properties into lower risk classes.

A new surcharge will be added to all policies to offset the subsidized policies and achieve the financial sustainability goals of BW-12. A policy for a primary residence will include a

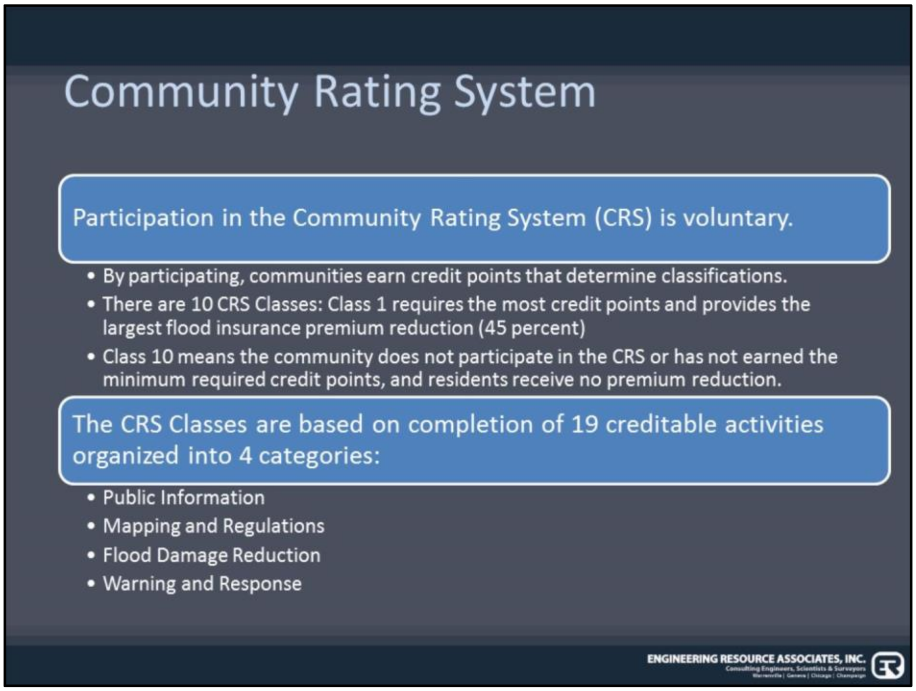


$25 surcharge. All other policies will include a $250 surcharge. The fee will be included on all policies, including full-risk rated policies, until all Pre-FIRM subsidies are eliminated.

A Flood Insurance Advocate will be designated for the fair treatment of NFIP policy holders.
The Advocate will:
Educate property owners and policyholders on individual flood risks; flood mitigation; measures to reduce flood insurance rates through effective mitigation; the flood insurance rate map review and amendment process; and any changes in the flood insurance program as a result of any newly enacted laws. The advocate will also coordinate outreach and education with local officials and community leaders in areas impacted by proposed flood insurance rate map amendments and revisions.

The law requires FEMA to complete a study on how to keep the program affordable as it moves to make the program more solvent.

The law also requires FEMA to enhance coordination with communities before and during mapping activities.

