Attachment D

HOW RECENT LEGISLATIVE CHANGES AFFECT FLOOD INSURANCE

FEMA

NATIONAL FLOOD INSURANCE PROGRAM

The National Flood Insurance Program (NFIP) is in the process of implementing Congressionally mandated reforms required by the Homeowner Flood Insurance Affordability Act of 2014 that repeal and modify the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12). This fact sheet provides an overview of the changes to flood insurance rates under the NFIP. While the new law is implemented, policyholders are encouraged to maintain and keep their current flood insurance policies. Allowing policies to lapse will leave policyholders unprotected.

Policyholders who have questions about their flood insurance policies should contact their insurance agent.

CHANGES TO FLOOD INSURANCE SUBSIDIES

Several provisions of both the 2012 and 2014 laws apply to older buildings constructed before the effective date of the community's first Flood Insurance Rate Map (FIRM). Such buildings are referred to as "pre-FIRM." Many pre-FIRM buildings located in high-risk flood zones have flood insurance policies with subsidized rates. Most subsidies remain, although they will be phased out over time. The rate of phaseout will depend on the type of policy. The following charts explain how premium rates are affected for different policy types.

PRE-FIRM PRIMARY RESIDENCE POLICIES IN HIGH-RISK AREAS

For Most Pre-FIRM Primary Residences in High-Risk Areas, Subsidized Rates Remain in Effect, but with Newly Required Minimum Increases—and an 18 Percent Increase Limit for Any Individual Policy—Until Premiums Reach Their Full-Risk Rates.[1]

Policy Type	Impact On Rate
Existing policies	Policies can be renewed at subsidized rates.[2]
Newly written policies	Policies can be issued and renewed at subsidized rates.
Policies on newly purchased buildings	Policies can be issued and renewed at subsidized rates.
Policies re-issued after a lapse[3]	Policies for pre-FIRM buildings in high-risk areas that lapsed due to a late renewal payment (received after the 30-day grace period but less than 90 days after expiration) can be re-issued and renewed at subsidized rates.

PRE-FIRM BUILDING POLICES IN HIGH-RISK AREAS

For Other Pre-FIRM Buildings in High-Risk Areas, Subsidized Rates Continue, but Will Increase More Quickly to Reach Full-Risk Rates.

Policy Type	Impact On Rate
Policies for non-primary residences (secondary or vacation homes or rental properties)	25% annual increases at policy renewal until premiums reach their full-risk rates.
Policies for business buildings	Future 25% annual increases at policy renewal.
Policies for Severe Repetitive Loss properties	25% annual increases at policy renewal for severely or repetitively flooded properties that include 1 to 4 residences.

[1] Full-risk rates are determined using data from an Elevation Certificate.
[2] Full-risk rates could be lower than subsidized rates.
[3] Buildings with lapsed policies are not eligible for the subsidy unless the lapse was the result of the policy no longer being required to retain flood insurance coverage.

OTHER POLICIES

For Most Other Policy Types, Rates Will Increase by No More than 18 Percent for Any Individual Policy.

Policy Type	Impact On Rate
Policies for newer ("post-FIRM") buildings in high-risk areas	Not affected by subsidies; already paying full-risk rates.
Policies for buildings in moderate- to low-risk areas	Not affected by subsidies; properties in these areas (shown as B, C, or X zones on flood maps) do not pay subsidized rates.
Policies for buildings "grandfathered in" when map changes show higher flood risk	Grandfathering remains in effect at this time. Buildings constructed in compliance with earlier maps or continuously covered by flood insurance stay in their original rate class when maps change or properties are sold.
Policies for buildings covered by Preferred Risk Policy Eligibility Extension (PRP EE)	Properties continue to be eligible for lower, preferred-risk rates for the first year after a map change. Starting the following year, rates will increase by no more than 18% for any individual policy until premiums reach their full-risk rate.

REFUNDS

BW-12 required an immediate move to property-specific, full-risk rates when pre-FIRM properties were sold or new policies issued. Some policyholders saw significant premium increases. The new law allows a return to subsidized rates for most properties—and refunds of the difference paid between the subsidized rate and current full-risk rate. FEMA is working with participating insurance companies to start the refund process by the end of this year.

RATE CHANGES WHEN PROPERTIES ARE SOLD

The 2014 law protects policyholders from significant and unanticipated increases in flood insurance costs that could impact their property sales. Subsidized rates continue to apply, and as of May 1, 2014, both the policy and its subsidized rates can be transferred to the new owner. Grandfathered rates can also be transferred at the time of sale.

OTHER PROVISIONS OF THE NEW LAW

Surcharges. A new surcharge will be added to all new and renewed 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. This new surcharge will be included on all policies, including full-risk-rated policies and Preferred Risk Policies. The surcharge will be implemented in 2015.

Deductibles. To help homeowners manage their premium costs, the law raises maximum residential deductible limits from $5,000 to $10,000.

To keep current as FEMA implements these and other changes to the National Flood Insurance Program, visit **fema.gov/flood-insurance-reform**.

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