

HOMEOWNER FLOOD INSURANCE AFFORDABILITY ACT (HFIAA)

SUMMARY OF APRIL 1, 2015 CHANGES

BACKGROUND

On March 21, 2014, Congress passed the Homeowner Flood Insurance Affordability Act (HFIAA) reforming the National Flood Insurance Program (NFIP). Reforms include increases in annual premiums and new and increased annual fees. These reforms will produce yearly increases for all NFIP policies into the foreseeable future. Increases are determined based on a complicated calculation, making predicting precise yearly premium increases difficult for policyholders. For more detailed information, visit Wetlands Watch's [Flood Insurance webpage](#). *This is an evolving document. We will include clarifying information when available.*

KEY TERMS

- **Special Flood Hazard Area (SFHA):** Flood zones with the highest risk of flooding (100-year flood) - includes zones A and V
- **FIRM:** FEMA Flood Insurance Rate Map
- **Pre-FIRM:** Structures built before the locality received their first FIRM (typically mid-1970s)
- **Post-FIRM:** Structures built after the locality received their first FIRM
- **Subsidized Structures:** Pre-FIRM structures in the SFHA
- **Primary Residence:** Where policyholders/spouse live at least 50% of year
- **Severe Repetitive Loss:** Structures with 4+ NFIP claims (totaling \$20,000 or more) **OR** structures with 2+ NFIP claims (totaling more than structural value)
- **Substantial Damage/Improvement:** Structures with damages or improvements worth 50%+ of structure market value
- **Full-Risk Rate:** Premium rate based on true flood risk reflected on current FIRM
- **Map Revision:** Update to FIRM, based on new flood data, often results in flood zone changes
- **Preferred-Risk Policies:** Lowest-risk policies



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PREMIUM & RATE CHANGES

- **Non-Subsidized Properties and Subsidized Primary Residences** (no severe repetitive loss and no substantial damage/improvement)
 - Premiums will increase by an average of **10%** but cannot increase by more than **18%** per year* (For more detail, see page 2 of Attachment A of [this memo](#))
- **Other Subsidized Properties** (businesses, investment properties, severe repetitive loss, or substantial damage/improvement)
 - Premiums continue to increase by **25%** per year* until full-risk rates are reached
- **Structures Newly Included in SFHA via Map Revision**
 - Existing Policies: premium remains at preferred-risk rate for one year after map revision – rates will be subject to increases based on type of property (see above)
 - New Policies: premium charged at preferred-risk rate for one year after map revision – rates will be subject to increases based on type of property (see above)

****Premium increases delineated above do NOT include two fees, listed below, that will increase rates an average of 20% (HFIAA Surcharge and Federal Policy Service Fee).***

FEE & SURCHARGE CHANGES

Effective for all policyholders

- **Homeowner Flood Insurance Affordability Act (HFIAA) Surcharge**
 - Primary Residences: \$25 annual surcharge
 - Non-Primary Residences/Businesses: \$250 annual surcharge
- **Federal Policy Service Fee**
 - Most Policies: \$45 annual fee
 - Preferred Risk Policies: \$22 annual fee
- **Reserve Fund Assessment**
 - Most Policies: 15% annual fee
 - Preferred Risk Policies: 10% annual fee

OTHER CHANGES

- **New Deductible**
 - Residential Properties: A new **\$10,000 deductible** is available
- **Proof of Primary Residence**
 - Policyholders must submit proof that the insured property is a primary residence. Insurance companies will contact policyholders directly to obtain acceptable proof, which includes the following:
 - Driver's license
 - Automobile registration
 - Proof of insurance for a vehicle
 - Voter's registration
 - Documents showing where children attend school
 - Homestead Tax Credit Form for Primary Residence
 - If the above are unavailable, a signed and dated form verifying primary residence status may be returned to insurance company

WETLANDS WATCH RECOMMENDATIONS

- **Community Rating System**
 - Talk to your local government about joining the National Flood Insurance Program's Community Rating System (CRS), a voluntary incentive based program that rewards strong floodplain management strategies with flood insurance premium discounts. If already enrolled in the CRS, encourage your community to take additional steps to increase flood insurance discounts.
- **Proof of Primary Residence**
 - Policyholders occupying a primary residence **MUST** return the documentation sent to them by their insurance company proving it is their primary residence. If they fail to return this information, they will be charged a higher rate.
- **Elevation Certificates**
 - We recommend that all policyholders in Special Flood Hazard Areas obtain an Elevation Certificate (EC) to ensure accurate premium ratings. Without an EC, policyholders run the risk of overpaying when premiums reach full-risk rates.
- **Structural Mitigation**

- Consider structural mitigation, such as elevation or flood vent installation to reduce flood insurance rates. Raising utilities may also help reduce rates; talk to your insurance agent for more information.

ADDITIONAL INFORMATION

Wetlands Watch:

For more information, visit Wetlands Watch's [Flood Insurance webpage](#)

FEMA Fact Sheets:

[How Recent Legislative Changes Affect Flood Insurance](#)

[How April 2015 Program Changes Will Affect Flood Insurance Premiums](#)

Sources:

Miller, David; FEMA. [October 1, 2014 WYO Bulletin \(W-14053\)](#). NFIP iService.

Association of State Floodplain Managers. [News & Views November 2014](#).

Association of State Floodplain Managers. [ASFPM Analysis of HFIAA](#). March 2014.

Selective Insurance. [Overview: April 2015 NFIP Changes](#).

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