

<p>Carl H. Simmons Director</p> <p>Lonnie Hamilton, III Public Services Building 4045 Bridge View Drive, Room A311 North Charleston, SC 29405-7464</p>	 <p>CHARLESTON COUNTY SOUTH CAROLINA</p> <p>BUILDING INSPECTION SERVICES</p>	<p>Administration 843.202.6940 Fax: 843.202.6954</p> <p>Inspections and Contractor Licensing 843.202.6930 Fax: 843.202.6936</p>
---	---	---

Biggert-Waters Flood Insurance Reform Act of 2012 and Homeowner Insurance Affordability Act of 2014 – UPDATE AS OF FEBRUARY 12, 2015

Homeowners Flood Insurance Affordability Act of 2014 Changes in the Flood Insurance Program

- **Effective Date – Beginning April 1, 2015 most of the law’s provisions go in to effect. Policy holders will see rate increases and an annual surcharge at their next renewal. Renewal notices with these changes can go out several weeks before April 1 depending on your exact renewal date.**
- **Annual surcharge rate – \$25, for primary residence and \$250, for any property that is commercial or a residential property that is not the primary residence of an individual. Policy holder will have to submit proof with their annual renewal that the home is a primary residence, or else the \$250 surcharge will be automatically applied.**
 - Still, the bill retains provisions to eventually make the program self-sufficient by moving toward actuarial rates.
 - The 5% increase from the Biggert-Waters law (BW-12) has been eliminated and replaced with this surcharge.
- **Caps rate increases – Limits yearly premium increases to an average of 15 – 18% per year for most policies, but older Pre-FIRM non-primary homes and severe repetitive loss properties could still have increases up to 25%. Note: the annual surcharge is not included in the rate cap calculations.**
- **Repeals the property sales trigger until next annual renewal – Allows the purchaser to assume the existing flood insurance policy and coverage for the remainder of the term of the policy at the chargeable premium rates under such existing policy. After which it will be subject to annual rate increases.**
- **Reinstates limited grandfathering – The bill reinstates the flood insurance program's grandfathering provision, meaning homes that complied with previous regulations would not be hit with large increases when new maps show greater risk of flooding. It also ends a provision that required an immediate hike to actuarial levels when a home changes ownership. The bill however retains provisions from Biggert-Waters to eventually make the program self-sufficient by moving toward actuarial rates.**



- **Temporarily protects homeowners newly mapped into a flood zone** – The act will also reduce the impact on homeowners newly mapped into a flood zone from flood insurance increases. The first policy year will be the preferred risk premium for the property and upon renewal will have annual rate increase as well as the annual surcharge.
- **Monthly Installment Payment for Premiums** – Authorized in addition to annual payments.
- **Maximum Deductible Increase** – The maximum deductible for a flood insurance policy increased to \$10,000 for single family and two-to-four-family dwellings. However, the higher deductible may not be allowed by some lenders.
- **Flood Map Changes** – Requires the Federal Emergency Management Agency, as it completes new flood maps, to obtain input from local communities and account for non-federal levees and other flood protection. It also requires FEMA to complete study on how to keep the program affordable as it moves to make the program more solvent.
- **Exclusion of Detached Structures From Mandatory Purchase Requirement** – Flood insurance will not be required, in the case of any residential property, for any structure detached from the primary residential structure. Although your mortgage lender will likely still require flood insurance on all structures to protect the mortgage.
- **Reimburse successful appeals** – Requires FEMA to reimburse policyholders and communities that successfully appeal a map determination.

IMPORTANT NOTE:

These federal flood insurance reforms will impact every policy holder, but the effects differ greatly depending on the construction of the home, the policy details, the date of the policy, and countless other details. The most important thing is to know your individual situation and talk with your insurance agent before making any large remodels, selling/purchasing decisions, or flood insurance policy changes. The National Flood Insurance Program (NFIP) strongly discourages people from dropping their flood insurance policy during these program changes.

Our department can to provide floodplain management, building information, and limited information on the flood insurance legislation. Call 843-202-6930 to speak with the floodplain management staff or email your question to buildingservices@charlestoncounty.org.

