



FEMA

W-14001

January 16, 2014

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

FROM: Dennis Kuhns *Bonnie Shipard*  
Division Director  
Risk Insurance Division

SUBJECT: Addendum to June 1, 2014, Program Changes

The purpose of this memorandum is to provide updated information for the June 1, 2014, Program Changes bulletin (W-13070) dated December 16, 2013. The updates are described below.

- Revised the Important Notice to Residential Policyholders in Attachment B – The revised notice simplifies the requirements for policyholders to verify their primary residence status.
- Added an updated Table 9, Standard Flood Insurance Policy Increased Cost of Compliance Coverage, for Attachment C, to reflect the increased Other Residential building insurance limit.

Please use this updated information when processing your system changes effective June 1, 2014.

If you have any questions, please contact the iService Underwriting Department at [Underwriting@nfipiservice.com](mailto:Underwriting@nfipiservice.com).

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

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

**IV. INCREASED COST OF COMPLIANCE (ICC) COVERAGE**

Coverage is afforded under the Standard Flood Insurance Policy (SFIP) for the increased cost to rebuild, or otherwise alter, a flood-damaged structure to bring it into conformance with state or local floodplain management ordinances or laws.

ICC coverage is mandatory for all SFIPs except for (1) those sold in Emergency Program communities, (2) contents-only policies, (3) Dwelling Forms on individual condominium units within a multi-unit building, and (4) Group Flood Insurance. For these 4 cases, ICC

coverage is not available. In a multi-unit condominium building, ICC coverage is only available through the condominium association’s flood policy.

The current ICC coverage limit is \$30,000 per building or, for non-condominium townhouse construction, per unit, per policy. This coverage amount is in addition to the Building Amount of insurance purchased. However, for any 1 flood event, the amount of combined loss payment received from Building coverage and ICC coverage cannot exceed the maximum program limits of \$250,000 for 1–4 family residential structures, \$500,000 for 5-or-more-unit residential structures, and \$500,000 for non-residential structures.

**TABLE 9. STANDARD FLOOD INSURANCE POLICY INCREASED COST OF COMPLIANCE (ICC) COVERAGE**  
**Premiums for \$30,000 ICC Coverage**

All Except RCBAP, MPPP, Preferred Risk Policies, and Submit-for-Rate Policies

	ZONE	ALL RESIDENTIAL		NON-RESIDENTIAL	
		Building Amount of Insurance		Building Amount of Insurance	
		\$1-\$230,000	\$230,001-\$500,000	\$1-\$480,000	\$480,001-\$500,000
Pre-/Post-FIRM Full Risk Rating	A, AE, A1-A30, AO, AH	\$ 5	\$ 4	\$ 5	\$ 4
	AR, AR DUAL ZONES	\$ 5	\$ 4	\$ 5	\$ 4
	POST-'81 V1-V30, VE	\$18	\$13	\$18	\$13
	'75-'81 V1-V30, VE	\$30	\$20	\$30	\$20
	A99, B, C, X, D	\$ 5	\$ 4	\$ 5	\$ 4
Pre-FIRM Subsidized Rating	A, AE, A1-A30, AO, AH	\$70	\$55	\$70	\$55
	AR, AR DUAL ZONES	\$ 5	\$ 4	\$ 5	\$ 4
	V, VE, V1-V30	\$70	\$55	\$70	\$55
	A99, B, C, X, D	\$ 5	\$ 4	\$ 5	\$ 4

- NOTES: (1) ICC coverage does not apply to the Emergency Program, individually owned condominium units located within a multi-unit building and insured under the Dwelling Form, contents-only policies, and GFIPs.
- (2) The ICC Premium is not eligible for the deductible discount.
- (3) Pre-FIRM full-risk rated buildings should use Post-FIRM ICC Premiums.
- (4) For RCBAP, MPPP, and PRP, use the ICC Premiums contained in applicable sections of this manual.
- (5) For Submit-for-Rate policies, use the ICC Premium Table contained in the *Specific Rating Guidelines*.
- (6) For 1-4 family residential structures, the maximum building program limit is \$250,000.

**NATIONAL FLOOD INSURANCE PROGRAM (NFIP)  
IMPORTANT NOTICE TO RESIDENTIAL POLICYHOLDERS**

RE: <Named Insured>

Policy # < >

Property Address: < >

Dear Policyholder:

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) phases out Pre-FIRM subsidized rates used for buildings constructed before their communities' initial Flood Insurance Rate Map (FIRM) became effective. Under these reforms, non-primary residences receiving the Pre-FIRM subsidized rate must receive annual premium increases of 25 percent per year until the premiums reflect the full-risk rate. Effective June 1, 2014, for rating purposes only, FEMA defines a non-primary residence as a building that will be lived in by the named insured or the insured's spouse for 50 percent or less of the 365 days following the policy effective date. However, if the residence will be lived in by the named insured or the insured's spouse for more than 50 percent of the 365 days following the policy effective date, then the Pre-FIRM policy can continue with the subsidized rate for a primary residence as long as there is no lapse in coverage.

Policy records indicate that you currently pay a Pre-FIRM subsidized rate for the policy on the building at the address listed above. If you will not live in the property for more than 50 percent of the 365 days following the policy renewal date, then no action is needed, but be aware that your renewal premium will reflect the 25 percent phased-in rate increase. However, if you meet all of the following criteria for a primary residence, you will be able to keep the Pre-FIRM subsidized rate, which is not subject to the 25 percent annual increase to the full-risk rate:

- Your property is your primary residence, lived in by you or your spouse more than 50 percent of the year; and
- You owned the property prior to July 6, 2012, and
- The property has been continuously insured since on or before July 6, 2012, or if there was a lapse in coverage, your policy was reinstated prior to October 4, 2012.

The NFIP requires verification of primary residence status through documentation. To maintain the primary residence Pre-FIRM subsidized rate, you or your agent must **submit one of the following:**

- Driver's license
- Automobile registration
- Proof of insurance for a vehicle
- Voter's registration
- Documents showing where children attend school; or
- Homestead Tax Credit Form for Primary Residence.

**Because this premium increase is mandated by law, if you do not provide this documentation within 30 days of the date of this letter, your policy will be rated as a non-primary residence and your renewal premium will reflect the 25 percent phased-in rate increase.**

Please inform us if the occupancy status changes for this property. If you fail to do so, this may result in avoidance of coverage or any other remedies available under law.

Please note that the Primary Residence definition for determining the appropriate premium rate for your Standard Flood Insurance Policy is not the same as the "Principal Residence" requirements of Section VII(V) of the Dwelling form. The Principal Residence 80 percent owner-occupancy and 80 percent insured-to-value thresholds provided in the Standard Flood Insurance Policy's Section VII(V) will continue to govern whether or not a building qualifies for Replacement Cost Value or Actual Cash Value loss settlement for claims.