



MEMORANDUM

From: Greg Burns, Van Scoyoc Associates
To: Charlotte County
Subject: Section by Section Summary of H.R. 3370, the Homeowner Flood Insurance Affordability Act of 2014
Date: March 3, 2014

Section by Section Summary of H.R. 3370 *As Amended February 28, 2014*

Sec. 1. Short title and table of contents.

The bill is titled the “Homeowner Flood Insurance Affordability Act of 2014.”

Sec. 2. Definitions.

Defines “Administrator” and “National Flood Insurance Program” for purposes of the bill.

Sec. 3. Repeal of certain rate increases.

- Repeals rate increases for primary home properties purchased after the passage of Biggert-Waters 2012 (BW12, passed on July 6, 2012), those purchasing insurance for the first time after that date, or those whose insurance lapsed because they were no longer required to maintain flood insurance.
- Mandates that refunds be provided to insureds for any excess premiums charged.
- Mandates that FEMA develop guidance within 8 months to implement this section and consult with Write Your Own companies who will actually provide the refunds between 6 and 8 months after the guidance has been developed (total time elapsed of between 14 and 16 months after date of enactment before refunds will be issued).
- Purchasers of properties may assume an existing flood insurance policy on said property.

Sec. 4. Restoration of grandfathered rates.

Reinstates “grandfathering” (repeal of Section 207 of BW12), meaning that if you built to code post-FIRM, your rates will not reflect new risk due to changing flood maps in your area. Ensures that this section is effective as of July 6, 2012.

Sec. 5. Requirements regarding annual rate increases.

- Lowers future premium rate increases on primary homes from 20 or 25 percent under current law to “not less than” 5 percent to no more than 15 percent per year.
- For any specific primary home, rate increases may be no greater than 18 percent each year unless:
 - Your policy lapses
 - Your property is located in a community whose Community Rating System participation experiences a “rating downgrade”
 - You either decrease the amount of your deductible or increase the amount of coverage
- FEMA will determine rate increases for all properties within an entire risk classification, not on an individual property basis.

Sec. 6. Clarification of rates for properties newly mapped into areas with special flood hazards.

If your property is newly mapped into the floodplain, for the first year you will be able to pay the lower Preferred Risk Policy rate prior to being phased into higher, actuarial rates.

Sec. 7 Premiums and reports.

Mandates that FEMA shall not only “strive to achieve” actuarial rates, but also “strive to minimize the number of policies with annual premiums that exceed one percent of the total coverage provided by the policy.”

- This threshold equates to a \$2,500 annual policy premium on a policy providing \$250,000 in coverage.
- Requires FEMA to notify Congress of any such policies whose premiums exceed the one percent threshold.

Sec. 8. Annual premium surcharge.

- Institutes an annual premium surcharge for “newly issued or renewed” policies of:
 - \$25 for all primary residential properties
 - \$250 for all business or non-primary residence
- This provision shall cease to apply after actuarial rates are achieved
- Funds collected will be deposited in a reserve fund

Sec. 9. Draft Affordability Framework

FEMA shall prepare a “draft affordability framework” in 18 months that proposes to address, via programmatic and regulatory changes, the “issues of affordability of flood insurance sold” via the NFIP. Such framework shall consider:

- Communication to consumers of flood risk
- Targeted assistance to policyholders based on ability to participate in the NFIP
- Individual or community actions to mitigate risk or lower the cost of flood insurance
- The impact of increases in premium rates on participation in the NFIP
- The impact of rate map updates have on affordability

Sec. 10 Risk transfer.

FEMA may secure reinsurance of coverage provided by the NFIP from private markets

Sec. 11. Monthly installment payment for premiums.

Allows for the monthly payment of flood insurance premiums. Must be implemented within 18 months after enactment of this bill.

Sec. 12. Optional high-deductible policies for residential properties.

Allows for an annual loss-deductible up to and including \$10,000.

Sec. 13. Exclusion of detached structures from mandatory purchase requirement.

