



FEMA

W-13026

May 5, 2013

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the
National Flood Insurance Program (NFIP) Servicing Agent

A handwritten signature in cursive script that reads "Jhun de la Cruz".

FROM: Jhun de la Cruz
Branch Chief, Underwriting
Federal Insurance and Mitigation Administration

SUBJECT: Clarifications and Revisions to the October 1, 2013, Program Changes

The purpose of this memorandum is to provide clarifications to Bulletin W-13016, dated March 29, 2013, and additional information regarding the changes that the NFIP will implement effective October 1, 2013. Highlights of the clarifications and revisions to the program changes are described below:

- Residential Condominium Building Association Policies (RCBAPs) – All RCBAPs will be subject to the provisions of Section 100205 of the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12). However, only those RCBAPs covering buildings with fewer than five units are subject to the Severe Repetitive Loss (SRL) provisions of Section 100205.
- Rate Tables for the NFIP Flood Insurance Manual – Clarifications are provided for the use of several rate tables. Tables providing rates for SRL properties were updated to show rates for B, C, and X zones. Condominium rate tables were updated to reflect BW-12 changes.
- Re-rating Requirement – Pre-FIRM elevated buildings with enclosures using Post-FIRM optional rating for policies issued prior to October 1, 2013, must use the “no basement/enclosure/crawlspace” rates on the first renewal effective on or after October 1, 2013.
- Federal Policy Fee – The NFIP Flood Insurance Manual pages showing the new Federal Policy Fee amounts are included in this package.
- Grandfathering for Pre-FIRM Buildings – Continuous coverage grandfathering continues to be available for Pre-FIRM buildings, including cases of policy assignment upon sale of the property, with one exception. An existing policy rated using subsidized pre-FIRM rates does not qualify for continuous coverage grandfathering following an assignment at the time of sale.
- Historic Buildings – Historic buildings are not exempt from any provision of Section 100205 of BW-12, and must be rated accordingly.

ATTACHMENT G

QUESTIONS AND ANSWERS

REGARDING NFIP OCTOBER 1, 2013, PROGRAM CHANGES

Questions and Answers Regarding NFIP October 1, 2013 Program Changes

Subsidies and Full-Risk/Actuarial Rates (Defining and Identifying)

- 1. What is a subsidized rate? Are Preferred Risk Policies (PRPs) issued under the Eligibility Extension or policies rated using the NFIP Grandfather procedure subsidized?**

Subsidized rates are rates for Pre-FIRM properties in Zone D and rates for Pre-FIRM properties in SFHAs that are rated without using elevation data. Subsidized rates are estimated to produce premiums that are less than sufficient to fund the reserves for anticipated losses and expenses that will occur within the subsidized rate classes. Post-FIRM rates used for all zone classes are not subsidized.

The PRPs issued under the Eligibility Extension are not subsidized; nor are policies using Post-FIRM rating tables under the NFIP Grandfather procedures.

- 2. If the rates include the Reserve Fund load, why does the Flood Insurance Application Form include a separate item for the Reserve Fund in the Premium calculation?**

The rates do not include a loading for the Reserve Fund.

- 3. Is the Reserve Fund Assessment included in the maximum average annual premium increase for each rate class allowed by law? In those cases where BW 12 mandates an annual premium above the standard maximum average annual premium increase, is the Reserve Fund additional to the mandate?**

No. The Reserve Fund Assessment is considered part of the maximum average annual premium increase for each rate class and is not added to the maximum average annual premium increase. Where the law requires a higher premium increase than the standard maximum, the Reserve Fund is considered part of the required amount and is not added to the mandated increase.

PRP Eligibility Extension

- 4. Is the Preferred Risk Policy (PRP) Eligibility Extension still available?**

Yes, the PRP Eligibility Extension is still available for properties newly mapped into an SFHA by the revision of an FIRM that became effective on or after October 1, 2008. New premium tables have been introduced for PRPs issued under the Eligibility Extension.

- 5. Will PRP Extension policies (and grandfathering) be available after section 100207 of BW 12 is implemented in the latter half of 2014?**

At this time, the future status of the PRP Eligibility Extension has not been determined. FEMA is still developing an implementation strategy for section 100207 of BW 12.