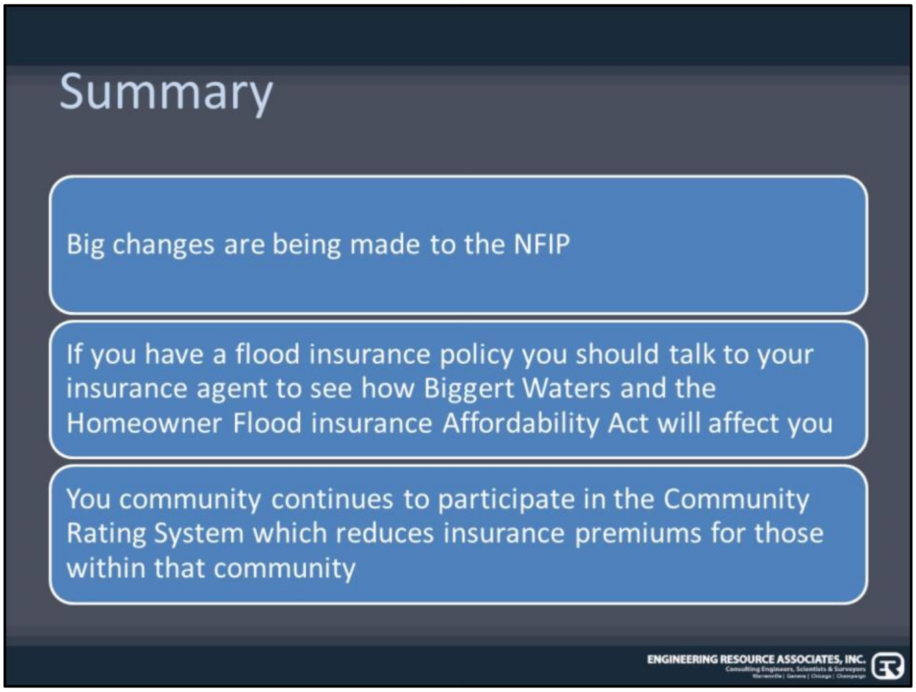


The National Flood Insurance Program's (NFIP's) Community Rating System (CRS) is a voluntary incentive program that recognizes communities for implementing floodplain management practices that exceed the Federal minimum requirements of the NFIP to provide protection from flooding.

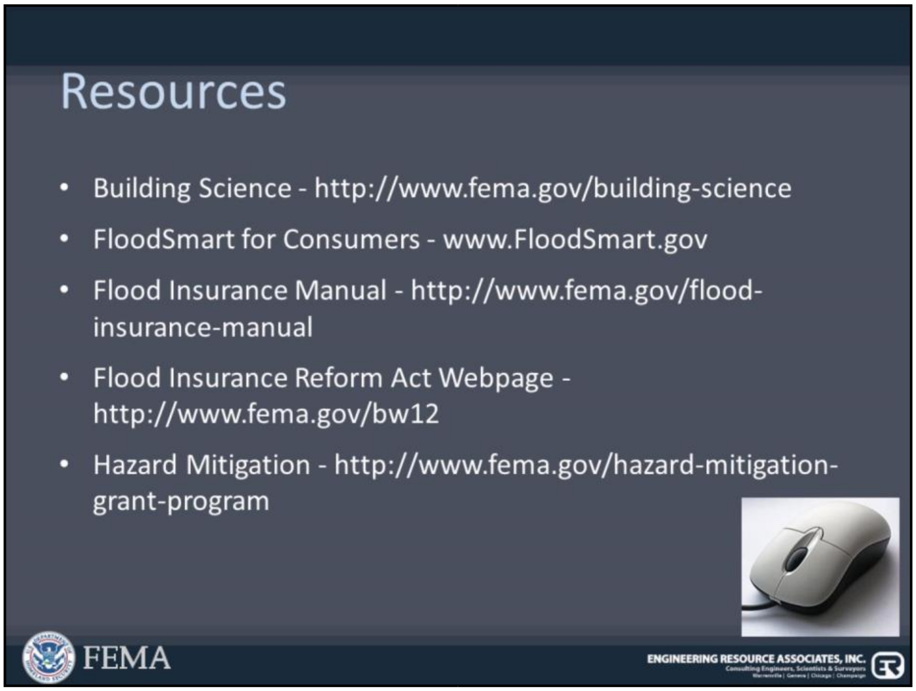
In exchange for a community's proactive efforts to reduce flood risk, policyholders can receive reduced flood insurance premiums for buildings in the community. These reduced premiums reflect the reduced flood risk resulting from community efforts toward achieving the three CRS goals:

- Reduce flood damage to insurable property
- Strengthen and support the insurance aspects of the NFIP
- Encourage a comprehensive approach to floodplain management

- The City is a Class 6 CRS community, which means a 20% discount on flood insurance premiums for residents in the 100-year floodplain.



- Currently there are 619 policies receiving this discount with a savings of $84,342 per year community-wide.
- For properties in the floodplain this amounts to a savings of $267 per policy annually.



FEMA provides resources for your use. Those links are provided here.