



National Flood Insurance Program (NFIP)

The HFIAA Surcharge

As of April 1, 2015, every National Flood Insurance Program (NFIP) policy includes an annual surcharge required by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA). The amount of the surcharge depends on the use of the insured building and the type of policy form insuring the building, regardless of its flood zone designation.

Policies for owner-occupied single-family detached buildings and individual condominium units that are the primary residence of a policyholder insured under the Dwelling Policy form will include a \$25 surcharge. Additionally, contents-only policies insured under the Dwelling Form and held by a tenant in the tenant's primary residence will include the \$25 surcharge.

Policies for all other buildings will include a \$250 surcharge, which also applies to policies insured under the Residential Condominium Building Association Policy form, regardless of the number of units, attached and detached, or use of the building. In fact, even if the condominium association is being surcharged \$250 for the entire building, a unit-owner with an individual policy that includes building coverage, can also be surcharged appropriately; based on the use. Lastly, all buildings insured under the General Property form will include a \$250 surcharge. Policies covering buildings designed for use by more than one family will be charged a \$250 surcharge, even if the landlord uses the building as a primary residence, or the building is owned by a condominium association.

What to Expect

It's important to know the annual amount due to your insurer for flood insurance at the time of application or renewal includes this surcharge. You do not need to make a separate payment. In addition, upon renewal of a policy, insurers will be sending out a notice to verify that the building is being used as a primary residence. The documentation must be provided to the insurer prior to the policy expiration date in order for the appropriate surcharge to be included in the renewal notice.

If a policyholder does not send back the documentation to their insurance agent that verifies the policy is for a primary residence, a \$250 surcharge will be applied. Working with their agent, if an incorrect surcharge was used for renewal, policyholders are able to correct the surcharge during the current policy year. The correction will be made once the documentation is provided to the insurance agent.

Why A Surcharge

The Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) mandated that the Federal Emergency Management Agency (FEMA) eliminate certain subsidized rates that did not reflect the true risk available for structures that were built in high-risk areas before their communities entered the NFIP. To maintain the affordability of flood insurance for the policyholders eligible for subsidized rates, the most recent legislation –HFIAA– slowed the elimination of the subsidies. To support the financial stability of the NFIP, Congressionally-mandated surcharges are required for all policyholders to offset the slow-down of the elimination of current subsidized rates, and will continue until all subsidy is eliminated. The surcharge is paid at the time of application or renewal each year until the subsidies are eliminated. The surcharge revenue will go into the NFIP Reserve Fund that is used to help cover the cost of future claims in a catastrophic event and may also be used to pay the program's debt to the U.S. Treasury from previous catastrophic events.

Premium Caps Do Not Apply to the Surcharge

HFIAA placed limits on the percentage that NFIP premiums can increase each year. However, the HFIAA surcharge is not considered premium and is not included when calculating limits on insurance rate increases. So, for example, while total premium will not increase more than the 18 percent premium increases allowed for most individual policies, the total percentage increase in the cost of the policy may exceed 18 percent once the appropriate surcharge is added.

Learn More

Call your insurance agent for more information about your policy, the surcharge included in your premium, and the documentation needed to verify your primary residence. Visit www.fema.gov/flood-insurance-reform to learn more about legislative changes to the NFIP.