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6. Are PRPs issued under the Eligibility Extension considered subsidized premiums subject to section 100205 provisions of BW 12?

No, the policies issued under the PRP Eligibility Extension are part of the Post-FIRM X-zone rating class, which is not subsidized. The PRP Eligibility Extension is not impacted by section 100205 of BW 12. However, section 100207 of BW 12 does require changes to rating that require current map information to be used in determining a building's rate class, even if a policy is not using a subsidy by using the prior zone for rating.

7. If a Pre-FIRM commercial building that was newly mapped from Zone X into Zone AE was insured as a PRP before the maps became effective on June 1, 2012; will that policy have to be written using the new Pre-FIRM non-residential rates?

No, properties newly mapped from a non-SFHA into an SFHA by a map revision that became effective on or after October 1, 2008, remain eligible for the PRP Eligibility Extension if the PRP loss history requirements are also met. New premium tables have been introduced for PRPs issued under the Eligibility Extension.

8. If a property is newly mapped from a Non-SFHA into an SFHA by a map revision that became effective on or after July 6, 2012, and before October 1, 2013, can it still be written as a PRP under the Eligibility Extension until Section 100207 is implemented?

Yes, properties newly mapped from a Non-SFHA into an SFHA by a map revision that became effective on or after October 1, 2008, remain eligible for the PRP Eligibility Extension if the PRP loss history requirements are also met. New premium tables have been introduced for PRPs issued under the Eligibility Extension.

9. What happens if I sell a property insured under the PRP Eligibility Extension on or after October 1, 2013?

The sale and purchase of a property after enactment of BW 12 does not render a property ineligible for coverage under the PRP Eligibility Extension. Properties newly mapped from a Non-SFHA into an SFHA by a map revision that became effective on or after October 1, 2008, remain eligible for the PRP Eligibility Extension if the PRP loss history requirements are also met. New premium tables have been introduced for PRPs issued under the Eligibility Extension.

10. Are new business policies issued under the PRP Eligibility Extension to be reported as a Risk Rating Method 'P' or 'Q'?

All PRPs issued under the Eligibility Extension are to be reported as a 'Q' beginning with policies effective on or after October 1, 2013, whether new business or renewal.

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Grandfather Procedure

- 11. There was talk of requiring applications for grandfathering for built-in-compliance to ensure if the policy lapsed that the building had not been altered. Is that being implemented?**

No, there is no impact to built-in-compliance grandfathering at this time.

- 12. If a non-primary residence was newly mapped from an A zone into a V zone before the enactment of BW 12, and the policy is rated using the Pre-FIRM A zone subsidized rates, does the 25% increase on the first renewal on or after January 1, 2013, apply to the grandfathered A zone rates or will it have to apply to V zone rates?**

The 25% annual increase applies to the A zone rates. Until section 100207 of BW 12 is implemented, there is no change to the current NFIP grandfather procedure for continuous coverage, except where the property is newly purchased. The 25% increase would apply using A-zone rates. However, if a property is newly purchased on or after July 6, 2012, then the Pre-FIRM building no longer qualifies for a subsidized A-zone rate, and the policy must transition to full-risk V-zone rates. An Elevation Certificate must be obtained, and the policy must be rated using the current FIRM zone and BFE.

- 13. Do the NFIP Grandfathering procedures apply between July 6, 2012, and the implementation date of Section 207 of BW 12?**

Yes. There is no change to the current NFIP Grandfather procedures at this time, except where an assignment associated with the new purchase of a building would eliminate rating using a subsidized rate. Under section 100205 of BW 12, the NFIP Grandfather procedure for "continuous coverage" cannot be used if the rule results in the extension of a subsidy to the buyer. If the property is located in an SFHA or zone D on the current map, a full-risk premium must be determined. If the property is an SFHA, elevation data from an EC must be provided for rating purposes. The current map information must be used to determine the rate class.

