



FEMA

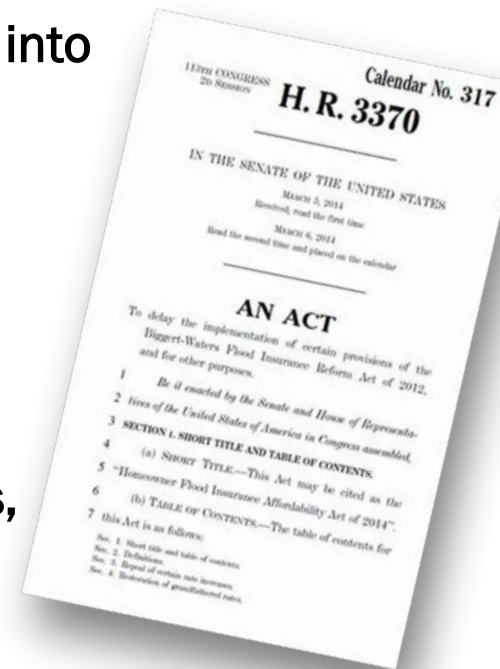
More Changes Coming to the National Flood Insurance Program – What to Expect

Impact of changes to the NFIP under Homeowner Flood Insurance Affordability Act of 2014



More Changes are Coming to the NFIP

- On March 21, 2014, President Obama signed the Homeowner Flood Insurance Affordability Act of 2014 into law.
 - Repeals and modifies certain provisions of BW-12
 - Makes additional program changes
 - Leaves some parts of BW-12 intact.
- Policyholders **SHOULD NOT** cancel policies!
- FEMA already working with WYO insurance companies, Congress, others to begin implementation.
 - FEMA prioritizing sections now with WYOs
 - Initial priority is to stop policy increases for certain subsidized policyholders
 - Guidance to be issued on refunds for some policyholders
- Changes and refunds can't happen immediately.



Refunds

- New law mandates refunds of the excess premiums for certain flood insurance policies affected by the Pre-Flood Insurance Rate Map(Pre-FIRM) subsidy elimination required by BW-12.
- Refunds will not affect all subsidized policyholders who received rate increases as directed by Congress in BW-12, only policyholders for whom the rate increases under BW-12 were revoked by the new law.
- Refunds will affect only a small percentage of the overall NFIP policy base.
- FEMA is working closely with the WYO insurance companies to develop a timetable for processing refunds expediently.



Premium Rates for Subsidized Policies

- New law requires gradual rate increases to properties now receiving artificially low (or subsidized) rates instead of immediate increases to full-risk rates
- Required to increase premiums for most subsidized properties by no less than 5 percent annually until the class premium reaches its full-risk rate.
 - Close to 80 percent of NFIP policyholders paid a full-risk rate and are minimally impacted by either law.
 - With limited exceptions flood insurance premiums cannot increase more than 18 percent annually.
- Some exceptions....



Premium Rates for Subsidized Properties (cont.)

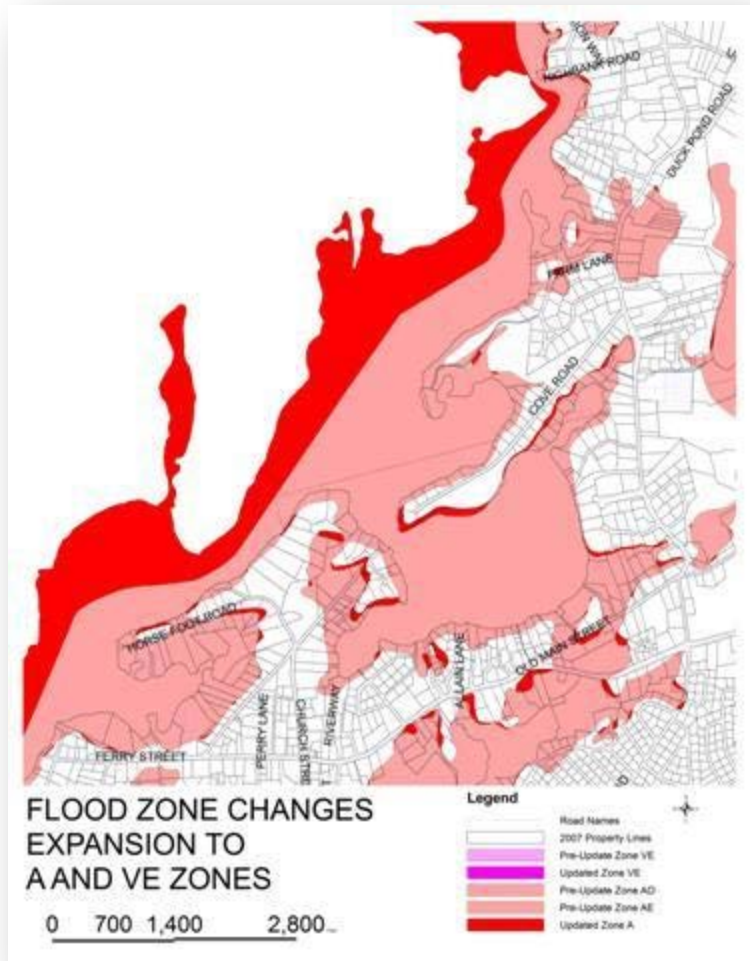
- **Exceptions to these general rules and limitations:**
 - Policies for the following properties will continue to see up to a 25 percent annual increases as required by BW-12 until they reach their full-risk rate:
 - Older business properties insured with subsidized rates;
 - Older non-primary residences insured with subsidized rates;
 - Severe Repetitive Loss Properties insured with subsidized rates;
 - Buildings that have been substantially damaged or improved built before the local adoption of a Flood Insurance Rate Map).
- **To enable new purchasers of property to retain Pre-FIRM rates while FEMA is developing guidelines, a new purchasers allowed to assume the prior owner's flood insurance policy and retain the same rates until the guidance is finalized.**
- **Lapsed policies receiving Pre-FIRM subsidized rates may be reinstated with Pre-FIRM subsidized rates pending FEMA's implementation of the rate increases.**

