



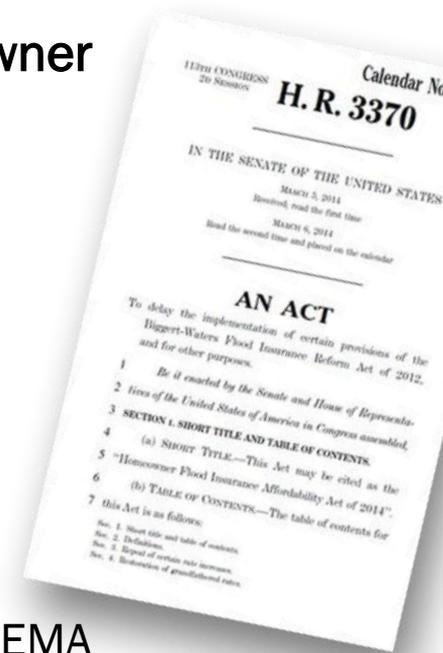
Changes to the National Flood Insurance Program – What to Expect

Impact of changes to the NFIP under Homeowner Flood Insurance Affordability Act of 2014



More Changes are Coming to the NFIP

- On March 21, 2014, President Obama signed the Homeowner Flood Insurance Affordability Act of 2014 into law.
 - Repeals and modifies certain provisions of BW-12
 - Makes additional program changes
 - Leaves some parts of BW-12 intact.
- Policyholders **SHOULD NOT** cancel policies!
- FEMA is working with our Write Your Own (WYO) insurance company partners, Congress, others to implement.
 - Prior to restoring and refunding premiums, the law requires FEMA to consult with its WYO insurance companies to develop and finalize guidance and rate tables within eight months . FEMA and the WYOs have up to eight months to implement.
 - To date, NFIP has held at least seven conference calls and met in person with senior company representatives.



Key Priorities

Executive Summary – HFIAA

HFIAA-14 Sections

Listed by FEMA division responsible, in processing order, by bundle

Front Office

§24: Designation of Flood Insurance Advocate (10% Complete) Priority - 4

Risk Insurance Division (RID) Policy & Rate Reforms

§3: Repeal of Certain Rate Increases (90% Complete) Priority - 1

§5: Requirements Regarding Annual Rate Increases (30% Complete) Priority - 1

§6: Clarification of Rates for Properties Newly Mapped into Areas with Special Flood Hazards (5% Complete) Priority - 2

§4: Restoration of Grandfathered Rates (5% Complete) Priority - 2

§28: Clear Communications (5% Complete) Priority - 2

§11: Monthly Installments for Premiums (25% Complete) Priority - 5

§8: Annual Premium Surcharge (5% Complete) Priority - 6

§12: Optional High-deductible Policies for Residential Properties (50% Complete) Priority - 6

§14: Accounting for Flood Mitigation Activities in Estimates of Premium rates (5% Complete) Priority - 8

§29: Protection of Small Businesses, Non-profits, Houses of Worship, and Residences (5% Complete) Priority - 12

§31(b): Disclosures (5% Complete) Priority - 13

§16: Affordability Study and Report (5% Complete) Priority - 14

§9: Draft Affordability Framework (5% Complete) Priority - 14

§20: Quarterly Reports Regarding Reserve Fund Ratio (5% Complete) Priority - 15

§7: Premiums and Reports (5% Complete) Priority - 16

§15: Home Improvement Fairness (100% Complete)

Risk Analysis Division (RAD) Map Program Updates

§30: Mapping (40% Complete) Priority - 3

§17: Flood Insurance Rate Map Certifications (5% Complete) Priority - 7

§19: Flood Protection Systems (25% Complete) Priority - 10

§18: Funds to Reimburse Homeowners for Successful Map Appeals (5% Complete) Priority - 11

§22: Exemption from Fees for Certain Map Change Requests (40% Complete) Priority - 17

§27: Mapping of Non-Structural Flood Mitigation Features (60% Complete) Priority - 18

