



# TOWN OF YARMOUTH

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## **HR 3370 Homeowner Flood Insurance Affordability Act Fact Sheet - March 25, 2014**

President Obama signed into law the Homeowners Flood Insurance Affordability Act on March 21, 2014. This law amends the Biggert Waters Flood Insurance Reform Act of 2012 and delays or softens the implementation of some of the flood insurance rate hikes required by Biggert Waters. Although Biggert Waters was originally put into place to improve the financial stability of the National Flood Insurance Program which was running in a deficit after multiple major storm events, it had the unintended financial consequence of excessively high flood insurance rates for many properties.

The Homeowners Flood Insurance Affordability Act provides for temporary relief for some properties as outlined in the following general summary prepared by the Yarmouth Planning Department. Although it provides for slower rate increases, the intent is to move toward full actuarial flood insurance rates for properties located in Special Flood Hazard Areas (SFHAs). All property owners in SFHAs, or moving into SFHAs based on the new Flood Insurance Rate Maps which are effective on July 16, 2014, are encouraged to contact their insurance providers for how this new law specifically relates to their property.

### **Highlights of the Homeowners Flood Insurance Affordability Act:**

- ***Repeals the property sale/new policy trigger*** that required buyers to immediately pay the full-risk premium rate at the time of purchase and allows for the “transfer” of existing policies at current rates to new owners.
- ***Retains grandfathering*** of rates for property owners mapped into higher risk area when properties were originally built to code.
- ***Sets an average increase limit of 15% per rate classification*** (reduced from 20% in Biggert Waters).
- ***Limits future annual increases on individual policies for Pre-FIRM primary homes*** to no more than 18%, but not less than 5%, for primary homes built before May 2, 1977 (Yarmouth’s Pre-FIRM date).
- ***Retains 25% annual increases on individual policies for Pre-FIRM second homes or commercial properties, and for repetitive loss properties*** until full risk rate reached per Biggert-Waters (no change).
- ***Limits future annual increases on individual policies for Post-FIRM primary home, second home and commercial properties*** to 18% on properties built after May 2, 1977 (Post-FIRM properties).
- ***Sets affordability goal to strive*** to minimize the number of policies with annual premiums that exceed one percent of the total coverage provided by the policy (i.e. \$2,500 annual premium for a \$250,000 policy) and requires FEMA to report on all policies where the premiums exceed 1% of the total coverage.
- ***Develops a rate change implementation process*** requiring new rate tables in 8 months with an addition 6-8 months to implement the changes required by the rate tables.
- ***Refunds premiums*** paid in excess of the new rate tables (once they are developed).
- ***Increases payment options*** by allowing for flood insurance to be paid annually, monthly or escrowed.

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- ***Applies an annual surcharge*** to every policy of \$25 for primary residences and \$250 for commercial or non-primary residences, until full-risk rates are reached.
- ***Requires completion of the affordability study*** required under Biggert Waters within 18 months and increases the study funding to \$2.5 million, up from \$750,000.
- ***Allows the option of a larger deductible*** up to \$10,000 for homes (up from present maximum of \$5,000).
- ***Clarifies that properties newly mapped into a flood hazard zone for the first time will be rated as a Preferred Risk Policy*** for the first year, and upon renewal will be calculated using an annual increase based on the type of property (primary residence, second home, commercial, pre or post FIRM) until full risk rates are reached.
- ***Retains the exclusion of flood-proofed residential basements from rate calculations.***
- ***Allows rate calculations to reflect flood mitigation measures undertaken on a property***, such as flood-proofing.
- ***Allows for the exclusion of detached structures from mandatory flood insurance purchase requirements.*** Although NFIP will no longer require coverage, mortgage lenders may.
- ***Requires FEMA to establish guidelines for alternate mitigation methods***, other than elevation, for buildings that cannot be elevated due to their structural characteristics, which can be taken into account in the calculation of risk premium rates.
- ***Raises the threshold from 30% to 50% of structure value before home improvements trigger a rate increase.***
- ***Improves mapping accuracy*** by requiring FEMA to certify its mapping process is technologically advanced and to notify and justify to communities that the mapping model it plans to use to create the community's new flood map are appropriate.
- ***Funds reimbursement*** to property owners or communities for successful flood map appeals.
- ***Establishes a Flood Insurance Advocate*** to educate and assist property owners with flood mapping process, appeals and flood insurance rates and options; and improve outreach and coordination with local officials.
- ***Provides for a study*** to assess options, methods, and strategies for making available voluntary community-based flood insurance policies through the NFIP.
- ***Requires FEMA to clearly communicate full flood risk determinations*** to policyholders even if their premium rates are less than full risk, to inform policyholders as to their true flood risk.
- ***Requires reporting on the impacts of rate increases on small businesses, non-profit entities, houses of worship, and low income homes*** (value  $\leq$  25% of the area median home value). If FEMA determines there is an effect on affordability for these properties, it must provide recommendations to Congress within 3 months after making the determination.
- ***Requires rate increases from this Act to be made public at least 6 months prior to implementation.***
- ***Authorizes FEMA to buy reinsurance from the private market.***