

June 1, 2014 NFIP Changes

For more details go to:

<http://www.nfipiservice.com/Stakeholder/FEMA2/Attachment%20A%20Summary%20of%20the%20NFIP%20June%202014%20Program%20Changes.pdf>

To view a copy of the letters referenced below, visit:

<http://nfipiservice.com/Stakeholder/FEMA2/Attachment%20C%20Sample%20Letters%20and%20Revised%20App%20Forms.pdf>

Maximum Coverage for Other Residential – 5 or More Units

- Building coverage increased from \$250,000 to \$500,000
 - New Business (NB), Renewals and Endorsements – effective on or after 6/1/2014
- 90 days prior to 6/1/2014 **mandated** notice will be sent to all Other Residential - 5 or More Unit policyholders to inform on new higher maximum limit
- A message will also be included with the renewal billing notice for expirations on or after 6/1/2014 advising on new higher maximum limit

Revised Primary Residence Definition

- Primary Residence – Defined as a building that will be lived in by the insured or insured's spouse for more than 50% of the 365 days following policy effective date
 - Used to determine proper Pre-FIRM subsidized rate table for Primary or Non-Primary Residence
 - NB and Renewals – effective on or after 6/1/2014
 - Mid-term Endorsements on policies effective on or after 6/1/2014)
 - 90 days prior to policy expiration, a **mandated** notice will be sent to all Pre-FIRM subsidized rated residential single family (including condo unit owners) policyholders to advise on new definition and request insured to submit one of the required documentation items to verify eligibility for Primary Residence Pre-FIRM subsidized rates:
 - Driver's license
 - Automobile registration
 - Proof of insurance for a vehicle
 - Voter's registration
 - Documents showing children attend school
 - Homestead Tax Credit Form for Primary Residence
 - If documentation is not received prior to issuance of the renewal billing notice, the renewal will be billed using the Non-Primary Residence Pre-FIRM subsidized rates
- Principal Residence – No change to definition included within the Standard Flood Insurance Policy (SFIP) – Dwelling Form (*Insured must live in the dwelling for 80% of the 365 days preceding the loss and the dwelling must be insured for 80% or more of its full replacement cost or the maximum amount of insurance available under the NFIP*) and used to determine eligibility for building loss settlement on a replacement cost versus actual cash value basis

Deductible Changes

- Revision of minimum deductibles based on building coverage and rating basis (Full-Risk, Pre-FIRM Subsidized and Contents)
 - Full-Risk – Post-FIRM, Pre-FIRM elevation-rated, all X zone, AR, AR Dual or A99
 - Building Coverage **does not** exceed \$100,000
 - \$1,000 for building or contents
 - Building Coverage exceeds \$100,000
 - \$1,250 for building or contents

- Pre-FIRM Subsidized
 - Building Coverage **does not** exceed \$100,000
 - \$1,500 for building or contents
 - Building Coverage exceeds \$100,000
 - \$2,000 for building or contents
- Contents
 - Contents-only policies will use the same minimum deductibles that apply to building coverage that **does not** exceed \$100,000
- NB and Renewals – effective 6/1/2014
- An insert will be included in the renewal billing notice to advise the policyholders of the new minimum deductibles option, as all deductibles must comply with the new minimums

Policy Disclosure

- BW-12 included a provision that stated Flood Policies must state the conditions, exclusions and coverage limitations in plain English, in boldface type, and in a font size that is twice the size of the text of the body of the policy
- The provision authorizes a civil penalty of not more than \$50,000 on any person who fails to comply
- Revised policy forms use 9-point Arial and 18-point Arial Narrow to comply
 - More than doubles the number of pages for the Dwelling Form (from 19 to 47)
- Compliant policy forms must be sent for:
 - NB effective on or after 6/1/2014; and
 - Renewals of existing policies at the first renewal effective on or after 6/1/2014
- All policies must be issued under each WYO company's name and be signed by a WYO company authorized representative

Changes to Policy Declarations Page Requirements – For all applicable policies effective on or after 6/1/2014

- Dec pages for Pre-FIRM subsidized rated policies must state “**Pre-FIRM Subsidized**” (includes all policies covering Pre-FIRM buildings rated without elevation data and rated using zones Unnumbered A, AE, A1-30, AH, AO, VE and V1-30; and all policies effective prior to 10/1/2013 covering Pre-FIRM buildings in zones Unnumbered V and D with original NB dates prior to 7/6/2012 and no lapse on or after 10/4/2012)
- Dec pages for policies covering primary residences must state “**Y**” when the policy covers a building that meets the new Primary Residence definition

Clarifications Regarding Subsidy Elimination

- Transitioning from Pre-FIRM to full-risk rate can use tentative rates to rate a policy for one year only (includes Pre-FIRM RCBAPs)
- When applying tentative rate procedure for an elevated Pre-FIRM building with enclosure, always use “non-elevated/no basement” building rates
- Use full-risk (Post-FIRM) ICC premiums and deductible factors when applying full-risk, tentative or provisional rates to a Pre-FIRM building
- Tentative rated policies must be renewed using the info contained in an EC

Clarification of Grandfather Rating Procedures

A SFIP issued for a condo unit under the Dwelling Form is independent of the RCBAP and may not use the dec page of an RCBAP to demonstrate eligibility for Pre-FIRM subsidized rates or grandfather procedures.

Renewal Notice Instructions

FEMA is requiring companies to include a message with the Renewal Notice about the advantage of using certified mail to submit premium payments.