

# **Flood Insurance Update**

**Homeowner Flood Insurance Affordability Act Of 2014**

Signed into Law March 21, 2014

# Two Biggest Changes of New Bill

- Reinstatement of “Pre-FIRM” or “Grandfathered” rates on older homes
  - Grandfathered Pre-FIRM rates were eliminated by the Biggert Waters Flood Insurance Reform Act of 2012
- Lower caps on annual rate increases for primary homes.

# What Are Pre-FIRM Rates?

- FIRM = Flood Insurance Rate Map
- **Pre- FIRM = homes built before the initial flood insurance rate map** in your community. The first maps were adopted on 1/1/1975. Berkeley Township's Initial FIRM date is 5/19/81
- **Homes built before the FIRM date if their community are considered Pre-FIRM** and have been getting subsidized flood insurance rates because older building codes applied at the time they were built.
- **Pre-Firm rates** are based on the type of home foundation, the number of stories, and the flood zone where the home is located.

# Pre-FIRM & Post-FIRM Rate Examples

- 4 Elevation

0 Elevation

+2 Elevation



Pre-FIRM Rate

\$3,376

\$3,376

\$3,376

Post-FIRM Rate

\$10,190

\$1,727

\$633

# Other Major Changes of New Bill

- Allows the Grandfathering rules in effect prior to BW12 to remain
- Property sales will no longer trigger full-risk actuarial rates
- Requires FEMA to make refunds to policyholders with new policies after July 6, 2012 that were required to pay actuarial rates due to the BW12 Flood Reforms

# Other Major Changes of New Bill (cont'd)

- Annual premium increase cap - maximum 18% increase for primary residential homeowners
- Maintains 25% premium increases for non-primary, business properties and severe repetitive loss properties.
- Establishes a surcharge for all pre-FIRM flood policies: \$25.00 per primary residences and \$250 per policy for non-primary and non-residential properties.
- FEMA will develop an installment plan for non-escrowed flood insurance premiums

# New Definition of “Primary” Residence

- Must live in the property for at least 50 % of the 365 days following the effective date of the policy.
- All renewals on or after June 1, 2014 will be rated as non-primary unless you submit one of the following as proof of primary residence status:
  - Driver’s License
  - Automobile Registration
  - Proof of Insurance for a vehicle
  - Voter’s Registration
  - Documents showing where Children attend school, or
  - Homestead Tax Credit Form for Primary Residence

# Effective Dates???

- Technically, the provisions of the bill were effective the day it became law, March 21, 2014
- HOWEVER... Manuals must be changed, computer systems re-programmed, etc.
- Bill requires FEMA to finalize rates and rules within 8 months
- Bill requires insurance carriers another 8 months to implement changes
- Industry analysts estimate 12-18 months
- FEMA has stated that the issuance of refunds is top priority



# THANK YOU!

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