



FEMA

W-16022

March 29, 2016

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

FROM: Roy E. Wright 
Deputy Associate Administrator for Insurance and Mitigation
Federal Insurance and Mitigation Administration

SUBJECT: October 1, 2016, Program Changes

This memorandum provides notification of the changes that the NFIP will implement effective October 1, 2016. The changes will require modifications to the NFIP Flood Insurance Manual, Transaction Record Reporting and Processing (TRRP) Plan, and the Edit Specifications document. Highlights of these program changes include the following:

- Changes to A99 and AR subsidized rating procedures to allow eligibility for the Preferred Risk Policy;
- Further requirements for reinstatement of lapsed coverage;
- New refund rules for endorsements and cancellations; and
- Changes to claims-related reporting requirements to include water depth and adjuster certification/flood control number.

Please see the following attachments for details of these upcoming Program changes:

- Attachment A – Summary of the NFIP October 2016 Program Changes
- Attachment B – Changes to Cancellation and Endorsement Refund Procedures

The NFIP will issue changes to the TRRP Plan and Edit Specifications documents under separate cover at a later date. The revised Community Rating System (CRS) Eligible Communities list effective October 1, 2016 will be provided under separate cover by August 1, 2016.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

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

ATTACHMENT A

**SUMMARY OF THE NFIP PROGRAM CHANGES
EFFECTIVE OCTOBER 1, 2016**

National Flood Insurance Program

October 1, 2016, Program Changes: A Summary

The changes outlined in this bulletin apply to new business and renewals that will become effective on or after October 1, 2016.

1. Changes to A99 and AR Subsidized Rating Procedures (HFIAA Section 6 and 42 U.S.C. 4014 (e) and (f))

Beginning October 1, 2016, properties in Zones A99 and AR may be eligible for the Preferred Risk Policy (PRP).

Previous A99 and AR Zone Rating - Section 6 of the Homeowner Flood Insurance Affordability Act (HFIAA) of 2014 provides that for the first policy year following a map revision, a property newly mapped into a Special Flood Hazard Area (SFHA) will receive a preferred risk premium rate. This provision excluded subsidized policies issued using Emergency Program rates and A99 and AR rates.

- Though technically SFHAs, Zones A99 and AR have special characteristics that warrant different treatment than other SFHAs. In A99 zones, enough progress has been made on a protective system such as dikes, dams, and levees to consider it complete for insurance rating purposes. AR zones are areas that result from the decertification of a previously accredited flood protection system that is determined to be in the process of being restored to provide base flood protection.
- The statutory authority for A99 and AR subsidized rates provides that FEMA may use premium rates that do not exceed the premium rates used for property if a levee under construction or repair was fully constructed or repaired. Historically, FEMA has used standard X-zone rates for properties in Zones A99 and AR, even though they are considered SFHAs.
- FEMA uses X-zone rates to insure properties in Zones B, C, or X that do not qualify for the PRP due to loss history, or where the policyholder sought different coverage options than available under the PRP. These rates are also used for properties grandfathered into the B, C or X rate class, but located in an SFHA on the current map due to a map revision prior to October 1, 2008.

Revised A99 and AR Zone Rating - Beginning October 1, 2016, FEMA is extending eligibility for the PRP to all properties mapped into A99 or AR Zones that meet the following PRP loss history requirements:

- No more than 2 flood insurance claims or disaster relief payments due to flood damage that exceed \$1,000, and
- No more than 3 flood claims or flood disaster relief payments regardless of amount.

Properties newly mapped into A99 and AR zones will receive the PRP in the first year after the map revision. However, they will not be subject to the same annual premium increases as properties insured under the Newly Mapped procedure.

A property located outside of the SFHA, and mapped into an A99 or AR Zone will remain a PRP as the levee construction or repair is completed, after which the zone will be revised to a non-SFHA Zone B, C, or X.

Additional guidance for A99 and AR Zone rating follows:

- NFIP insurers must notify all current policyholders with property located in A99 or AR Zones on the current map of their potential eligibility for the PRP. This notification must be sent at least 90 days prior to expiration beginning with the first renewal effective on or after October 1, 2016.
- Notification is unnecessary if the company can establish property ineligibility due to loss history based on the Repetitive Loss File that FEMA provides on each insurer's File Transfer Protocol (FTP) site.
- PRP eligibility will not disqualify the use of standard rates for any property currently rated in A99 or AR Zones. However, in most cases, the PRP will result in a lower premium.
- The PRP premium is not available to properties located in A99 or AR Zones with policy effective dates prior to October 1, 2016. Refunds for duplicate NFIP coverage are not permitted under the policy with the earlier effective date.
- If a property located in an A99 or AR zone is insured under the PRP, and is later remapped to a different SFHA, NFIP insurers will use the Newly Mapped rating procedure to ensure that premium increases do not exceed the HFIAA Section 5 18-percent per policy cap on premium increases.