New Surcharge

- On all policies
- 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.

Grandfathering

- Law repeals a provision of BW-12 requiring FEMA, upon the effective date of a new or updated FIRM, to phase in premium increases over 5 years by 20 % annually reflecting current risk of flood – eliminating FEMA’s ability to grandfather properties into lower risk classes.
- For newly identified properties, law sets first year premiums at the same rate offered to properties located outside the SFHA (Preferred Risk Policy rates).
- With limited exceptions, flood insurance premiums cannot increase more than 18 percent annually.



Flood Insurance Advocate

- **Educate on:**
 - individual flood risks;
 - flood mitigation;
 - measures to reduce rates through effective mitigation;
 - the rate map review and amendment process;
 - changes in the program as a result of any newly enacted laws;
- **Assist in understanding how to appeal preliminary rate maps and implementing measures to mitigate evolving flood risks;**
- **Assist in developing regional capacity;**
- **Coordinate outreach and education with local officials and community leaders in areas impacted by map amendments and revisions; and**
- **Aid potential policy holders in obtaining and verifying accurate rate information when purchasing or renewing a policy.**



Other Provisions

- Law permits FEMA to account for property-specific flood mitigation not part of the insured structure in determining a full-risk rate.
- Law requires that residential basement floodproofing be considered when developing full-risk rates after a map changes increasing the BFE in an area where residential basement floodproofing is permitted.
- Law mandates that FEMA develop an installment plan for non-escrowed flood insurance premiums, which will require changes to regulations and the Standard Flood Insurance Policy contract.
- Law increases maximum deductibles.
- Law encourages FEMA to minimize the number of policies where premiums exceed 1-percent of the coverage amount, and requires FEMA to report such premiums to Congress.

Draft Affordability Framework

- **Law requires FEMA to prepare a draft affordability framework, which is due to Congress 18 months after completion of the affordability study required by BW-12.**
 - Affordability Study required by BW-12 is underway and is being conducted by the National Academies of Sciences, as specified in the BW-12 law.
- **In developing the affordability framework, FEMA must consider:**
 - accurate communication to customers of flood risk,
 - targeted assistance based on financial ability to pay,
 - individual and community actions to mitigate flood risk or lower cost of flood insurance,
 - impact of increases in premium rates on participation in NFIP,
 - impact of mapping update on affordability of flood insurance.
- **Framework will include proposals and proposed regulations for ensuring flood insurance affordability among low-income populations.**

Mapping

- **Technical Mapping Advisory Council (TMAC) to review the new national flood mapping program authorized under the 2012 and 2014 flood insurance reform laws.**
 - The law requires the Administrator to certify in writing to Congress that FEMA is utilizing “technically credible” data and mapping approaches.
- **FEMA seeking TMAC ‘s recommendations on meeting new requirements for the mapping program including the identification of residual risk areas, coastal flooding information, land subsidence, erosion, expected changes in flood hazards with time, and others.**
- **The law lifts the \$250,000 limit on the amount that FEMA can spend to reimburse homeowners for successful map appeals based on a scientific or technical error.**
 - Federal rulemaking is required in order to implement this provision.

Mapping (cont.)

- **FEMA authorized to account for reconstruction or improvements of flood protection, not just new construction. FEMA authorized to consider present value of a levee when assessing adequate progress for the reconstruction of an existing flood protection system.**
 - The law extends certain provisions related to NFIP requirements in areas restoring discredited flood protection systems to coastal levees and clarifies that the levee needs to be considered without regard to the level of federal funding for the original construction or the restoration.



- **Law requires FEMA to enhance coordination with communities before and during mapping activities and requires FEMA to report certain information to members of Congress for each State and congressional district affected by preliminary maps.**

Mapping (cont.)

- Law exempts mapping fees for flood map changes due to habitat restoration projects, dam removal, culvert re-design or installation, or the installation of fish passages.
- Law requires FEMA to consider the effects of non-structural flood control features, such as dunes, and beach and wetland restoration when it maps the special flood hazard area.



More Information & Updates

- For more information and updates as they become available, visit: <http://www.fema.gov/flood-insurance-reform>.