



FEMA

Congressional Advisory

NATIONAL FLOOD INSURANCE PROGRAM AND IMPLEMENTATION OF THE HOMEOWNER FLOOD INSURANCE AFFORDABILITY ACT – SECTION 3 AND 5 REFUNDS

On March 21, 2014, President Obama signed the Homeowner Flood Insurance Affordability Act of 2014 into law. This law repeals and amends certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) and the National Flood Insurance Act of 1968.

Today, the Federal Emergency Management Agency's (FEMA) National Flood Insurance Program (NFIP) is providing a technical bulletin to its private sector, Write Your Own insurance company partners to provide guidance on the additional steps underway to implement changes to the program and provide refunds to qualifying policyholders who received rate increases under Biggert-Waters. This action is a significant step in FEMA's effort to actively prioritize implementation of the law and provide relief to policyholders who received rate increases as a result of the previous legislation.

The June 26, 2014 Bulletin provides guidance to our Write Your Own insurance companies on how to process refunds for qualified policyholders based on the requirements in the new legislation. Specifically, the Bulletin contains information on who qualifies for a refund, how the refund will be calculated, and provides a timeline to have all refunds issued to policyholders.

Nearly 14 percent of policyholders are eligible for a refund. These eligible policyholders should begin receiving premium refunds in the mail as early as October 2014 with an expected completion by the end of the year. It's important to note that not all NFIP policyholders will receive a refund and nearly 80 percent of the programs policyholders paid a full-risk rate prior to both laws and continue to be minimally impacted. Policyholders may receive a refund if:

- They purchased or renewed a policy on or after October 1, 2013 and were charged full-risk premiums for buildings constructed before FEMA issued Flood Insurance Rate Maps (FIRM) for a community, also known as a Pre-FIRM property. The full-risk rate was charged because the property was not insured when Biggert-Waters was enacted or the property was purchased after Biggert-Waters legislation was enacted.
- They purchased or renewed a policy after March 21, 2014 and paid rates in excess of the premium increase cap of 18% mandated under the Homeowner Flood Insurance Affordability Act. Section 5 of the Act prohibits FEMA from increasing premiums more than 18 percent for an individual policy, with some exceptions.



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The new legislation also prohibits FEMA from increasing premiums more than 18 percent for any individual policyholder with some exceptions. These exceptions include:

- Some properties receiving Pre-FIRM subsidized rates are subject to the 25-percent annual increases mandated by Biggert Waters – non-primary residences, businesses, Severe Repetitive Loss properties (including cumulative loss properties), and substantially damaged or improved;
- Properties that are located in a community that loses its Community Rating System standing;
- Premium increase that result from a decrease in the deductible or an increase of coverage; or
- A property that was misrated.

FEMA will continue to work with Congress, Write Your Own insurance companies, other industry partners and stakeholders, and NFIP Policyholders to implement the changes to the NFIP program with the shared goal of helping families maintain affordable flood insurance, ensuring the financial stability of the program, and reducing the risks and consequences of flooding nationwide.

Please see the attached bulletin for additional detail and advise FEMA's Office of Congressional Affairs if you have any questions. We can be reached at (202) 646-4500.



June 26, 2014

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the National Flood Insurance Program (NFIP) Direct Servicing Agent (DSA)

FROM: David L. Miller
Associate Administrator
Federal Insurance and Mitigation Administration

SUBJECT: October 1, 2014, Refund Procedures – Sections 3 and 5 of the Homeowner Flood Insurance Affordability Act of 2014 (HR 3370)

The purpose of this memorandum is to provide notification of the refund procedures that the NFIP will implement beginning October 1, 2014, pursuant to Section 3 of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA), Pub. L. No. 113-89 (March 21, 2014). Refund amounts will be determined using rates made available in Bulletin W-14026 issued on May 29, 2014. Section 3 of HFIAA requires FEMA to restore Pre-Flood Insurance Rate Map (FIRM) subsidized rates and issue refunds of excess premiums collected above the subsidized rate for:

- Pre-FIRM properties not insured when the Biggert-Waters Flood Insurance Act of 2012 (Biggert-Waters) was enacted;
- Pre-FIRM properties purchased after Biggert-Waters was enacted; and
- Policies for Pre-FIRM properties that were rated full-risk under Biggert-Waters due to a lapse in coverage, but only for policies where the lapse was due to a property owner no longer being required to purchase flood insurance.

The effective date of rate tables that implement premium changes required by Section 3 of HFIAA is July 6, 2012, which is the date Biggert-Waters was enacted.

With some exceptions, Section 5 of HFIAA prohibits FEMA from increasing premiums more than 15 percent a year within a single risk class and more than 18 percent for any individual policyholder. These exceptions include:

- Properties receiving Pre-FIRM subsidized rates subject to the 25 percent increases mandated by Biggert-Waters for non-primary residences, businesses, Severe Repetitive Loss properties (including cumulative loss properties), and substantially damaged or improved properties;
- Properties located in a community that loses its Community Rating System (CRS) standing;
- Increases in premium due to a decrease in the deductible or an increase of coverage; or
- Misrated properties.

Section 5 was effective on March 21, 2014, the date HFIAA was enacted. Prior to HFIAA, FEMA was authorized to increase rates within a single risk class by no more than 20 percent over a 12-month period, with no individual policy cap. Consequently, as of March 21, 2014, some rates contained in the October 1, 2013, rate tables may have exceeded the premium increase caps mandated by Section 5 of HFIAA for some Pre-FIRM subsidized policyholders, as well as some Post-FIRM and other full-risk-rated policyholders.

On April 15, 2014, FEMA issued Bulletin W-14014 requiring the NFIP DSA and WYO insurers to restore Pre-FIRM subsidized rates for Section 3 properties where policies were purchased or renewed after May 1, 2014. Bulletin W-14014 required that insurers use the October 1, 2013, Pre-FIRM subsidized rate tables for those policies.

On May 29, 2014, FEMA issued Bulletin W-14026 providing Section 5 compliant rates that are the same or lower than the October 1, 2013, premium rates for both Pre-FIRM subsidized policies, and other policies. Bulletin W-14026 required the NFIP DSA and WYO insurers to use the Section 5 compliant rates for new and renewal business issuing effective October 1, 2014.

Today, FEMA is issuing a bulletin providing guidance to provide refunds required by Section 3 of HFIAA for policies eligible for Pre-FIRM subsidized rates issued on or after October 1, 2013, and on or before September 30, 2014. The refund procedures will also apply to policies not receiving Pre-FIRM subsidized rates that were effective on or after March 21, 2014, and on or before September 30, 2014, where the October 1, 2013, premium rates exceeded the premium increase caps mandated by Section 5 of HFIAA. The premium rates provided in Bulletin W-14026 on May 29, 2014, will continue to be used for new and renewal policies effective on or after October 1, 2014. In every case, these rates are the same or lower than the October 1, 2013, rates. FEMA will also utilize these same rate tables to calculate premium refunds to comply with Sections 3 and 5 of the HFIAA. Refunds will begin on October 1, 2014, and all refunds must be generated by December 31, 2014.

Detailed information is attached regarding the HFIAA premium refund process, including underwriting and accounting guidelines, the rate tables to be used to determine refund amounts, and modifications to the Transaction Record Reporting and Processing (TRRP) Plan, the Accounting Exhibits, and the Edit Specifications document.

For questions, please contact Joe Cecil at (202) 212-2067.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: Accounting, Data Processing, Underwriting, Marketing