

Part II: Technical Questions and Answers

Regarding the Extension of Preferred Risk Policy Eligibility Effective October 1, 2010,  
After Flood Insurance Rate Map Changes Effective On or After October 1, 2008

**1. Will policies that need to be cancelled and rewritten be done so under cancellation reason number 24? If not how do we handle agency commissions?**

Effective October 1, 2010, a policy written as a standard-rated policy and determined to be eligible for extended PRP rating may be endorsed or rewritten as a PRP for 2 policy terms at its next renewal following a map change that occurred on or after October 1, 2008, and before October 1, 2010. The policy may be canceled/rewritten using Cancellation Reason Code 22 if both of the following conditions are met:

- The request to endorse or cancel/rewrite the policy is received during the current policy term.
- The policy has no open claim or closed paid claim on the policy term being canceled.

When converting a Standard rated policy to PRP due to the 2-year PRP eligibility extension, the 30-day waiting period will not apply if the standard-rated policy has only building coverage and is rewritten as a PRP that includes contents coverage. Agent commissions will be handled in the same manner as other misratings.

**2. Is there any way to get loss history in advance rather than having to cancel the policy after the fact upon discovery? This is an ongoing industry issues as losses may have occurred when the policy was written through a different company/vendor.**

The system of record's entire repetitive loss file is available to WYO Companies on the FTP site.

**3. Since FEMA is suggesting automated handling are they willing to look at possible clarifications or changes in implementation that will make business logic possible to accomplish this?**

Yes, we are providing logic and work-flows that provides both clarity for compliance, and maximum flexibility for adaptation to a company's standard business practices and/or development of cost and time effective solutions.

**4. When will the new Risk Rating method and TRRP plan modifications be released for this program?**

Refer to Question 2 in Part I of the Q&A: Policies effective during the first year of the 2-year PRP eligibility extension are to be reported with a Risk Rating Method of P. Policies effective during the second year of the 2-year PRP eligibility extension are to be reported with a Risk Rating Method of Q.

**5. Will FloodSmart be reviewed to make sure that no conflicting information is communicated to agents? Will they be publishing clarification documents on their site?**

The FEMA Risk Insurance Public Relations & Industry Branch is responsible for and engaged in the 2-year PRP eligibility extension outreach and is responsible for the content of FloodSmart and related agent communication.

**6. How do we deal with the timing issues and delays in the community file information?**

The community file on the system of record is the common and authoritative source of community data. The community file is updated nightly.

**7. How do we capture information on new business applications to determine PRP eligibility verses a standard rated policy? Will we need to collect additional information from agents to issue policies?**

The PRP application will not change and the map information reflected on the application will be from the previous map panel.

Companies must document the policy file for all PRP's issued under the 2-year eligibility extension by providing evidence of the zone before and after the map change.

WYO Companies electing to use guaranteed flood zone determination certification services are advised to enter negotiations with their vendors to obtain accurate, timely, and cost effective verification of prior and current zone information for all existing policies identified through the first 5 steps of the 6 steps to identify policies eligible for the 2-year PRP eligibility extension above.

Additionally, WYO Companies may wish to negotiate processes and costs associated with obtaining previous and current map information from their flood zone determination vendors for all new business applications written in a panel with a map change within 2 years of the date of application.

Companies using internet quoting tools or flood rating software may develop automated solutions to identifying new business applicants eligible for the 2-year PRP extension, so long as the documentation requirements are met.

Acceptable documentation of the 2-year PRP eligibility extension includes: Digital FIRMs are available for many communities via the internet. In some cases, historic map information is also available. Digital FIRMs are available online at the FEMA Map

Service Center at

<://msc.fema.gov/webapp/wcs/stores/servlet/FemaWelcomeView?storeId=10001&catalogId=10001&langId=-1>.

Additionally acceptable forms of documentation for the current and prior map information are as follows:

- A Letter of Map Amendment (LOMA)
- A Letter of Map Revision (LOMR)
- A Letter of Determination Review (LODR)
- A copy of the most recent flood map marked to show the exact location and flood zone of the building
- A letter, indicating the exact location and flood zone of the building, that is signed and dated by a local community official
- An Elevation Certificate (EC), indicating the exact location and flood zone of the building, that is signed and dated by a surveyor, engineer, architect, or local community official
- A flood zone determination certification that guarantees the accuracy of the information

Agents should be made aware that community officials are often able to provide the documentation necessary to demonstrate the 2-year PRP eligibility extension.

Companies may also utilize documentation from a prior policy in their records if applicable to demonstrate previous map information.