- 14. A Post-FIRM building was constructed in compliance with a FIRM, with a permit from the community, but a more recent FIRM (2006) shows the building to be at greater risk of flooding. Can the property owner keep the rate class that applied at the time of construction?**

Yes. There is no change to the NFIP Grandfather procedures for buildings that are "built-in-compliance." This applies to all Post-FIRM buildings, and those Pre-FIRM buildings constructed on or before December 31, 1974, but after a community's initial FIRM date.

- 15. Can the purchaser of a Pre-FIRM property with continuous coverage grandfathering maintain the grandfathering status of the property?**

The purchaser of a Pre-FIRM building already insured by the NFIP with continuous coverage may continue to use the zone and/or BFE from the existing policy if continuous coverage is maintained, with one exception: If the property is located in an SFHA or zone D, and is rated without elevation information from an Elevation Certificate (EC) for Flood Insurance, the policy

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must be endorsed pro-rata effective upon assignment to reflect elevation data supplied on an EC. The current Flood Insurance Rate Map (FIRM) information must be used.

Subsidized Renewals and Subsidy Phase-Out Renewals

- 16. Rates for Pre-FIRM policies that lose their subsidies will be increased by 25% per year until they are actuarially rated. How does FEMA know when they reach actuarial rates without an EC? At what point does the 25% increase stop? What if the property owner refuses to provide an EC, will the 25% increase continue?**

FEMA does not know the full-risk rates for specific properties located in an SFHA without an EC. An EC must be provided to determine the full-risk rates for properties located in SFHA. The 25% increase will continue on the Pre-FIRM subsidized rates (for policies not eligible for the subsidized rates), to encourage policyholders to obtain an EC. Policyholders will continue to use the Pre-FIRM rate table until they obtain an EC, and even then they will continue to use the Pre-FIRM rate table until their elevation-specific rate is lower than the rate from the Pre-FIRM rate table.

- 17. Bulletin W-13016 stated that certain renewal policies..., “will experience a premium rate increase up to 25% annually until such time as elevation data supplied on an EC indicates that the full-risk premium rate is lower than the subsidized rates reflecting a 25% increase over the previous year.” Does this mean that the insurer is not required to use elevation data from an EC until the full-risk rates are lower than the rates in Tables 2B and 2C (or 4B in the Condominium section)?**

Yes. This does mean that the insurer is not required to use elevation data from an EC until the full-risk rates are lower than the subsidized rates.

- 18. Once a policy covering a Pre-FIRM structure is full-risk rated on or after October 1, 2013, should the policy lapse at a future renewal, can they be reinstated with a 30-day wait?**

All full-risk rated policies may be reinstated with a 30-day waiting period without a new application if the premium is received more than 30 days after the expiration date, but less than 90 days after expiration.

- 19. Is the insert regarding non-principal/non-primary residences to be sent with each policy renewal?**

There is no requirement to send the insert at every policy renewal. The Declarations page requirements include a requirement to indicate whether the building is a non-principal/non-primary residence.

- 20. If the status of a Pre-FIRM building that is a principal/primary residence changes to non-principal/non-primary, what is the effective date of the endorsement? Can it be applied at the next renewal?**

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If the status of a building as a principal/primary residence changes to non-principal/non-primary, the change should be applied effective the endorsement request date.

21. Will the primary residence rate increase exemption apply to Post-FIRM buildings when BW 12 is fully implemented?

No. Post-FIRM buildings are not given subsidized premium rates; they are already insured with full-risk rates. The primary residence rate-increase exemption refers to the availability of an existing subsidy that was only granted to Pre-FIRM buildings at the time of enactment.

22. The 25% annual increase to subsidized rates for non-principal/non-primary residences and for Severe Repetitive Loss (SRL) properties were first implemented at different times. Thus, the SRL rate is slightly higher than the non-principal/non-primary residence rate (though everyone will catch up over time). If a policyholder qualifies to use either table on his policy effective date, can the lower of the two be used?

No, the lower rate may not be applied. Specifically, use Table 2C for the SRL that is also a non-principal/non-primary residence.

23. In view of BW 12, how will FEMA address the procedure for handling SRL property owners who refused an offer of mitigation assistance?