Risk Reduction Division (RRD) Risk Reduction Action in Progress

§26: Flood Mitigation Methods for Buildings (5% Complete) Priority - 8

§23: Study of Voluntary Community-based Flood Insurance Options (5% Complete) Priority - 9

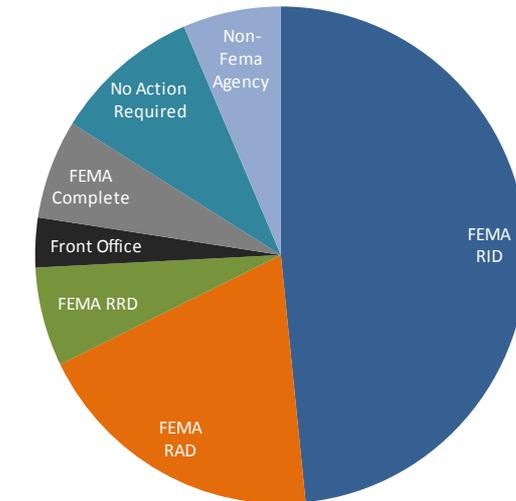
§21: Treatment of Floodproofed Residential Basements (100% Complete)

The grey box groupings show how sections are bundled (for regulatory processing, WYO announcement, consolidated report or due to interdependencies)

FEMA HFIAA-14 IMPLEMENTATION STATUS

As of April 2014, FEMA has met requirements to complete 2 of the 26 HFIAA-14 sections that require its action. To date, FEMA has met 8% of its total HFIAA-14 section completion responsibility.

