

H.R.3370: What's Different?

H.R.3370, formally the Homeowner Flood Insurance Affordability Act of 2014, delays and alters implementation of several BW12 provisions. Below is a comparison of key provisions.

	BW12	H.R.3370
New policies on Pre-FIRM subsidized properties not insured as of 7/6/2012, or Pre-FIRM subsidized properties purchased/assumed effective on or after 7/6/2012	To full-risk actuarial rates immediately with EC and photos required to develop rates; all NB effective on or after 10/1/2013, and impacted renewals with original effective dates between 7/6/2012 and 9/30/2013 (effective at next renewal on or after 10/1/2013); implemented 10/1/2013	Elevation Certificates and photos not required. Remain eligible for Pre-FIRM subsidized rates; refund overpayment, if any, on those charged full-risk rates. Refund to be distributed by FEMA
Any Pre-FIRM subsidized policy that lapsed in coverage and was reissued effective on or after 10/4/2012	To full-risk actuarial rates immediately with EC and photos required to develop rates; all lapsed/reissued effective on or after 10/1/2013, and impacted renewals with reissued effective dates between 10/4/2012 and 9/30/2013 (effective at next renewal on or after 10/1/2013); implemented 10/1/2013	Full-Risk actuarial rates will be required for policies that lapsed after BW-12 enactment unless the decision to permit a lapse is because the property covered is no longer required to retain such coverage
Any Pre-FIRM subsidized business property	Eliminate Pre-FIRM subsidies; annual increase up to 25%; implemented 10/1/2013	No change
Severe Repetitive Loss	Eliminate Pre-FIRM subsidies; annual increase up to 25%; implemented 10/1/2013	No change
Pre-FIRM non-primary residences	Eliminate Pre-FIRM subsidies; annual increase up to 25%; implemented 1/1/2013	No change
Premium adjustment to reflect current flood risk due to map changes. Risk premium rate charged reflects the current risk at the next renewal following map change	Elimination of grandfathering with risk premium based on current maps; increase to be phased in over a 5-year period, 20% each year - not implemented by FEMA at this time	Grandfathering restored - repeals BW Sec 207; annual rate increases 5-15%; annual premium increase capped at 18%
Other Pre-FIRM properties	Reduce subsidies - rate increase cap moved to 20% from 10%	Subsidy reduction slowed; annual rate increases 5-15%; annual premium increase capped at 18%
Minimum Deductibles	Increased minimum deductibles based on amount of building coverage; to be implemented 6/1/2014	No change

Policy Disclosures - Large Font Policy Forms

Each policy shall state all conditions, exclusions and other limitations pertaining to coverage under the subject policy, regardless of the underlying insurance product, in plain English, in boldface type, and in a font size that is twice the size of the text of the body of the policy; ***to be implemented 6/1/2014***

No change

Refunds for overpayment

N/A

Legislation directs refunds to be handled directly by FEMA . Historically FEMA has no capability to perform this type of effort

Newly mapped properties in SFHA zones

Chargeable risk premium to be phased in over a 5-year period, 20% each year - ***not implemented by FEMA at this time***

Treated like subsidized and grandfathered

Premium and Reports

Requires best effort to keep premium under 1% of coverage; requires report to Congress on those >1%

Premium Surcharge

None

\$25/pa residential \$250/pa second home and commercial

Reserve Fund

5% of premium; ***implemented 10/1/2013***

Creates new surcharge of \$25 per primary residence and \$250 per each second home or commercial property. Surcharge continues until all policyholders are paying full risk premiums. Requires surcharge to be deposited into Reserve Fund created by BW12

Frequency of Premium Collection - Installments

Provide non-escrowed policyholders an option of paying premiums annually or in more frequent installments - ***not implemented by FEMA at this time***

Permits monthly or quarterly; implement installments within 18 months of enactment

Substantial improvement threshold for compliance

30%

50%

Escrow requirements

Retroactive requirement to escrow certain junior and home equity loans

Removes retroactive component when other escrows are not required

Data disclosure

N/A

Administrator required, within 90 days of enactment, to report on feasibility of releasing property-level policy and claims data