# the VOICE

**FEMA Region 6**
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The Voice is a publication of FEMA Region 6
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## Changes to The Voice

Beginning with this issue, *The Voice* newsletter has expanded staff to include more FEMA Region 6 contributors from the Mitigation Division. This will allow us to provide you a wider variety of topics and information from subject matter experts within our staff. Our focus will continue to be Mitigation and actions communities, stakeholders and citizens can take to reduce their risk.

Feel free to share Mitigation Best Practice stories with us for upcoming articles, or provide Mitigation topics you are interested in hearing more about. We welcome your input and would be happy to share your local mitigation success stories for the benefit of others. You may now reach us through R6-Mitigation-Outreach@fema.dhs.gov.

Lastly, The Voice has been in publication since 2009 and previous issues are available at www.RiskMAP6.com.

*Check out the FEMA Region 6 Audio-recorded presentation, "Changes Coming to the NFIP What to Expect" on RiskMAP6.com*

***http://tinyurl.com/krehv36***

## Changes to the Homeowners Flood Insurance Affordability Act (HFIAA) Are Upon Us!

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 (HFIAA) that repeal and modify the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12). The new law slows some flood insurance rate increases and offers relief to some policyholders who experienced steep flood insurance premium increases in 2013 and early 2014. Flood insurance rates and other charges will be revised for new or existing policies beginning on April 1, 2015; and these changes may surprise many residents.

Starting April 1, 2015, there are updates in flood insurance premiums that will be "phased in" as HFIAA is implemented:

- New Congressionally mandated HFIAA surcharges on **ALL** policies (either $25 or $250)
- Maximum deductible for residential structures increases to $10,000
- Increases in the Annual Reserve Fund Assessments
  - 10 Percent for Preferred Risk Policies (PRP)
  - 15 percent for all other policies
- Annual premium increases of **no more** than 18% for most NFIP policies. This is in addition to the new HFIAA surcharges. There are **exceptions** which will move forward at a 25% average annual increase until they reach full-risk rates:
  - Pre-FIRM non-primary residences insured with subsidized rates;
  - Pre-FIRM non-residential and Severe Repetitive Loss (SRL) policies insured with subsidized rates; and
  - Pre-FIRM buildings that have been substantially improved after the local adoption of a FIRM.

## HFIAA Surcharges of $25 or $250: who pays and for how long?

Beginning April 1, 2015, all flood insurance policies will have a HFIAA surcharge added. Primary residence structures will see an annual surcharge of $25, and all other policies (non-primary, other residential and non-residential) will see an annual surcharge of $250.

The HFIAA surcharges will continue until all policies have reached full-risk rates. The HFIAA surcharge does not count towards the 18 % cap on individual policy increases.

It is important to note that **all residential structures are being treated as non-primary residences** until documentation is received that shows the structure is in fact the primary residence.

To avoid having to pay the higher surcharge, one must submit documentation to their insurance company to prove the home is the primary residence. Insurance companies sent letters to many of their policyholders over the last few months, making them aware of this requirement. If the primary residence documentation is not submitted, the homeowner will be required to pay the $250 surcharge. NFIP Policy Holders are encouraged to reach out to their insurance companies if they did not receive one of these letters.

## Why Flood Insurance Premiums are Changing

In July 2012, the Biggert-Waters NFIP Reform Act (BW-12) immediately moved some policies to full-risk rates. Full-risk rating means the premiums are based on the elevation difference between the lowest floor elevation and the Base Flood Elevation (BFE). The main types of properties affected by this change were homes that existed prior to a Flood Insurance Rate Map (Pre-FIRM). When the home was either sold or the owners purchased their flood insurance policy after BW-12 was implemented (July 6, 2012), they received a letter from their insurance company informing them they will be moved directly to full-risk rates. In order to be moved to full-risk rates, the property owners were required to obtain an elevation certificate. BW-12 also started phasing out all the other Pre-FIRM building rates to full-risk rates with increases set at 25% per year for many classes of structures.

The HFIAA was signed into law March 21, 2014, and slowed down some of those rate increases by putting a cap of 18% to any rate increases in any given year for most classes of property. The HFIAA removed the requirement for rates to go immediately to full-risk when purchasing a new policy or upon sale of the home. Because of the BW-12 impacts to grandfathering, portions of the Reform Act were repealed by HFIAA making it possible for policyholders to transfer their existing flood policy to the buyer at the act of sale.