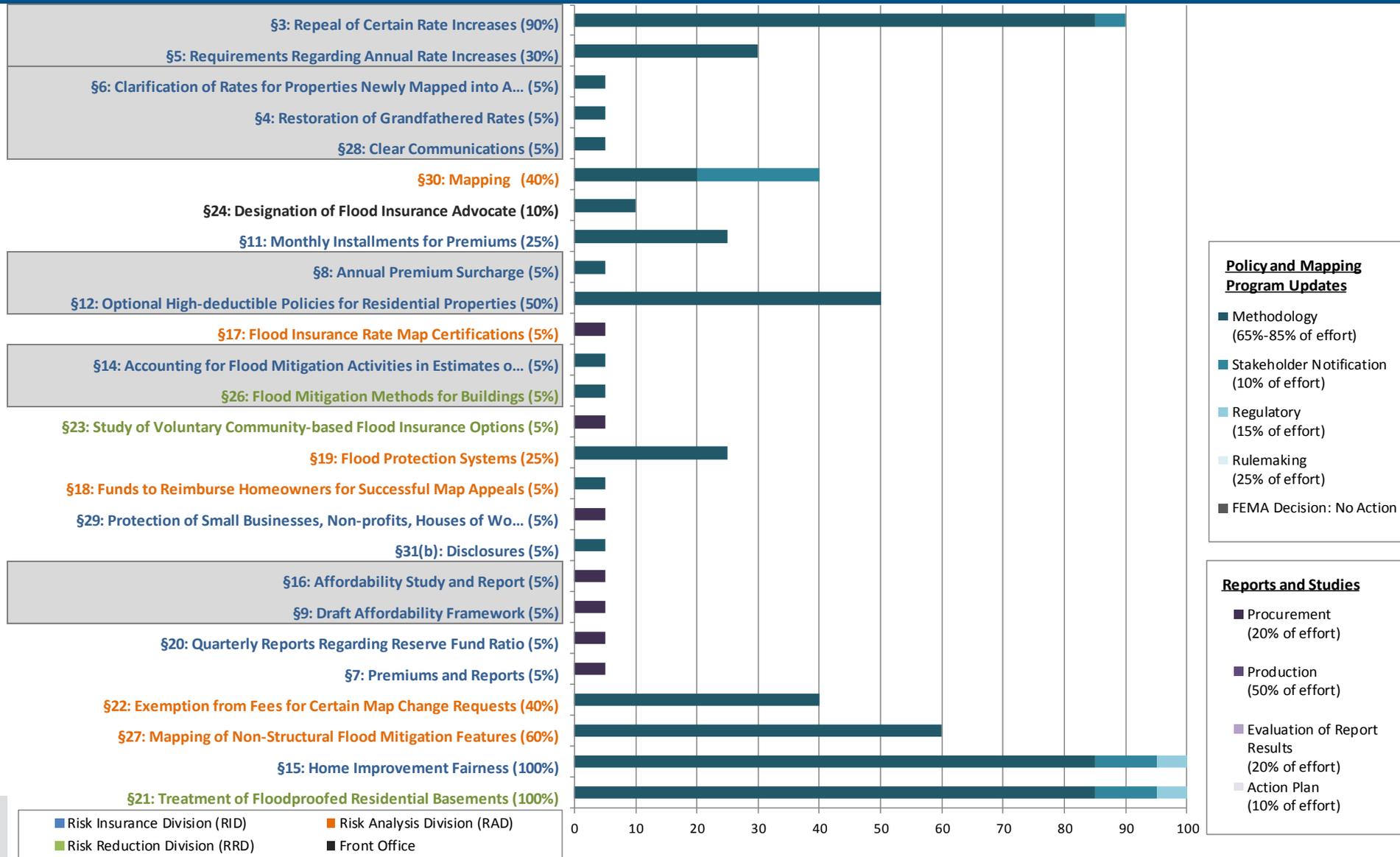
HFIAA-14 Responsibility
By Section



- Sections in Progress with FEMA Risk Insurance Division [RID] (15)
- Sections in Progress with FEMA Risk Analysis Division [RAD] (6)
- Sections in Progress with FEMA Risk Reduction Division [RRD] (2)
- Sections in Progress with FEMA Front Office (1)
- Sections Completed by FEMA to Date (2)
- No Action Required (3)
- Non-FEMA Agency Responsible (2)

Key Priorities

FEMA Summary HFIAA - Percent Completion



Key Priorities

- FEMA is actively analyzing and prioritizing implementation of the new Act.
- Initial Priority
 - FEMA's initial priority is assessing potential changes to the NFIP's business processes to **stop policy increases** for certain subsidized policyholders as outlined in the Act. FEMA also plans to issue guidance in the months ahead for the Write Your Own insurance companies to begin issuing **refunds to some policyholders**.
- Key Priorities include:
 - Refunds, Rates, and Surcharges
 - Mapping
 - Promote Mitigation
 - Flood Insurance Advocate

Stop Rate Increases

Section	Deliverable	Date	Status
Sec. 3: Repeal of Certain Rate Increases	WYO Bulletin	April 15, 2014	90%
Sec. 5: Requirements Regarding Annual Rate Increases	WYO Bulletin	April 15, 2014	30%

Stop Rate Increases

WYO Bulletin – April 15, 2014

▪ STOP RATE INCREASES

- Beginning May 1, 2014, for all new applications for flood insurance and renewal of flood insurance policies for properties covered by Section 3, FEMA will require its Direct Servicing Agent and Write Your Own companies to use the October 1, 2013 Pre-FIRM subsidized rates when more favorable for properties covered by Section 3.

▪ REFUND GUIDANCE DEVELOPMENT

- The use of the October 2013 rate tables is an interim step while FEMA develops new rate tables and guidance to process and issue refunds for policyholders covered by Section 3 who were charged full-risk premiums under Biggert Waters and are now eligible for Pre-FIRM subsidies.

Refunds, Rates, and Surcharges

Section	Key Milestones/Deliverable	Date	Status
Sec. 4: Restoration of Grandfathered Rates	WYO Bulletin	FY 2015	5%
Sec. 6: Clarification of Rates for Properties Newly Mapped into Areas with Special Flood Hazards	WYO Bulletin	FY 2015	5%
Sec. 28: Clear Communication	WYO Bulletin	FY 2015	5%
Sec. 11: Monthly Installments for Premiums	Rulemaking/WYO Bulletin	2015 - Beyond	25%
Sec. 8: Annual Premium Surcharge	WYO Bulletin	FY 2015	50%
Sec. 12: Optional High-deductible Policies for Residential Properties	WYO Bulletin	FY 2015	50%
Sec. 14: Accounting for Flood Mitigation Activities in Estimates of Premium Rates	WYO Bulletin (Reference Sec. 26)	FY 2015	5%
Sec. 29: Protection of Small Businesses, Non-Profits, Houses of Worship, and Residences	Data Collection - WYO Notification	FY 2015	5%