The process established by the Flood Insurance Reform Act of 2004 to charge 150% of the subsidized premium rate to renew coverage for an SRL property after a mitigation offer has been refused by the insured will be discontinued. The process will be replaced by the process outlined in section 100205 of BW 12, charging an additional 25 percent over last year's premium rate.

24. Table 2C was introduced for the renewal of policies designated as SRL properties. Does the new table only pertain to those policies serviced by the NFIP's Special Direct Facility (SDF), or was the intent of this table to transfer policies back to the WYO insurers?

Yes, the SRL table pertains only to policies serviced by the NFIP SDF. The policies covering SRL properties will continue to be serviced by the SDF. The intent is not to transfer SRL policies back to the WYO insurers. However, the NFIP Flood Insurance Manual is published for the agent/producer who may have portions of a book of business with both a WYO and the NFIP Direct, including SRL policies serviced by the SDF. Misdirected applications for SRL properties submitted to a WYO should be redirected to the SDF. Each WYO may follow standard business practices in assisting agents with quotes for policies that will be directed to the SDF.

25. BW 12 requires the premium to reflect full risk if the building is improved more than 30% of the fair market value of the building. The Flood Insurance Application asks for the replacement cost of the building. How will the NFIP make the "fair market value" determination? Is the 30% threshold based on the improvements covered by each permit, permits issued over the course of a year, permits issued over 5 years, permits issued over the life of the structure, etc.?

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Prior to BW 12, the NFIP required a transition to full-risk rating based on substantial improvement determined by the local community based on the cost of improvements exceeding 50-percent of the market value of the building before the improvement began. Because local communities must update floodplain ordinances with any new definition, FEMA will promulgate the new definition through the regulation process. Until the change is reflected in the Federal Register and published in the Code of Federal Regulations, FEMA will continue to use the existing process to transition structures to full-risk rating following substantial improvement as defined prior to BW 12.

26. Will the 25% increase on non-principal/non-primary residences, SRLs, and businesses be applied to RCBAP policies?

The 25-percent increase to subsidized rates will be applied to 1-4 family low-rise condominium SRL buildings using Table 4B to comply with section 100205 of BW 12.

For multiple-unit RCBAPs, it is assumed that there are principal/primary residences within each RCBAP. Therefore, the provisions of section 100205 of BW 12 related to principal/primary residences do not impact RCBAPs. Dwelling Form policies issued on individual units may be impacted by section 100205 of BW 12 and subject to Rate Table 2B rates, reflecting the 25-percent rate increase.

Businesses and other non-residential occupancy building types where more than 25 percent of the building's floor space is used for non-residential purposes are ineligible for the Residential Condominium Building Association Policy (RCBAP). Thus, the RCBAP is exempt from this provision of BW 12.

27. The October 1, 2013, Condominium Table 4B applies a 25% increase to subsidized rates for 1-4 family low-rise condominium buildings in the SRL program does not have the qualifications for non-principal/non-primary residences, as the tables in the Rating Section do. Are RCBAPs exempt from the non-principal/non-primary residence increases?

Yes. For multi-family units insured under the RCBAP, it is assumed that at least one is a principal/primary residence. Five-or-more family residential buildings are not considered non-principal/non-primary residences for rating purposes when insured on one policy. However, Dwelling Form policies issued to cover individual condominium units are impacted by section 100205 of BW 12, and are subject to the 25% annual rate increases reflected in Rate Table 2B.

28. Are RCBAPs covering 5-or-more family buildings impacted by the provisions of section 100205 of BW 12?

Yes, RCBAPs are impacted by the provisions of section 100205 of BW 12 planned for October 1, 2013. Beginning with policies effective on or after October 1, 2013, an RCBAP covering a 5-or-more family building is impacted by the elimination of subsidies for buildings newly insured on or after July 6, 2012, or the reinstatement of lapsed policies effective on or after October 4, 2012. The affected policies must follow Post-FIRM rating procedures. Elevation data provided an

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EC will be required. The Tentative or Provisional Rate procedure may be used for one year while an EC is being obtained.

29. Are non-condominium 5-or-more family buildings insured by the General Property Form subject to the provisions of section 100205 of BW 12?

