

NATIONAL FLOOD INSURANCE PROGRAM (NFIP) OCTOBER 2016 CHANGES

Changes will apply to new business and renewals effective on or after October 1, 2016.

HIGHLIGHTS

- Changes to A99 and AR Subsidized Rating Procedures - Eligibility for the Preferred Risk Policy (PRP)
- Additional Requirements for Reinstatement of Lapsed Coverage
- Revised Refund Rules for Cancellations
- New Business Procedures

DETAILS

Changes to A99 and AR Rating Procedures - Eligibility for the Preferred Risk Policy (PRP)

Beginning October 1, 2016, FEMA is extending eligibility for PRP to buildings that are in an A99 or AR zone on the effective date of the policy.

- No more than two flood insurance claims or disaster relief payments as a result of flood damage that exceeds \$1,000.
- No more than three flood claims or flood disaster relief payments (regardless of amount).

PRP is a lower-cost Standard Flood Insurance Policy (SFIP) that offers fixed combinations of building/contents coverage, or contents-only coverage, at flat premium amounts. Properties newly mapped into A99 and AR zones may be eligible for the PRP in the first year after the map revision but are not subject to the same annual premium increases as properties insured under the newly mapped procedure.

A property located outside of the Special Flood Hazard Area (SFHA) and mapped into an A99 or AR Zone will remain a PRP as the levee construction or repair commences or continues. Once completed, the zone will be revised to a non-SFHA Zone B, C or X.

Impact to Policyholders

Policyholders do not need to take any action to take advantage of premium savings. At the time of renewal, eligible policies will be automatically sent a renewal premium notice based on the PRP rate if it results in a lower premium than their existing standard-rated policy.

Ninety (90) days prior to expiration, beginning with the first renewal effective October 1, 2016, policyholders with property currently located in A99 or AR Zones will receive a renewal notification offer letter (agent will also receive a copy) notifying the policyholder of their potential eligibility for the PRP.

For more information, refer to FEMA Bulletin W-16022
<http://www.nfipiservice.com/Stakeholder/pdf/bulletin/w-16022.pdf>.

Additional Requirements for Reinstatement of Lapsed Coverage

Impact to Policyholders

Changes to refund procedures may benefit policyholders:

- A reinstatement of coverage via payment received within 90 days of policy expiration or cancellation is not considered lapsed coverage, as long as continuous coverage has been maintained since April 1, 2016.
- This same rule may apply to eligibility for “continuous coverage” grandfathering or processing a renewal of coverage for a newly mapped property. **This renewal procedure may only be used one time per policy.** For more information, refer to “NFIP Grandfathering Rules for Agents” <http://www.fema.gov/media-library/assets/documents/16686>.
- If the reinstatement date is more than 90 days from the renewal date, and effective on or after April 1, 2016, the policy is ineligible for Pre-FIRM subsidized rates, “continuous coverage” grandfathering or renewal under the newly mapped procedure.
- This will result in a rate change. It’s important to note that the policyholder may incur a rate increase as a result of the renewal not being paid on time.

Revised Refund Rules for Cancellations

Expanded Use of Reason 9 - Effective April 1, 2016

Allows policies to cancel for detached structures released from mandatory purchase:

- Agents can use *Reason 9* to process cancellation for eligible properties with pro-rata refunds but must retain fees and surcharges.
- Agents can continue to use *Reason 9* when a lender releases a borrower from the requirement to maintain flood insurance following a map revision or removal of property from SFHA.
- A refund may be issued if a lender originally required the policy for a detached structure for a property located in SFHA.
 - For cancellation requests received between November 1, 2015 and March 31, 2016, use *Reason 9* for cancellation effective April 1, 2016.
 - For cancellation requests received on or after April 1, 2016, a refund may be issued with effective date based on receipt date of cancellation request.

Premium Refund Eligibility for Cancellation Reason 24 (Retroactive to November 1, 2015)

Effective November 1, 2015, cancellation *Reason 24* may be applied to the current policy year, and up to five years total, as long as the effective date of Letter of Map Amendment or Letter of Map Revision (LOMA/LOMR) occurred during prior years and no claim has been paid or pending.

Impact to Agents

It is important for agents to be aware of the retroactive premium-refund eligibility as policyholders may have questions about this. The change allows activity retroactive to prior terms if a LOMA/LOMR was issued November 1, 2015 or later. If a cancellation request was made prior to clarification of refund eligibility, the agent or policyholder may resubmit their request.

New Business Procedures

For new business applications written on or after April 1, 2016, all NFIP insurers are required to give the lowest premium rate available to the property, based on the information provided by the insured and agent.

The following scenarios are part of this process:

- Eligible property owners must be offered a PRP or newly mapped rating prior to issuing their policy with standard X, A99 or AR zones.
- When presented with valid documentation, grandfathering procedures must be applied to the rating of eligible properties.
- If all valid documentation is received, a comparison of full-risk rates to pre-FIRM rates must be performed at time of application and each subsequent renewal to determine if full-risk rates are more beneficial.

Impact to Agents

Agents should be aware that the NFIP is requiring insurers to provide the best new business rate possible. Although not required, the policyholder may submit an Elevation Certificate (EC). The EC would be reviewed and applied if found to be beneficial to the rating. If an EC was previously submitted, additional documentation, such as photos and other required supporting information, may also be submitted for rating purposes.