## Spread the Word

Communities and stakeholder can share messages about flood risk and flood insurance protection through social networks. FloodSmart.gov has created Facebook and Twitter messages that you can easily post to your account: https://www.floodsmart.gov/floodsmart/pages/partner/spread_the_word.jsp

## Training Opportunities

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| **Topic:** | **Intro to CRS** |
| **Date** | **May 19, 2015** Online Webinar |
| **Topic:** | **CRS and Higher Regulatory Standards** |
| **Date** | **May 20, 2015** Online Webinar |
| **Topic:** | **CRS and Natural Floodplain Functions** |
| **Date** | **June 17, 2015** Online Webinar |

**Where to Register:** http://crsresources.org/training/

**Sign up for email notifications of upcoming Flood Insurance Webinars for Agents**
https://www.fema.gov/national-flood-insurance-program-training-workshops-and-conferences/agent-training

**Two-part Basic Agent Webinar:**
Addresses basic flood insurance issues as well as some more advanced components. At the conclusion of both parts of this two-part course, attendees with little or no prior NFIP experience will understand how to build a flood insurance policy from the ground up. More experienced attendees will develop a better understanding of:

- A Standard Flood Insurance Policy's major coverage areas
- FEMA's Elevation Certificate
- Increased Cost of Compliance coverage
- Grandfather rating rules
- PRP Eligibility Extension
- Reform Act Legislation

And much more!
Attendees must complete both sessions in order to cover all topics required by the Flood Insurance Reform Act (FIRA) of 2004.


## Additional NFIP Resources & Links

- Flood Insurance Reform Act Webpage (legislation, rates, refunds, and impacts, etc.) - www.fema.gov/flood-insurance-reform
- FloodSmart for Consumers - www.FloodSmart.gov
- FloodSmart for Agents – www.Agents.FloodSmart.gov
- Flood Insurance Manual - www.fema.gov/flood-insurance-manual
- NFIP iService Bureau - www.nfipiservice.com - sign up to receive the Write Your Own (WYO) Bulletins

# Flood Insurance Glossary

**Full-Risk Rates** A rate charged to a group of policies that results in aggregate premiums sufficient to pay anticipated losses and expenses for that group. In other words, "full-risk rating" means the premiums are based on the elevation difference between the lowest floor elevation and the Base Flood Elevation (BFE).

**Subsidized Rates** A subsidized premium rate is one that does not reflect the true risk of flood to that property.

**Primary Residence** HFIAA adopted the IRS definition of having to be lived in at least 50% of the policy year. The NFIP and the Write Your Own (WYO) companies will be issuing letters to these primary residence policyholders, asking them for proof that they live in the home for 51% of the year. The letters will ask for a copy of their driver's license, or other legal documents that prove their eligibility to maintain their primary residence status.

**Pre-FIRM** A "pre-FIRM" property 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.

**"Other" Residential** This is a residential building that contains more than 4 apartments/units. This category includes condominium and apartment buildings, as well as hotels, motels, tourist homes and rooming houses where the normal occupancy of a guest is 6 months or more. These buildings are permitted incidental occupancies. The total area of incidental occupancy is limited to less than 25% of the total floor area within the building. Examples of Other Residential buildings include dormitories and assisted-living facilities.

## HFIAA Changes Effective April 1, 2015, for Local Officials, Insurance Agents, and Residents:

- As required by HFIAA, the maximum deductible for a flood insurance policy will increase to $10,000 for single-family and two - to four-family dwellings. If used, the deductible must apply to both building and contents. For single-family homes, choosing the maximum deductible will result in up to a 40 percent discount from the base premium. It is important to remember that using the maximum deductible may not be appropriate in every financial circumstance and may not be allowed by lenders to meet mandatory purchase requirements.

- The Federal Policy Fee will increase by $1 for most policies other than the Preferred Risk Policy (PRP), which remains $22. The exception is policies rated using the map change table, which will increase to $45 to ensure the solvency and sustainability of the program.

- A new rate table showing annual rate increases of 25 percent will be created for pre-FIRM buildings that have been substantially damaged or improved. However, repairs made to these structures typically must meet current building codes and, therefore, will usually receive a better rate using post-FIRM rate tables.

- In most cases, average rate increases for each rating class are capped at 15 percent; the annual surcharge and Federal Policy Fee are not included in the rate calculation and could result in the total amount charged a policyholder increasing by more than 18 percent. For full explanations and guidance, see Write Your Own (WYO) Bulletin (W-14053) and the Flood Insurance Manual . A fact sheet on the April 2015 changes is found at : http://tinyurl.com/nlqppb3

## Businesses, as well as individual homeowners, will be impacted by the changes to HFIAA that will become effective April 1, 2015. Below are examples:


FLOOD INSURANCE FOR BUSINESSES: IMPACTS OF RECENT LEGISLATION

- **Existing policies for pre-FIRM business buildings:** Policies can be renewed at subsidized rates. When FEMA is able to separate businesses from other properties, future rates will increase by 25 percent per year until reaching full-risk rates.
- **Newly written policies for pre-FIRM business buildings or for newly purchased pre-FIRM buildings:** Policies can be issued and renewed at subsidized rates. When FEMA is able to separate businesses from other properties, future rates will increase by 25 percent per year until reaching full-risk rates.

To learn more please use the following link: http://tinyurl.com/njj5ryo