FEMA

Fact Sheet

Federal Insurance and Mitigation Administration

NFIP Surcharges on Primary Residences

To support the financial stability of the National Flood Insurance Program (NFIP), Congress mandated surcharges on all policies until all subsidies are eliminated with the exclusion of those excepted by statute. The surcharge is paid at the time of application or renewal each year. Surcharge revenue goes into the NFIP Reserve Fund that is used to help cover the cost of future claims in a catastrophic event; it may also be used to pay the program's debt to the U.S. Treasury from previous catastrophic events.

The surcharge for primary homes is $25, and for all others is $250. Some policyholders who are rebuilding, repairing and mitigating their primary residences after a disaster are incorrectly being charged a surcharge of $250.

The Federal Emergency Management Agency (FEMA) definition of primary residence***** is intended to ensure policyholders would not be required to pay the $250 surcharge solely because they have been displaced from their primary residence by a disaster or a military deployment, or for some such similar reason. Policyholders should qualify for the $25 surcharge applicable to primary residence when they meet one of the following conditions:

1. They have been displaced from their primary residence and are living in a temporary residence because of a Presidential Disaster Declaration, or a loss event on their primary residence claimed on any line of insurance for 50 percent or more of the policy year.
2. They are active-duty military personnel who are deployed for 50 percent or more of the policy year in compliance with military orders, and are not renting the property to another party.
3. Policyholders who are absent from a primary residence for reasons such as routine business travel, hospitalizations, and/or vacation for 50 percent or more of the policy year.

A policyholder and the policyholder's spouse may not collectively have more than one primary residence.

If a policyholder is repairing a primary residence after a disaster and living in a temporary residence for that reason, the applicable surcharge is $25. If a policyholder in this situation is being charged $250, they should contact the agent who handles the policy.

Background

The Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) mandated that FEMA eliminate certain subsidized rates that did not reflect the true risk for structures 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 – the Homeowners Flood Insurance Affordability Act (HFIAA) – slowed the elimination of the subsidies.

* Primary Residence is defined as a single family building, condominium unit, apartment unit, or unit within a cooperative building that will be lived in by the policyholder or the policyholder's spouse for:
1. More than 50% of the 365 calendar days following the current policy effective date; or
2. 50% or less of the 365 calendar days following the current policy effective date if the policyholder has only one residence and does not lease that residence to another party or use it as rental or income property at any time during the policy term. A policyholder and the policyholder's spouse may not collectively have more than one primary residence.