Yes, a non-condominium 5-or-more-family building insured by the General Property Form is subject to the provisions of section 100205 of BW 12 planned for implementation on October 1, 2013.

30. Are contents-only policies receiving the subsidy impacted by the provisions of section 100205 of BW 12?

Yes, contents-only policies are impacted by the provisions of section 100205 of BW 12.

31. Some rental dwelling units are owned and managed by an LLC or another form of corporation. Why aren't they considered a business?

The occupancy of the dwelling is what determines which rate column to use within a table for a rate class in calculating premium. Similarly, multi-unit apartment buildings – which are often primarily rental apartments – have been classified as Other Residential for rating purposes. By classifying rental dwelling units owned by corporations as residential structures, the NFIP is able to provide the same amount of coverage to all residential structures and avoids tilting the NFIP rules to favor one type of ownership over another.

New Business, Reinstatements, Assignments

32. A new Application for a policy covering a Pre-FIRM building in the SFHA can be subsidized if purchased before October 1, 2013. However, Bulletin W-13016 indicates that the subsidized premium rate may be maintained for only one year and upon renewal will immediately go to actuarial rates. These include Pre-FIRM building subsidized policies written on or after July 6, 2012, and before October 1, 2013. How will the actuarial rate be determined if no Elevation Certificate is provided?

Full-risk rates for buildings located in an SFHA cannot be determined without elevation data supplied by an Elevation Certificate (EC) for Flood Insurance. Insurers may use the Tentative or Provisional rate procedures to avoid a lapse in coverage while the EC is being obtained during the first year the requirement is imposed on a property owner. This existing procedure is already used for Post-FIRM buildings, and certain restrictions apply. No claim can be paid while a policy is receiving Tentative or Provisional rates, coverage cannot be added to a policy receiving Tentative or Provisional rates, and the policy cannot be renewed. The Tentative and Provisional rates are set relatively high with the goal of collecting sufficient premium to issue the requested coverage after a full-risk rate has been determined for the majority of property owners.

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- 33. Must a Pre-FIRM building in Zone AE with enclosure that requires Post-FIRM rating under BW 12 be rated as non-elevated if the enclosure has proper openings, is unfinished, and used solely for parking, storage, and building access? How is the lowest floor elevation determined for Pre-FIRM buildings with enclosures that meet NFIP requirements for Post-FIRM construction?**

Use the same rating guidelines for Post-FIRM elevated buildings in determining the lowest floor elevation for rating purposes for Pre-FIRM elevated buildings. However, since there are coverage limitations for Post-FIRM elevated buildings, and not for Pre-FIRM elevated buildings, the “no basement/enclosure/crawlspace” columns from the Post-FIRM rate tables should be used to rate the Pre-FIRM buildings.

- 34. If a Pre-FIRM policy for newly purchased building was initiated after July 6, 2012, but before October 1, 2013, how does the agent determine when the property was purchased to fully risk-rate the building? We don’t see a question on the Insurance Application that asks for this information.**

The Application and General Change Endorsement Forms have been modified to request the purchase date information needed to rate the policy. If the information is not in the existing policy file, the insurer will need to obtain the information.

- 35. Will the rates for buildings with elevations lower than those in the Flood Insurance Manual (AE, -1; VE, -3) be published? This information would make it easier for local officials, agents, and others to help property owners understand and evaluate their mitigation options.**

Negative elevation rates may be published in future editions of the NFIP Flood Insurance Manual, rather than in the Specific Rating Guidelines. However, certain special rate considerations will remain too complex to provide in preprogrammed rate tables.

- 36. When a Pre-FIRM elevated building with an enclosure uses non-elevated building rates, how is the building reported on TRRP and what building description is used on the Declarations Page?**

A Pre-FIRM elevated building with an enclosure using non-elevated building rates should be reported on TRRP and on the Declarations Page as an elevated building.

