National Flood Insurance Program
April 1, 2015, Program Changes: A Summary
UPDATED October 24, 2014
See [FEMA Bulletin W14053 NFIP Program Changes 4-1-2015]

NEW:

- **Homeowners Flood Insurance Affordability Act (HFIAA) Surcharge**
  Beginning April 1, 2015, a new annual premium surcharge will charged to all policy types (Standard Flood Insurance Policy (SFIP), Preferred Risk Policies (PRP), Residential Condominium Association Policies (RCBAP), Mortgage Portfolio Protection Program (MPPP), as well as Tentative and Provisional Policies:

  - **$25** for policies covering **single-family primary residences** (including individual condominium unit owner's policies written under the dwelling form if it is their primary residence) or unit/apartment owners policies in non-condominium buildings used as a primary residence by the named insured for contents only.
  - **$250** for policies covering **single family non-primary residences** and **2-4 family dwellings** (even if it's the primary residence of the named insured) and **other residential properties** (apartment buildings, co-ops, etc...) and non-residential properties.
  - **$250** for policies covering entire **condominium buildings** written under the Residential Condominium Building Association Policy (RCBAP), Other Residential on Non-Residential Condominium's not eligible for the RCBAP.

  Insured's must sign the "Verification of Primary Residence Status for HFIAA Surcharge" or provide documentation as outlined under the Primary Residence definition to receive the $25 surcharge – otherwise the $250 surcharge will be applied.

  The HFIAA surcharge **is fully earned** and will not be eligible for refunds due to cancellation or reduction of coverage, but may only be refunded for cases of policy nullification (e.g., Risk Not Eligible for Coverage). However, the surcharge may be corrected or changed from a non-primary to primary residence status which would result in a refund if corrected or pro-rata refund if the change occurred mid-term.

- **Increased Optional Deductible**
  A $10,000 deductible will be available April 1, 2015 for residential properties and the same deductible option must apply to both building and contents coverage.

  Insurers are required to inform applicants of the availability of this coverage option either on the Application Form or on a separate form, segregated from all unrelated information and other required disclosures. A statement must be included to explain the effect of a loss-deductible and that, in the event of an insured loss, the insured is responsible out-of-pocket for losses to the extent of the deductible selected.

- **Minimum Deductibles**
  Effective April 1, 2015, a new minimum deductibles for PRP and MPPP policies will be $1,000 for both building and contents if the building coverage is less than or equal to $100,000 and $1,250 if building coverage is over $100,000, regardless if the property is Pre or Post FIRM. PRP and MPPP contents-only policies will receive a $1,000 minimum deductible.

- **Property Newly Mapped into the SFHA (Old PRP Extension)**
  Effective April 1, 2015, the Newly Mapped procedure offers a premium identical to a Preferred Risk Policy (PRP) premium before the Reserve Fund Assessment (RFA) and Federal Policy Fee (FPF) for the first year.

After the first year, affected policies will transition to full-risk rates through average premium increases of 15 percent but not exceeding 18 percent per policy (excluding the HFIAA surcharge). The full-risk rates may be based on the grandfathered zone or Base Flood Elevation (BFE).

Eligibility for the Newly Mapped Procedure:

- Properties newly mapped into the SFHA on or after April 1, 2015, are eligible for the Newly Mapped procedure if they obtain coverage within 12 months of the map revision date. **However**, if the property owner does not obtain coverage within 12 months of the map revision date they will not be eligible for the Newly Mapped procedure, but must be rated in the zone and/or BFE on the current map. **Remember, Post-FIRM building would be able to "grandfather" their zone that was effect at the time of construction but Pre-FIRM building must be rated using the current SFHA zone (if the property owner has an EC and the full-risk rates are cheaper, they must use the full risk rates).
- Properties newly mapped into the SFHA between October 1, 2008, and March 31, 2015, are eligible for the Newly Mapped Procedure if they obtain coverage before April 1, 2016.
- Policies validly issued under the PRP Eligibility Extension prior to April 1, 2015, should be renewed with the Newly Mapped procedure on the first effective date on or after April 1, 2015.
- Properties that do not meet the loss history requirements for a PRP (flood damage from two or more separate flood events resulting in flood insurance or disaster relief payments exceeding $1,000 per event) are ineligible for the Newly Mapped procedure. A Newly Mapped property that becomes ineligible for this procedure due to loss history may be renewed with standard X-zone rating.

- **Substantially Damaged/Substantially Improved Structures**

  Beginning April 1, 2015, policies for Pre-FIRM properties with substantially damaged/ substantially improved structures will be subject to annual 25-percent premium rate increases until they reach full-risk premiums. This represents a change from the previous policy of reclassifying a substantially damaged/substantially improved building as Post-FIRM and immediately requiring full-risk rates. If the full-risk premium is lower than the subsidized premium, the full-risk rating should be used.

