



**FEMA**

W-15063

December 2, 2015

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  
Risk Insurance Division

SUBJECT: Addendum 2 to the April 1, 2016, Program Changes –  
Correction to Attachment A Premium Language

The NFIP Clearinghouse Bulletin for the April 1, 2016 Program Changes (W-15046 dated October 1, 2015) incorrectly stated on pages 2 and 3 of Attachment A that premiums for Preferred Risk Policies and policies for properties newly mapped into the SFHA would decrease (instead of increase) an average of 5 percent. Please see the attached replacement pages for the corrected language (underscored) under X Zones.

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

Attachment

cc: Vendors, IBHS, FIPNC, Government Technical Representative

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

5-10 units	\$400 per policy
11-20 units	\$800 per policy
21 or more units	\$2,000 per policy

Premiums, including the RFA but excluding the FPF and the HFIAA surcharge, will increase an average of 9 percent for policies written or renewed on or after April 1, 2016 (see Attachments B and C for updated rate and premium tables). When the FPF and the HFIAA surcharge are included, the total amount charged to the policyholder will increase an average of 9 percent. The average premium change by zone varies as described below, showing both the average premium increase—including the RFA—and the total increase—including the FPF, the HFIAA surcharge, and any applicable probation surcharge—charged to the policyholder.

There will be no change to the deductible factors for April 1, 2016.

- **Pre-FIRM Subsidized Policies** (AE Zones and VE Zones)
  - 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.
  
- **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 10 percent, with a total increase of 9 percent.
  
- **A Zones** (non-velocity zones, which are primarily riverine zones)
  - Post-FIRM A1-A30 and AE Zones: Premiums will increase 9 percent, with a total increase of 8 percent.
  - AO, AH, AOB, and AHB Zones (shallow flooding zones): Premiums will increase 4 percent, with a total increase of 4 percent.
  - Unnumbered A Zones (remote A Zones where elevations have not been determined): Premiums will increase 13 percent, with a total increase of 12 percent.
  - A99 Zones (i.e., flood protection systems still in the process of being constructed) and AR Zones: Premiums will increase 4 percent, with a total increase of 4 percent.
  
- **X Zones** (zones outside the Special Flood Hazard Area)
  - Standard-Rated Policies: Premiums will increase 3 percent, with a total increase of 3 percent.
  - Preferred Risk Policies (PRPs) (policies on buildings that are currently mapped outside the SFHA): Premiums will increase an average of 5 percent, but overall the average amount charged these policyholders will increase 4 percent. The PRP tables are reformatted to clarify the distinction between the base premium, the ICC premium, the RFA, the HFIAA surcharge, and the FPF.

- Policies for Properties Newly Mapped into the SFHA (includes the former PRP Eligibility Extension (PRP EE) policies): Premiums will increase an average of 5 percent, but overall the average amount charged these policyholders will increase 4 percent. The Newly Mapped tables are reformatted to clarify the distinction between the base premium and the ICC premium. FEMA is introducing a multiplier to be used to correctly apply annual increases to the base premium before adding the ICC premium. The RFA will be added after the ICC premium, and this subtotal will be 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.

## **2. Implementation of 25-Percent Rate Increases for Policies Covering Non-Residential Business Properties (BW-12 Section 100205)**

Beginning April 1, 2016, FEMA is implementing 25-percent annual premium increases for Pre-FIRM subsidized non-residential business properties, as required by Section 100205 of BW-12.

The requirement to identify business properties within the larger non-residential occupancy category began with all new and renewal policies with a non-residential building occupancy effective on or after November 1, 2015. Companies must continue to send the request to the agent/producer for the necessary information to properly classify the risk no less than 90 days prior to expiration. A renewal offer must be made no less than 45 days prior to expiration. In the event that the insurer receives no response to the 90-day request for the required rating information, the insurer must rate the policy using the non-residential business building occupancy when making a renewal offer. The policy may be corrected by endorsement at the policy effective date if the information is submitted later.

The building use and building purpose fields on the Application forms have been modified to assist with the correct identification of the building occupancy. All buildings in the non-residential business occupancy subset should be reported as a '6' in the Transaction Record Reporting and Processing (TRRP) Plan for policies effective on or after November 1, 2015. The 25-percent annual premium increase applies only to non-residential businesses, and does not apply to other non-residential property (reported with an occupancy of '4'). Additional information regarding small businesses, houses of worship, and non-profit entities will be used to generate the report to Congress required by HFIAA Section 29. NFIP Application Forms were modified on November 1, 2015, in order for insurers to gather this data during the reunderwriting of the non-residential occupancy category.

## **3. New Rating Methodology for Both Preferred Risk Policies (PRPs) and Property Newly Mapped Into the SFHA (HFIAA Section 6)**

Section 6 of HFIAA provides that the premium rate for flood insurance for certain properties newly mapped into areas with special flood hazards shall for the first policy year be a "preferred risk premium" for the property, and shall be increased at no more than 15 percent by class, or 18 percent per policy, until a full-risk premium is achieved.