- 37. Footnote 1 for Table 3B advises that an unfinished partial enclosure below the BFE is eligible for Special Rate consideration. Otherwise, Pre-FIRM elevated buildings with enclosures are rated as non-elevated buildings. How will this structure be described if we are considering the partial enclosure and would this still be reported?**

Pre-FIRM buildings with full or partial enclosures should be reported on TRRP as elevated building with finished or unfinished enclosures, and the appropriate obstruction type to describe the enclosure.

However, full enclosures (enclosures taking up the entire space under the elevated floor) are to receive the same building rates as non-elevated buildings (the “no

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basement/enclosure/crawlspace” rates) if the enclosure floor is the lowest floor elevation for rating purposes using Post-FIRM lowest floor elevation determination procedures. A partial enclosure (one that does not take up the space of the entire area under the elevated floor) will be given Special Rate Consideration so that the full non-elevated building rate is not applied inappropriately. Additional instructions will be provided in the Flood Insurance Manual and the Specific Rating Guidelines.

- 38. If a Pre-FIRM building is covered by a policy purchased prior to the enactment of BW 12 and is using Post-FIRM Optional Rating (full-risk rating) with an enclosure, does the policy need to be re-underwritten at renewal using the non-elevated building rates?**

The same building rates as non-elevated buildings (the “no basement/enclosure/crawlspace” rates) are only used for a Pre-FIRM building with an enclosure when the enclosure floor is the lowest floor elevation for rating purposes. It is highly unlikely that such a building would have qualified for Post-FIRM Optional Rating before the enactment of BW 12, and the owners of such properties should be encouraged to request a Letter of Map Amendment (LOMA). However, to ensure proper rating, insurers should identify such buildings using the obstruction type reported on TRRP to identify those instances where the lowest floor elevation is the enclosure floor.

- 39. Please confirm whether it is only Pre-FIRM subsidized policies (rated without elevation data in an SFHA and zone D) that experience a lapse on or after October 1, 2013, that will require a new application and elevation certificate. Do other policies that lapse beyond the 30-day grace period require a new application and re-underwriting?**

Yes, under section 100205 of BW 12, only Pre-FIRM buildings in the SFHA or zone D and receiving subsidized premium rates are subject to the requirement to provide an EC or a new application to reinstate lapsed coverage. This is because the subsidized policy prior to the lapse lacks sufficient information to establish a full-risk rate for reinstatement. Therefore, other policies that lapse with the 90 days after their policy expiration date do not require re-underwriting.

- 40. What is being put in place to prevent insureds from simply moving from company to company with a provisional rate each year, which in many cases could be significantly less expensive than the actuarial rate?**

The rates for Tentatively and Provisionally rated policies have been adjusted to discourage this practice. We will also be able monitor the situation by means of special reports from the system of record if necessary.

- 41. Does the requirement to apply full-risk rating to the reinstatement of lapsed subsidized policies apply when the expired policy was mortgagee-paid?**

Yes. The requirement to use full-risk rating to reinstate lapsed coverage for an expired policy that was previously subsidized does apply to mortgagee-paid policies that lapse (where payment is received more than 30 days after the expiration). The only exception is when a lapse occurs because a community is in suspended status on the renewal date.

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42. Can the Tentative Rate procedure be used to reinstate coverage requiring full-risk rating due to a lapse in coverage during the process of a transfer or rollover?

Yes. The Tentative Rate procedure may be used to reinstate coverage requiring full-risk rating due to a lapse in coverage during the process of a transfer or rollover.

43. When reinstating lapsed policies, or underwriting newly insured or newly purchased Pre-FIRM buildings with elevation data from an Elevation Certificate, are Post-FIRM standard deductibles and ICC fees used?

Yes. The Post-FIRM standard deductibles, deductible factors, and ICC fees are used to apply full-risk rates to Pre-FIRM buildings. However, Pre-FIRM buildings with the lowest floor below the BFE remain eligible for CRS discounts.

44. If all subsidized new business written between July 6, 2012, and October 1, 2013, must be full-risk rated on the next renewal, is there additional need to identify assignments that occurred during the same time period?

Yes. Assignments are often made by means of endorsement. Thus, endorsements that changed the named insured on the policy from one person or entity to another must be reviewed to ensure proper rating if the endorsement effective date is on or after July 6, 2012, and the policy was receiving a subsidized rate.