**8. Will there be any increase to the expense allowance due to the additional costs associated with the two zone determinations this process will require, where previous map information may require more intensive manual effort?**

The determination of flood zone has always been a basic requirement of issuing any policy through the NFIP, and access to previous map information has long been required for grandfathering purposes. The insurance carriers are compensated for the administration of flood policies as agreed to in their WYO agreement. FEMA will not increase the expense allowance.

**9. Is the Map Store now the official record of map information?**

The community FIRM is the official record. FIRMette's produced on the FEMA Map Store are recognized by FEMA as an authoritative digital replica of the official record.

**10. Many users find Map Store time consuming and difficult to use.**

The FEMA Map Store is one option among many that may be used obtain proper documentation.

**11. Will agents need to submit new application on each renewal?**

When converting a standard-rated policy to a PRP on renewal, the company must obtain the loss history and data information requested on the PRP application. When converting a PRP to a standard-rated policy, the more extensive Application Part II information must be collected as applicable to the building. It is not necessary to use the NFIP form to collect this data. Companies may use standard business practices to collect the necessary information from the agent. Refer to Question 19 in Q&A.

**12. When a policy is converted at renewal from standard rated to PRP, or from PRP to standard, should commission be paid as new business or renewal if the commissions are different?**

The NFIP Direct Servicing Agent applies a 15% commission for new business and renewals. Variable commissions paid to insurance producers are an agreement between the producer and the insurance carrier.

**13. Post-FIRM elevation rating in an SFHA is sometimes more favorable than standard X-Zone rating, though not more favorable than the PRP. What does FEMA recommend for these policyholders?**

Policyholders who take advantage of the 2-year PRP eligibility extension do not lose any other rating option that was available to them at the time the 2-year PRP eligibility extension began. If the 2-year PRP eligibility extension provides lower premiums than elevation rating in the SFHA, advise the policyholder of the 2-year PRP eligibility extension. At the end of the end of the 2-year PRP eligibility extension, elevation rating in the SFHA will still be more favorable than converting to standard X-Zone rating, and elevation rating in the SFHA will remain an available alternative to standard X-Zone rating.

**14. What if a policyholder eligible for grandfathering or Post-FIRM elevation rating at the end of the 2-year PRP eligibility extension has changed agents or companies during the extension, and the new agent or company does not have the elevation or grandfathering data?**

If a policyholder changes agents within the same company, the company may follow their standard business practices for transferring rating data from previous policies to current policies on the same address. If the policyholder changes carrier, the policyholder retains the right to the data used by her or his previous carrier on prior policies, and should request it from the prior carrier. Companies are responsible for document retention of flood insurance transactions indefinitely, and must make it available to the named policyholder in their records when requested by said policyholder.

**15. If a property owner applying for new coverage within 2 years of a map change was offered an SFHA quote unaware of the 2-year PRP eligibility extension, and declined coverage due to cost, how will the property owner be made aware of the 2-year PRP eligibility extension?**

An agent who failed to advise a customer of the 2-year PRP eligibility extension may be exposed to errors and omissions liability. Companies are encouraged to make agents aware of the 2-year PRP eligibility extension through their marketing and agent training or outreach efforts, automated quoting tools, agent underwriting support, or other flood insurance communications.

### **Community File Concerns Expressed by Stakeholders**

- 1. TRRP PRP zone appeals (MYPFZN & GISPFZ): There are 2 TRRP reports that deal with PRP ineligibility based on community/zone information. The results are often appealed. Even when we appeal the policies on the MYPFZN they may continue to show up on the GISPFZ. Will the 2-year PRP eligibility extension increase the number of errors needing appeal?**

The 2-year PRP eligibility extension will not negatively impact the MYPFZN or GISPFZN. Because we will not apply the edits based on map changes occurring on or after October 1, 2008 or within 2 years of all PRP effective dates, whichever is later, the error rates on these two reports will remain the same or decrease. In other words, we are loosening the edit criteria (erring fewer policies), rather than tightening it (erring more policies).

- 2. Community File Appearing Not Up to Date: It is common for panels, suffixes, and zones not to appear in the FEMA community file especially when there has been a recent map revision. Though we update the community file nightly with the FEMA information, we often have to request special updates based on flood zone determinations performed by our vendors.**

FEMA is researching this issue.

- 3. Changes in the Community File: Given the community information is updated nightly, changes to the community information are not communicated. There have been instances where changes have occurred on a given day and then reverted the following day. The file fails to reflect these change dates.**

FEMA is researching this issue.

- 4. We also experiences significant delays in the community file being updated when map changes occur. There are many occasions where when reviewing questions by insured's we find that map information is out of date by as much as 2-6 months.**

FEMA is researching this issue.