Refunds, Rates, and Surcharges

Section	Deliverable	Date	Status
Sec. 16: Affordability Study and Report	Study	Sept 2015	5% - dependent on Sec. 9
Sec. 9: Draft Affordability Framework	Draft Framework due to congress 18 month after affordability study	Apr 2017	5%
Sec. 20: Quarterly Reports Regarding Reserve Fund Ratio	Quarterly Reports	Beginning Sept 2014	5%
Sec. 7: Premiums and Reports	Report	Sept 2014	5%
Sec. 15: Home Improvement Fairness	Changes to threshold from 30% to 50%		100%
Sec. 31: Disclosures	Resolve Privacy Issues Report to Congress	Sept 2014	5%

Refunds, Rates, and Surcharges

Premium Rates for Subsidized Policies

- New law requires gradual rate increases to properties now receiving artificially low (or subsidized) rates instead of immediate increases to full-risk rates
- Required to increase premiums for most subsidized properties by no less than 5 to 15 percent annually within a single risk class, but no more than 18% annually for a individual policyholder, annually until the class premium reaches its full-risk rate.
 - Close to 80 percent of NFIP policyholders paid a full-risk rate and are minimally impacted by either law.
 - With limited exceptions flood insurance premiums cannot increase more than 18 percent annually.



Refunds, Rates, and Surcharges

Premium Rates for Subsidized Policies

- Exceptions to these general rules and limitations:
 - Policies for the following properties will continue to see up to 25 percent annual increases as required by BW-12 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;
 - Buildings that have been substantially damaged or improved.
- To enable new purchasers of property to retain Pre-FIRM rates while FEMA is developing guidelines, a new purchaser is allowed to assume the prior owner's flood insurance policy and retain the same rates until the guidance is finalized.

Refunds, Rates, and Surcharges

Refunds

- FEMA is working closely with the WYO insurance companies to develop a timetable for processing refunds expediently.
- The new Act mandates refunds of the excess premiums for certain flood insurance policies affected by the Pre-Flood Insurance Rate Map (Pre-FIRM) subsidy elimination required by BW-12.
- Refunds will not affect all subsidized policyholders who received rate increases as directed by Congress in BW-12.
- WYOs will be permitted to retain the expense allowance in compensation for work completed.



Refunds, Rates, and Surcharges

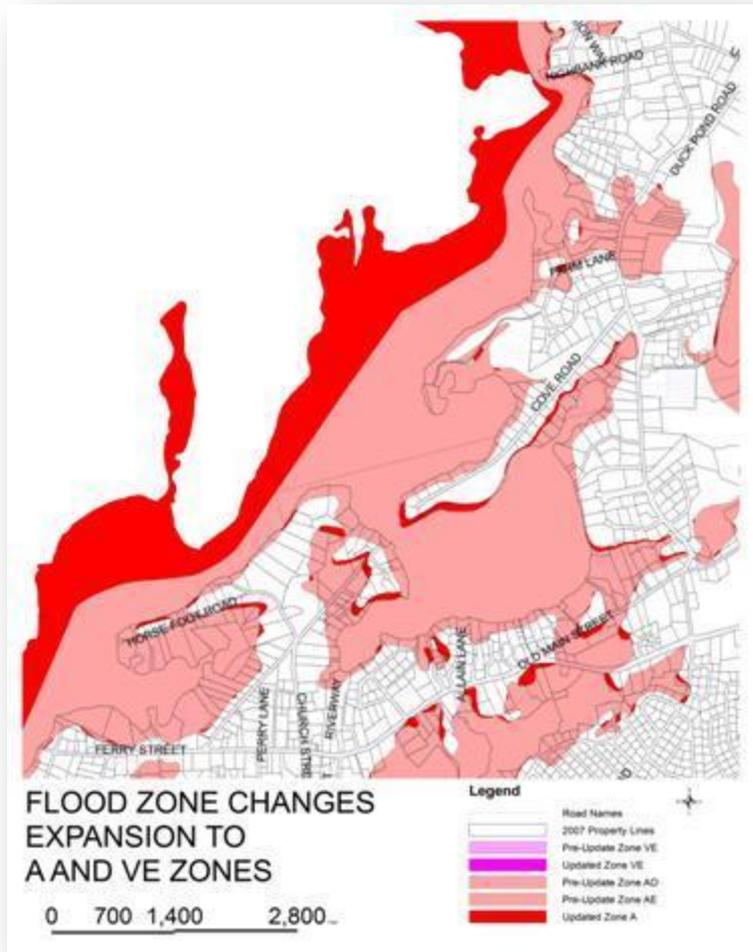
Mandatory Surcharges (Sec. 8)

