ATTACHMENT A

SUMMARY OF THE NFIP PROGRAM CHANGES EFFECTIVE APRIL 1, 2017

National Flood Insurance Program

April 1, 2017, Program Changes: A Summary

The changes outlined in this bulletin apply to new business and renewals that will become effective on or after April 1, 2017. See Attachment B for updated rate tables and Attachment C for revised Transaction Record Reporting and Processing (TRRP) Plan pages and updated Edit Specifications.

1. Premium Increases and Surcharges

Overall, premiums will increase from an estimated average of $827 per policy to $878, for an average increase of 6.3%. These amounts do not include the HFIAA surcharge or the Federal Policy Fee (FPF). When the HFIAA surcharge and FPF are included, the total amount billed the policyholder will increase from $953 to $1,005, for an average increase of 5.4%.

Premium increases effective April 1, 2017, comply with all the requirements of both the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA). Those requirements are as follows:

- Premium rates for four categories of Pre-FIRM subsidized policies – non-primary residential properties, business properties, Severe Repetitive Loss (SRL) properties (which includes cumulatively damaged properties), and substantially damaged/substantially improved properties – must be increased 25% annually until they reach full-risk rates;
- The *average* annual premium rate increases for all other risk classes are limited to 15% while the *individual* premium rate increase for any individual policy is simultaneously limited to 18%; and
- The average annual premium rate increase for all other Pre-FIRM subsidized policies not covered by the first bullet above must be at least 5%.

There are some limited exceptions to the 18% cap on premium rate increases for individual policyholders. These include policies on the properties listed above that are subject to 25% annual premium rate increases. These also include premium rate increases resulting from changes in the Community Rating System (CRS) class, misratings, and increases in the amount of insurance purchased. The specific scenarios that constitute a misrating are described in the Flood Insurance Manual.

When premium rate increases are evaluated for compliance with these caps, the building and contents premium, the Increased Cost of Compliance (ICC) premium, and the Reserve Fund Assessment (RFA) are all included. The probation surcharge, FPF, and Congressionally-mandated HFIAA surcharge are not considered premium and, therefore, are not subject to the premium rate cap limitations. As a result, the increase in the total amount charged a policyholder may exceed 18 percent in some cases.

For policies issued on or after April 1, 2017, there will be no changes to:

- Deductible Factors
- Federal Policy Fee

- Reserve Fund Assessment
- HFIAA Surcharge
- Probation Surcharge
- ICC Premiums

- **Pre-FIRM Subsidized Policies** (a group of policies in SFHA Zones A, AO, AH, A1-30, AE, A99, AR, AR/A1-30, AR/AE, AR/AO, AR/AH, AR/A, V1-30, and VE, that receive rates insufficient to pay the anticipated losses and expenses for that group)
  - Primary Residences: The combined premium increase for all primary residence policies in these zones is 5 percent, with a total increase of 5 percent.
  - Non-Primary Residences: The combined premium increase for non-primary residence policies in these zones is 24 percent, with a total increase of 21 percent.
  - Pre-FIRM Subsidized Policies Subject to 25% Annual Increases as required by BW-12: Premiums will increase slightly less than 25%, primarily due to the impact of rounding. The overall increase for these categories is about 23%.
  - All Other Pre-FIRM Subsidized Policies: These primarily are condominium policies and multifamily policies: Premiums will increase 8%, with a total increase of 7%.

- **Other Subsidized Policies**
  - A99 Zones (i.e., zones in which flood protection systems are still in the process of being constructed) and AR Zones: Effective October 1, 2016, these policies are eligible to use PRP premiums, with the exceptions of Residential Condominium Building Association Policies (RCBAPs) and repetitive loss properties. As a result, premiums will decrease an average of 64%, with a total decrease of 58%.
  - Properties Newly Mapped into the SFHA: Newly Mapped policies are initially charged PRP premiums during the first year following the effective date of the map change. Annual increases to these policies result from the use of a "multiplier" that varies by the year of the map change; this multiplier is applied to the base premium before adding the ICC premium. The RFA is added after the ICC premium, and this subtotal is the amount subject to the annual premium rate increase cap. The HFIAA surcharge, probation surcharge (if applicable), and the FPF will be added to the premium; they are not subject to the cap on annual premium rate increases. As a result of increases to the multiplier that will be effective January 1, 2017, premiums for Newly Mapped policies will increase 14%, with a total increase of 11%.

- **V Zones** (coastal high-velocity zones)
  Rate increases are being implemented again this year as a result of the Heinz Center's Erosion Zone Study, which clearly indicates that current rates significantly underestimate the increasing hazard from steadily eroding coastlines.
  - Post-FIRM V Zones: Premiums will increase 7 percent, with a total increase of 7 percent.

- **A Zones** (non-velocity zones, which are primarily riverine zones)
  - Post-FIRM A1-A30 and AE Zones: Premiums will increase 1 percent, with a total increase of 1 percent.

- AO, AH, AOB, and AHB Zones (shallow flooding zones): Premiums will remain unchanged.
- Unnumbered A Zones (remote A Zones where elevations have not been determined): Premiums will increase 5 percent, with a total increase of 4 percent.

- **X Zones** (zones outside the Special Flood Hazard Area)
  - Standard-Rated Policies: Premiums will increase 2 percent, with a total increase of 1 percent.
  - Preferred Risk Policies (PRPs) (policies on buildings that are currently mapped outside the SFHA): Premiums will remain unchanged.
- **Miscellaneous**
  - Group Flood Insurance Policies (GFIPs): No change.
  - Tentative and Provisional Rates: No change.
  - Mortgage Portfolio Protection Program (MPPP): No change

As a reminder, insurers should review NFIP Bulletin W-16021 dated March 29, 2016, to ensure compliance with earlier 2016 changes in validation requirements.

2. Newly Mapped Multiplier Table

FEMA is providing updated multiplier tables to determine which multiplier to use in calculating the premium for properties newly mapped into the SFHA through December 2018. These policies receive a PRP premium for the first year after being newly mapped into the SFHA, and their subsequent premiums gradually increase to full-risk rates through use of a PRP premium multiplier. The multipliers are tied to the date the property was newly mapped into the SFHA and the date of the renewal. The Newly Mapped Multiplier tables are provided in Attachment B.

3. Clarifications for Pre-FIRM Substantially Improved Buildings

Policies on substantially improved buildings must be rated based on the FIRM in effect at the time of the reconstruction. When a Pre-FIRM building has been substantially improved, NFIP insurers must adjust any subsequent losses on that building in accordance with Post-FIRM rules, regardless of the rating methodology.

For Pre-FIRM substantially improved buildings that are rated with Pre-FIRM rates because they are lower than the Post-FIRM rates, future loss adjustments will be based on coverage limitations that apply to Post-FIRM buildings in SFHAs. Insurers must include a statement on the policy Declarations page and Loss Control Card that Post-FIRM coverage limitations apply.