45. Not every assignment is associated with a new purchase. Can we apply full-risk rating to all assignments, even in cases of inheritance, gift, or other transfer of ownership that does not involve a purchase?

No. The NFIP will not apply full-risk rating to assignments that do not involve a purchase, such as cases of inheritance, gifts, or other similar transfers of ownership.

46. Will there no longer be assignments on Pre-FIRM rated policies in Special Flood Hazard Areas and D Zones?

No. The assignment provisions are part of the Standard Flood Insurance Policy (SFIP) contract, and assignment following a new purchase will be permitted. However, the SFIP does not exempt assignment due to new purchase from the requirement to apply full-risk rating on the effective date of the property purchase.

Application

47. How will agents or applicants determine if a property is a Severe Repetitive Loss when completing an Application?

The agent should ask the applicant if the property is a Severe Repetitive Loss property and note the response on the application. If the applicant responds yes, the agent should submit the

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application to the Special Direct Facility. All responses will be validated through the existing NFIP process for handling SRL properties.

48. How should the purchase date requested on the new Forms be provided if a building's ownership was bestowed as a gift or inheritance and not by a purchase?

If a building's ownership was bestowed as a gift or inheritance and not by purchase, the agent should indicate on the Application forms that the property was not purchased on or after July 6, 2012. Because all new business applications are subject to full-risk rating, the application will not be eligible for subsidized rates.

When assigning a subsidized policy, if a building's ownership was bestowed as a gift or inheritance and not by purchase, the agent should indicate "Other" in the Reason for Assignment on the General Change Endorsement form and indicate the appropriate reason. The policy may remain eligible for subsidized rates.

49. With the Lender Requirement waiting period changing from No Wait to a 30-day wait, does that mean that all MPPP policies will carry a 30-day wait as well?

Yes, if there was no closing or map revision. The 30-day waiting period is waived during the 13-month period beginning on the effective date of a revised Flood Hazard Boundary Map or Flood Insurance Rate Map for a community, or where the initial purchase of flood insurance is in connection with the making, increasing, extension or renewal of a loan. The waiting period may also be waived for the MPPP or any other NFIP product type provided that the flood insurance is applied for and the payment of premium is made at or prior to the loan closing. There are no other exceptions to the standard waiting period for new coverage.

50. Are we requiring closing statements to be sent in to prove that it was a loan closing?

No, there is no new underwriting requirement before policy issuance at the time of the initial purchase of flood insurance. However, if a loss occurs within the first 30 days after the effective date of new coverage, the insurer is required to validate the policy effective date before paying the loss.

Transaction Record Reporting Process (TRRP) Plan

51. Regarding the subsidized policies that already issued between July 6, 2012, and October 1, 2013, and will be rated with full-risk rating upon the first renewal on or after October 1, 2013, will these policies have to be issued as a New Business transaction or can they be issued as a Renewal Transaction using the current policy number in the NFIP system of record?

Policies that will transition from subsidized premiums to full risk rating upon the first renewal on or after October 1, 2013, may be issued as renewal transactions. If using the tentative or provisional rate procedures to process the renewal, the NFIP system of record will allow a 17A renewal transaction to process from Risk Rating Method 1 to Risk Rating Method 8 or 6 for one year only. A policy issued with Risk Rating Method 8 or 6 cannot renew as an 8 or 6. Elevation

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data from an EC may be required in order to process the renewal transaction with another Risk Rating Method reflecting the full risk rates. The most common Risk Rating Methods reflecting full risk rating for Pre-FIRM buildings will be B and W.

52. Transactions with effective dates of October 1, 2013, may be submitted with September data. Will the NFIP system be prepared to accept changes to the record format?

The FEMA requirement is to implement the changes effective October 1, 2013. We are aware that transactions with an October effective date may be processed earlier than October. The requirement for the NFIP system of record, the NFIP Direct Servicing Agent, and the WYO partners is to make the changes effective in October. The NFIP system of record may not be ready to receive early submissions. Please work with your NFIP Business Analyst if you have questions.