2. Further Requirements for Reinstatement of Lapsed Coverage (HFIAA Section 3)

Effective April 1, 2016, FEMA prohibited the use of Pre-FIRM subsidized rates for policies reinstating coverage for Pre-FIRM buildings that were previously insured by the NFIP, where the NFIP coverage is reinstated by means of a payment received more than 90 days after expiration or cancellation of the policy. Below are some further considerations for application of HFIAA Section 3.

- A reinstatement of coverage by means of a payment received by the insurer within 90 days of policy expiration or cancellation is not considered subject to HFIAA Section 3, so long as continuous coverage has been maintained since April 1, 2016.
- This same rule may be used to establish eligibility for "continuous coverage" grandfathering, or processing a renewal of coverage for a Newly Mapped property.

- If the reinstatement date is more than 90 days from the renewal date and effective on or after April 1, 2016, the policy is subject to HFIAA Section 3 and is ineligible for Pre-FIRM subsidized rates, “continuous coverage” grandfathering, or renewal under the Newly Mapped procedure.
- The renewal procedure described above may only be used one time per policy.

Reporting Requirements - In order to ensure that this renewal procedure for reinstatement of lapsed policies is used only one time per lapsed policy after April 1, 2016, FEMA is introducing two new data elements to the TRRP Plan:

- (1) WYO Reported Original New Business Effective Date, and
- (2) Reinstatement Date.

- Insurers must report the WYO Reported Original New Business Effective Date on the TRRP Plan for the transaction activity associated with the issuance of the application, transfer, or rollover.
- The WYO Reported Original New Business Effective Date must be printed on the policy Declarations page. Where the month and day of the WYO Reported Original New Business Effective Date does not align with the month and day of the policy renewal effective date, insurers must print on the Declarations page the most recent Reinstatement Date, and report this date on the TRRP Plan.
- When processing a transfer/rollover, the insurer must report the following:
 - The prior carrier’s WYO Reported Original New Business Effective Date and NAIC number, as shown on the prior Declarations page.
 - The prior carrier’s Reinstatement Date, if any, if the receiving insurer does not have a more recent Reinstatement Date to report.

3. Revised Refund Rules for Endorsements and Cancellations

FEMA is expanding the use of Reason Code 9 and clarifying the refund rules for Reason Code 24, all retroactive to November 1, 2015 receipt date, but the cancellation effective date cannot be earlier than April 1, 2016. We are also revising documentation requirements for certain cancellation reasons and changing the refund rules for endorsement. Attachment B provides details of these changes.

4. Claims-Related Reporting Requirements

Beginning October 1, 2016, insurers will be required to report additional claims-related data elements through the TRRP reporting process. Additional data elements identifying the claims adjusting firm, the adjuster’s Flood Control Number, and the exterior and interior depth of water will be required. Specific information for these new data elements will be included in the TRRP and Edit Specification documents, to be provided at a later date.

ATTACHMENT B

CHANGES TO CANCELLATION AND ENDORSEMENT PROCEDURES

Attachment B – Changes to Cancellation and Endorsement Refund Procedures

FEMA is implementing a number of changes to refund procedures that will better benefit policyholders. Some of the changes outlined in this attachment are retroactive to a November 1, 2015, receipt date, but the effective date cannot be earlier than April 1, 2016. A summary chart is provided at the end of this attachment.

Because the April 1, 2016, revisions to the National Flood Insurance Program (NFIP) Flood Insurance Manual (FIM) were already being finalized at the time of the preparation of this bulletin, the provisions of this bulletin supersede any conflicting guidance in the November 1, 2015, or April 1, 2016, FIM.

1. Expanding Use of Cancellation Reason Code 9 – Effective April 1, 2016

HFIAA Section 13 states that flood insurance shall not be required, in the case of any residential property, for any structure that is part of such property but is detached from the primary residential structure of such property, and does not serve as a residence.

Lenders determine the applicability of HFIAA Section 13 to specific detached structures, and FEMA has no regulatory authority to interpret the statute for lenders. However, the publication of final rules by lending regulators to the Federal Register on July 21, 2015, has resulted in a number of requests to permit a pro-rata cancellation of coverage based on the receipt date of the cancellation request. Following is revised guidance for cancellations using Reason Code 9.

- NFIP insurers can use Reason Code 9 to process the cancellation for eligible properties with pro-rata refunds, but must retain the fees and surcharges.
- For cancellation requests received between November 1, 2015, and March 31, 2016, NFIP insurers may issue a refund if a lender originally required the policy for a detached structure due to the property being located in the SFHA, but the property is released from mandatory purchase due to the lending regulators' implementation of HFIAA Section 13. Use cancellation Reason Code 9 to cancel the policy with an effective date of April 1, 2016. For cancellation requests received on or after April 1, 2016, NFIP insurers may issue a refund with a cancellation effective date based on the receipt date of the cancellation request.
- NFIP insurers can continue to use Reason Code 9 when a lender releases a borrower from the requirement to maintain flood insurance following a physical revision of a map or through the issuance of a Letter of Map Revision removing the property from the SFHA.

2. