THE HOMEOWNER FLOOD INSURANCE AFFORDABILITY ACT OF 2014

This law repeals and modifies certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 (BW12) and makes additional program changes not covered by that Act.

NOTE: Many provisions of BW12 are still in effect.

FEMA encourages policyholders to maintain and keep current flood insurance policies. FEMA does NOT recommend cancelling a flood insurance policy. Cancelling flood insurance policies now will leave policyholders unprotected during spring flooding and may cause policyholders to lose important discounts on their rate if they reinstate in the future.

The new law lowers the recent rate increases on some policies, prevents some future rate increases and implements a surcharge on all policyholders.

Some changes are retroactive, applying to certain policies written after July 6, 2012, other changes require establishment of new programs, processes and procedures.

FEMA will work to develop and finalize its guidance and rate tables within eight months. The law provides Write Your Own (WYO) insurance companies between six and eight months to implement the changes and update systems to implement the guidance. *WYOs are insurance companies that have qualified to write the NFIP policies.*

REFUNDS

For certain flood insurance policies affected by the Pre-FIRM subsidy elimination, the new law mandates refunds of the excess premiums that those policyholders were charged due to BW12.

Refunds will not affect all subsidized policyholders who received rate increases, only policyholders whose rate increases under BW-12 were revoked by the new law.

REFUNDS APPLY TO:

Policyholders in high-risk areas who were required to pay the full-risk rate when purchasing a new flood insurance policy on or after July 6, 2012.

REFUNDS ***MAY*** APPLY TO:

Policyholders who renewed their policy after the Homeowner Flood Insurance Affordability Act was enacted on March 21, 2014 ***AND*** whose premium increased more than 18 percent

REFUNDS ***DO NOT*** APPLY TO:

Pre-FIRM subsidized non-primary residence
Pre-FIRM subsidized businesses
Severe Repetitive Loss property
A building that was substantially damaged or improved.

INCREASE PREMIUMS

FEMA is required to increase premiums for most subsidized properties by no less than 5 percent annually until the premium reaches its full-risk rate. With limited exceptions, flood insurance premiums cannot increase more than 18 percent annually.

Some policies will continue to see up to a 25 percent annual increase 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
- Pre-FIRM buildings that have been substantially damaged or improved

NEW POLICIES

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.

LAPSED POLICIES

Lapsed policies may be reinstated with Pre-FIRM subsidized rates pending FEMA's implementation of the rate increases required by the Homeowner Flood Insurance Affordability Act.

NEW SURCHARGE ON ALL POLICIES

A new surcharge will be added to all policies, including full-risk rated policies, until all Pre-FIRM subsidies are eliminated.

- A primary residence will include a $25 surcharge
- All other policies will include a $250 surcharge

GRANDFATHERING

The new law repeals a provision of BW-12 that required FEMA, upon the effective date of a new 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.

The new act restores FEMA's ability to grandfather properties into lower risk classes. Properties whose location becomes a high risk zone on the new map will be rated at their former zone risk.

The new law sets first year premiums at the same rate offered to properties located outside the Special Flood Hazard Area (preferred risk policy rates)

THE HOMEOWNER FLOOD INSURANCE AFFORDABILITY ACT OF 2014 WILL TAKE SEVERAL YEARS TO FULLY IMPLEMENT AND COULD BE CHANGED BY FUTURE LEGISLATION.

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