53. Is the revised Transaction Record Reporting Process (TRRP) Plan Part 4, page 4-160A, in W-13016 requiring a prior policy number for transfers of business using Risk Rating Method '7', 'P' or 'Q' for new business effective on or after October 1, 2013, correct?

Yes, the requirement is correct. If a prior policy number is unavailable, the new business should not be reported as a transfer.

54. Is TRRP Part 4, page 179A in W-13016 correct in indicating that the Reserve Fund Assessment only applies to policies with an original new business date on or after October 1, 2013, correct?

No. All policies effective on or after October 1, 2013, are subject to the Reserve Fund Assessment. A revised TRRP Part 4, page 4-179A will be provided.

55. TRRP Part 4, page 4-193A does not state the exception allowing blanks in the SRL indicator when the New/Rollover/Transfer is 'R' or 'Z', as indicated by the Edit Specifications Manual, page 502-A. Which is correct?

The Edit Specification is correct, and a revised TRRP Part 4, page 4-193A will be provided.

56. Should the new Risk Rating Methods (B, W, and E) be used for all non-subsidized policies covering Pre-FIRM buildings on the first renewal after October 1, 2013, even if the original new business date was prior to July 6, 2012? For example, if a Pre-FIRM building enjoyed Post-FIRM Optional rating, must we convert the Risk Rating Method from a '1', based on the Post-FIRM indicator?

Yes, the new Risk Rating Methods should be used for all non-subsidized policies.

57. Error PL304040 does not allow blanks for policies with New/Rollover/Transfer indicator 'R' or 'Z'. Is this correct?

**Questions and Answers
Regarding NFIP October 1, 2013 Program Changes**

This is not correct. Blanks should be permitted in this instance. A revised Edit Specifications Part 2, page 173-D will be provided.

58. What “Waiting Period Type” should be reported for a rollover or transfer (New/Rollover/Transfer indicator of ‘R’ or ‘T’)?

The correct Waiting Period Type for rollovers and transfers is ‘N’.

- SRL Rating (mitigation offer refused) – Policies for pre-FIRM SRL properties in SFHAs and without ECs, for which mitigation offers have been refused, are subject to a 25 percent rate increase on the first renewal effective on or after October 1, 2013. The FIRA 2004 process will be discontinued.
- Reserve Fund – The Reserve Fund assessment applies to all premium transactions for both new and renewal policies for coverage effective on or after October 1, 2013, not just for those policies with an original new business date on or after October 1, 2013.
- Declarations Page – Revised Declarations Page requirements are provided to correct the Reserve Fund terminology and clarify use of the basement/enclosure/crawlspace indicator and other requirements.
- Flood Insurance Application, General Change Endorsement, and Preferred Risk Policy Application Forms – Minor changes have been made to these forms.
- Transaction Record Reporting and Processing (TRRP) Plan and Edit Specifications – Selected pages were updated to reflect clarifications to the Reserve Fund terminology and to improve the logic for certain transactions related to BW-12 implementation.

We have received numerous questions about the upcoming program changes and their implementation since the distribution of the March 29, 2013, bulletin. The questions pertaining to these changes have been consolidated and are answered in the attached Questions and Answers document. We will notify you when the new accounting exhibit for the Reserve Fund is available. Premium rate changes for the Specific Rating Guidelines to be effective October 1, 2013, will be provided by June 1, 2013.

Please see the following attachments for details of these program clarifications:

- Revisions to Attachment B – Premium Rate Changes Effective October 1, 2013.
- Clarifications to Attachment C – Declarations Page Requirements Effective October 1, 2013.
- Revisions to Attachment D – Flood Insurance Application, General Change Endorsement, Preferred Risk Policy Application, and Cancellation Forms Changes Effective October 1, 2013.
- Revisions to Attachment E – TRRP Plan and Edit Specifications Changes Effective October 1, 2013.
- Attachment G – Questions and Answers Regarding NFIP October 1, 2013, Program Changes.

Thank you for your attention and cooperation in this matter. If you have any questions, please contact Joseph Cecil or my staff at joseph.cecil@fema.dhs.gov.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Accounting, Claims, Data Processing, Marketing, Underwriting