- Applies to all policies
- A policy for a primary residence will include a \$25 surcharge.
- All other policies will include a \$250 surcharge.
- The fee will be included on all policies, including full-risk rated policies, until all Pre-FIRM subsidies are eliminated.
- Surcharges are not considered premium and are therefore not subject to premium increase caps required under Section 5 under the new Act.

Refunds, Rates, and Surcharges

Grandfathering (Sec 4)

- HFIAA restores FEMA's ability to grandfather properties into lower risk classes .
- For newly identified properties, the law sets first year premiums at the same rate offered to properties located outside the SFHA (Preferred Risk Policy rates).
- With limited exceptions, flood insurance premiums cannot increase more than 18 percent annually.
- Grandfathered policy holders are not entitled to refunds.



Refunds, Rates, and Surcharges

Affordability Study (BW12 and HFIAA)

- The new Act requires FEMA to draft an affordability framework, which is due to Congress 18 months after completion of the affordability study required by BW-12.
 - Affordability Study required by BW-12 is being conducted by the National Academies of Sciences, as specified in the BW-12 law.
- The Affordability Study required by BW-12 will inform FEMA's Affordability framework required by HFIAA.

Refunds, Rates, and Surcharges

Draft Affordability Framework (Sec. 9 & 16)

- In developing the affordability framework, FEMA must consider:
 - accurate communication to customers of flood risk,
 - targeted assistance based on financial ability to pay,
 - individual and community actions to mitigate flood risk or lower cost of flood insurance,
 - impact of increases in premium rates on participation in NFIP,
 - impact of mapping update on affordability of flood insurance.
- Framework will include proposals and proposed regulations for ensuring flood insurance affordability among low-income populations.

Refunds, Rates, and Surcharges

Other Provisions

- The Act permits FEMA to account for flood mitigation of the property in determining a full-risk rate. (Sec. 14) (Requires Rulemaking)
- The Act mandates that FEMA develop a monthly installment payment plan for non-escrowed flood insurance premiums, which will require changes to regulations and the Standard Flood Insurance Policy contract. (Sec. 11) (Requires Rulemaking)
- The Act increases maximum deductibles for residential properties. (Sec. 12)
- The Act encourages FEMA to minimize the number of policies where premiums exceed 1-percent of the coverage amount, and requires FEMA to report such premiums to Congress. (Sec. 7)

Refunds, Rates, and Surcharges

Small Business (Sec. 29)

- Sec. 29 requires FEMA to report to Congress on the effects the Pre-FIRM subsidy phase-outs and surcharge on small businesses, non-profits, houses of worship and certain residences.
 - If FEMA determines the rate increases and surcharges are having a detrimental effect on affordability, FEMA must submit appropriate affordability recommendations to Congress.

HFIAA Impacts to Businesses

- Business properties are included within the “non-residential” policy class. FEMA is actively working to determine how best to identify and classify businesses within the category.
- Older Business properties paying pre-FIRM subsidized rates will continue to see up to a 25 percent annual increases as required by BW-12 until they reach their full-risk rate. This requirement was not changed as a result of the HFIAA.