INCREASES/CHANGES:

- **Reserve Fund**

  The Reserve Fund Assessment will increase to 15 percent for all policies except PRPs. The Reserve Fund Assessment for PRPs will be 10 percent.

- **Non-Primary and Severe Repetitive Loss Properties**

  These properties will continue to receive annual 25 percent premium increases on a rate class basis, not an individual basis, until full-risk rates are achieved. A renewal of a policy on a Pre-FIRM, primary residence that is not an SRL property that changes to an SRL or a non-primary residence status would see an increase greater than 25 percent.

- **Federal Policy Fee (FPF)**

  The FPF will remain $22 for PRPs and **will increase to $45** for all other policies except RCBAPs. This $45 FPF also applies to those policies previously rated under the PRP EE (now rated under Properties Newly Mapped into the SFHA), as well as policies effective on or after April 1, 2015, covering properties that were newly mapped into the SFHA by a map revision that became effective on or after March 21, 2014.

  The FPFs for the **RCBAP** are provided below.
  - 1 unit $45 per policy
  - 2-4 units $135 per policy

- 5-10 units $360 per policy
- 11-20 units $720 per policy
- 21or more units $1,800 per policy

- **Premium Increases**
Premium increases effective April 1, 2015, limits average annual increases in flood insurance premiums to 15 percent for each risk class, while also requiring the average increase for all Pre-FIRM subsidized policies be at least 5 percent. In addition, 18 percent is the most any individual premium may increase, with some limited exceptions that include, but are not limited to, misratings and increases in the amount of insurance coverage or a change in the Community Rating System (CRS discount). When premium increases are evaluated for compliance with these caps**, the Reserve Fund Assessment is included as the Reserve Fund is calculated off the premium.**

** Note: The Congressionally-mandated surcharge ($25 or $250), the probation surcharge, and the Federal Policy Fee (FPF) are not considered premiums and, therefore, are not subject to the 18% cap as a result, the increase in the total amount charged a policyholder may exceed 18 percent in some cases.

Premiums, including the Reserve Fund Assessment but excluding the FPF and the new HFIAA-mandated surcharge, will increase **an average of 9.9% for policies** written or renewed on or after April 1, When the FPF and the new HFIAA-mandated surcharge are included, the total amount charged to the policyholder will increase **an average of 19.8 percent**.

The average premium change by zone varies as described below, **showing both the average premium increase** (including the Reserve Fund Assessment) **and the average total increase** (including the FPF, the HFIAA surcharge, and any applicable probation surcharged) charged to the policyholder.

Flood Zone	**Pre-FIRM (Subsidized) Primary Residence**	**Pre-FIRM (Subsidized) Non-Primary Residence**	**Pre-FIRM (Subsidized) 2-4, Other Residential and Non-Residential**	**Post-FIRM (full risk rates)**
A1-A30 and AE	Increase 14% Total Increase15%	Increase 24% Total Increase 37%	Increase 14% Total Increase 23%	Increase 9% Total Increase 23%
AO, AH, AOB, AHB	Increase 14% Total Increase15%	Increase 24% Total Increase 37%	Increase 14% Total Increase 23%	Increase 10% Total Increase23%
Unnumbered A	Increase 14% Total Increase 15%	Increase 24% Total Increase37%	Increase 14% Total Increase 23%	Increase 12% Total Increase 21%
A99	Increase 12% Total 19%	Increase 12% Total 19%	Increase 12% Total 19%	Increase 12% Total Increase 19%
AR	Increase 12% Total Increase 19%	Increase 12% Total Increase 19%	Increase 12% Total Increase 19%	Increase 12% Total Increase 19%
V, V1-V30 and VE	Increase 14% Total Increase 15%	Increase 24% Total Increase 37%	Increase 14% Total Increase 23%	Increase 9% Total Increase 13%
Standard B, C and X	Increase 11% Total Increase 20%	Increase 11% Total Increase 20%	Increase 11% Total Increase 20%	Increase 11% Total Increase 20%
D Zones	Increase 14% Total Increase 15%	Increase 24% Total Increase 37%	Increase 14% Total Increase 23%	Increase 13% Total Increase 19%

PRP Policies: Premiums will **decrease** an average of 2%, but overall the average amount these policyholders will pay **increase 14%.**

PRP EE Policies: Premiums will **decrease** an average of 13%, but overall the average amount these policyholders pay will **increase 7%.**

** Please be aware that FEMA did not analyze the subsidized groups across zones, so the usual caveat that individuals can see increase different than these averages applies doubly; once because of different coverage/deductible/rates/etc. within any zone, but again because of different average premiums across zones.

- **Additional Rating Guidance for Pre-FIRM Buildings**
  Full-risk rates should always be used for Pre-FIRM buildings with elevation information when the full-risk rate is lower than the appropriate Pre-FIRM subsidized rates. Pre-FIRM subsidized rates should be utilized for Pre-FIRM buildings when more favorable than a full-risk rate or when insufficient information is submitted to determine a full-risk rate.