

# FLOOD INSURANCE PREMIUM REFUNDS: WHO GETS THEM? WHO DOES NOT? >>>



FEMA



The National Flood Insurance Program (NFIP) is in the process of implementing Congressionally mandated reforms required by the Homeowner Flood Insurance Affordability Act of 2014 that repeal and modify the Biggert-Waters Flood Insurance Reform Act of 2012. The new law slows some flood insurance rate increases and offers relief to some policyholders who experienced steep flood insurance premium increases in 2013 and early 2014. The new law reinstates many of the subsidized rates that were previously eliminated and calls for refunds of the difference between the subsidized rates and the higher full-risk rates that policyholders were required to pay as a result of Biggert-Waters. The law calls for most rates to be capped at no more than 18 percent per year, resulting in more gradual rate increases. The 18 percent cap will also result in refunds for some policyholders, which insurance companies will begin issuing in October 2014. It is important to note that refunds apply only to a small group of policyholders, and most policyholders will not receive refunds. Those who do will receive refunds on increases paid to their premiums for policies effective on or after October 1, 2013.

This fact sheet provides an overview of what some eligible policyholders can expect in refunds later this year. While the new law is implemented, it is important for policyholders to maintain and keep their current flood insurance policies. Allowing policies to lapse will leave policyholders financially unprotected. Policyholders who have questions about their flood insurance policies should contact their insurance agents.

## THESE POLICIES ARE ELIGIBLE FOR REFUNDS

### New Policies For Some Pre-FIRM Buildings

**IF** your building is in a flood zone beginning with the letter A, D, or V<sup>1</sup>;

**AND** the building was constructed before your community's first Flood Insurance Rate Map (FIRM) became effective (known as pre-FIRM);

**AND** the building has not been substantially damaged or improved;

**AND** your policy first became effective on or after October 1, 2013, either because you purchased the property or because you purchased flood insurance on the property for the first time

**YOU MAY RECEIVE** a one-time refund of the difference between the full-risk rate you paid and the subsidized rate that went into effect on October 1, 2013.

Note that only about 1 percent of flood insurance policies fall into this category.

### Reinstated Policies After a Lapse for Some Pre-FIRM Buildings

**IF** your building is in a flood zone beginning with the letter A, D, or V<sup>1</sup>;

**AND** the building was constructed before your community's first Flood Insurance Rate Map (FIRM) became effective (known as pre-FIRM);

**AND** the building has not been substantially damaged or improved;

**AND** your previously lapsed policy was reinstated at full-risk rates on or after October 4, 2012

**YOU MAY RECEIVE** a one-time refund of the difference between the full-risk rate you paid and the subsidized rate that went into effect on October 1, 2013.

Note that in the future, subsidized rates will eventually apply ONLY to policies reinstated after being dropped because coverage was no longer required by your lender (e.g., you paid off your mortgage). Don't let your policy lapse. It could cost you more when you reinstate it.

### Policies That Increased by 25 Percent for Some Pre-FIRM Non-Residential<sup>2</sup> Buildings

**IF** your pre-FIRM non-residential<sup>2</sup> building is in a flood zone beginning with the letter A, D, or V<sup>1</sup>;

**AND** you received a 25 percent increase upon policy renewal on or after October 1, 2013

**YOU MAY RECEIVE** a one-time refund if your premium increase was greater than 18 percent.

### Policies That Increased More Than 18 Percent for Other Residential and Non-Residential<sup>2</sup> Buildings

**IF** the rate for your policy increased more than 18 percent at renewal on or after October 1, 2013;

**AND** your building does not fall into one of the exception categories in the next chart

**YOU MAY RECEIVE** a one-time refund of the difference between the higher rate you paid and the maximum 18 percent rate increase allowed under the new law.

**THERE ARE EXCEPTIONS**, as noted in the next chart.

Note that only about 13 percent of flood insurance policies fall into this category. The refund amount will typically be no more than 7 percent of your premium.

<sup>1</sup> Flood insurance policyholders can determine their flood zones by referring to their policies.

<sup>2</sup> Non-residential buildings include, but are not limited to, businesses, warehouses, schools, churches, farm buildings, and most hotels and motels. Contact your insurance agent if you have any questions about your building.

## THESE POLICIES ARE NOT ELIGIBLE FOR REFUNDS

### Policies for Pre-FIRM Secondary Homes

**IF** your premium increase was for a pre-FIRM non-primary residence  
**AND** your policy was in effect before July 6, 2012

**YOU WILL NOT RECEIVE** a refund, and your premium will continue to increase by 25 percent a year until it reaches full-risk rates.

### Policies for Severely or Repetitively Flooded Buildings

**IF** your premium increase applied to a pre-FIRM severely or repetitively flooded property that includes 1 to 4 family residences  
**AND** your policy was in effect before July 6, 2012

**YOU WILL NOT RECEIVE** a refund, and your premium will continue to increase by 25 percent a year until it reaches full-risk rates.

### Policies That Increased Because of a Coverage Change

**IF** your premium increased only as a result of lowering your deductible, or increasing the dollar amount of your coverage

**YOU WILL NOT RECEIVE** a refund.

Participating insurers (Write Your Own insurance companies and the NFIP Direct Servicing Agent) will send the refund checks to policyholders. Refunds apply only to premium rate increases.

To keep current as FEMA implements these and other changes to the NFIP, visit [fema.gov/flood-insurance-reform](http://fema.gov/flood-insurance-reform)

Policyholders who have questions about their flood insurance policies should contact their insurance agents.

To find an agent, visit [FloodSmart.gov](http://FloodSmart.gov)