States that flood insurance is not required for detached structures that do not serve as a residence.

Sec. 14. Accounting for flood mitigation activities in estimates of premium rates.

Ensures that flood mitigation activities shall be considered when determining flood premium rates.

Sec. 15. Home improvement fairness.

Changes from 30 percent to 50 percent the definition of “substantial improvement” to a property.

Sec. 16. Affordability study and report.

Provides \$2.5 million to FEMA to complete their affordability study within 18 months. Also requires that FEMA also consider “enhanced mitigation assistance and means-tested assistance” and catastrophe savings accounts.

Sec. 17. Flood insurance rate map certification.

Seeks to require that flood insurance rate maps (FIRM) result in “technically credible flood hazard data.”

Sec. 18. Funds to reimburse homeowners for successful map appeals.

Clarifies that funds from the National Flood Insurance Fund may be used to reimburse homeowners for successful map appeals.

Sec. 19. Flood protection systems.

Clarifies scenarios related to how far along construction of a flood protection system must be in order to remove an area from a floodplain.

Sec. 20. Quarterly reports regarding Reserve Fund ratio.

Clarifies that FEMA provide a quarterly report to Congress regarding the National Flood Insurance Fund.

Sec. 21. Treatment of floodproofed residential basements.

Ensures that FEMA continues to extend exceptions and variances consistent with past practice for floodproofed residential basements.

Sec. 22. Exemption from fees for certain map change requests.

Provides for an exemption from a review or processing fee for those requesting a FIRM change due to a habitat restoration project funded in part with Federal or state funds.

Sec. 23. Study of voluntary community-based flood insurance options.

Directs FEMA to “conduct a study to assess options, methods, and strategies for making available voluntary community-based flood insurance policies through the” NFIP.

Sec. 24. Designation of flood insurance advocate.

Creates a Flood Insurance Advocate for property owners to educate and assist policyholders and coordinate outreach.

Sec. 25. Exceptions to escrow requirement for flood insurance payments.

Clarifies certain exceptions to escrow requirements for flood insurance payments.

Sec. 26. Flood mitigation methods for buildings.

Requires that FEMA develop guidelines for property owners within one year that provide alternative means of flood mitigation, other than elevation, that can reduce flood risk and inform property owners about how mitigation can lower premiums.

- Ensures that FEMA actually provide lower premiums for property owners that mitigate as described above.

Sec. 27. Mapping of non-structural flood mitigation features.

Mandates that FEMA include “non-structural flood mitigation features” when updating FIRMs.

Sec. 28. Clear communications.

Ensures that FEMA “clearly communicate full flood risk determinations to individual property owners regardless of whether their premium rates are full actuarial rates.”

Sec. 29. Protection of small businesses, non-profits, houses of worship, and residences.

- Mandates that FEMA develop a report within 18 months after enactment, and then every 6 months thereafter, assessing the impact of rate increases on the affordability of flood insurance for the following:
 - Small businesses with less than 100 employees
 - Non-profit entities

- Houses of worship
- Residences with a value equal to or less than 25 percent of the median home value of properties in the State in which the property is located
- FEMA must make recommendations if such flood insurance policies are unaffordable

Sec. 30. Mapping.

Mandates that FEMA:

- Before commencement of any mapping or map updating process, notify each community affected of the model or models that the Administrator plans to use in such process and provide an explanation of why such model or models are appropriate;
- Provide each community affected by a new mapping process a 30-day period to consult with FEMA regarding the appropriateness of the mapping model to be used
- Upon completion of the first Independent Data Submission, transmit a copy of such Submission to the affected community, provide the affected community a 30-day period during which the community may provide data to FEMA that can be used to supplement or modify the existing data, and incorporate any data that is consistent with prevailing engineering principles
- Notify a community's member of Congress and Senators

Sec. 31 Disclosure.

Mandates that FEMA shall make publicly available rate tables and underwriting guidelines that provide for changes to policy costs.