Mapping

Section	Key Milestone/Deliverable	Date	Status
Sec. 30: Mapping (Enhanced Communication and Outreach)	Issuing Guidance to Mapping partners Congressional Notification	Sept 2014 FY 2015	40%
Sec. 17: Flood Insurance Rate Map Certifications	TMAC Report	TBD	5%
Sec. 19: Flood Protection Systems	Issue Policy Rulemaking	July 2014 FY 2015	25%
Sec. 18: Funds to Reimburse Homeowners for Successful Map Appeals	Rulemaking	TBD	5%
Sec. 22: Exemption from Fees for Certain Map Change Requests	Formalization of Mapping Standards; Public Comment; Published on Website	Nov 2014	40%
Sec. 27: Mapping of Non-Structural Flood Mitigation Features	Formalization of Mapping Standards; Public Comment; Published on Website	Nov 2014	60%

Mapping

Enhanced Communication and Outreach

- FEMA will continue Mapping activities
- BW-12 requires FEMA to enhance coordination with communities before and during mapping activities and requires FEMA to report certain information to members of Congress for each State and congressional district affected by preliminary maps.
- Sec. 30 of HFIAA requires additional layers of enhanced notification and outreach to congress and other stakeholders.

Technical Mapping Advisory Council

- Technical Mapping Advisory Council (TMAC) to review the new national flood mapping program activities authorized under the 2012 and 2014 flood insurance reform laws.
 - FEMA will seek the TMAC's recommendations on meeting new requirements for the new mapping program including the identification of residual risk areas, coastal flooding information, land subsidence, erosion, expected changes in flood hazards with time, and others.
 - The law requires the Administrator to certify in writing to Congress that FEMA is utilizing "technically credible" data and mapping approaches.

Mapping

Flood Insurance Rate Map Appeals

- The Act lifts the \$250,000 limit on the amount FEMA can spend to implement a program to reimburse property owners and communities for successful map appeals based on a scientific or technical error.
- The Act applies to statutory appellants who successfully appeal the Agency's proposed flood elevations and special flood hazard areas.
- Rulemaking is required to implement this provision
- The new law does not apply to Letter of Map Amendment (LOMA) and Letter of Map Revision (LOMR) requests, or any expenses associated with them.

Mapping

Flood Protection Systems

- Authorizes FEMA to account for state and local funds used in the construction or restoration of a flood protection project when determining whether the project meets the statutory requirements to be eligible for discounted premiums. (Sec. 19)
- Permits FEMA to include the value of existing protection features in measuring adequate progress for the restoration of levees. (Sec. 19)



Mapping

Fees

- Law exempts mapping fees for flood map changes due to habitat restoration projects, dam removal, culvert re-design or installation, or the installation of fish passages. (Sec. 22)

Flood Control Features

- Law requires FEMA to consider the effects of non-structural flood control features, such as dunes, and beach and wetland restoration when it maps the special flood hazard area. (Sec. 27)



Promote Mitigation

Section	Deliverable	Date	Status
Sec. 26: Flood Mitigation Methods for Buildings Ref Sec. 14	Procurement - Study	TBD post-2014	5%
Sec. 21: Treatment of Flood-proofed Residential Basements	None (Codifies FEMA Regulation)		100%
Sec. 23: Study of Voluntary Community-based Flood Insurance Options	Study		5%

Flood Insurance Advocate

Section	Deliverable	Date	Status
Sec. 24: Designation of Flood Insurance Advocate	Con Ops	2014	10%

Flood Insurance Advocate

- Educates on:
 - Individual flood risks;
 - Flood mitigation;
 - Measures to reduce rates through effective mitigation;
 - The rate map review and amendment process;
 - Changes in the program as a result of any newly enacted laws.
- Assists in understanding how to appeal preliminary rate maps and implementing measures to mitigate evolving flood risks;
- Assists in developing regional capacity;
- Coordinates outreach and education with local officials and community leaders in areas impacted by map amendments and revisions; and
- Aids potential policy holders in obtaining and verifying accurate rate information when purchasing or renewing a policy.



More Information & Updates

- For more information and updates as they become available, visit: <http://www.fema.gov/flood-insurance-reform>.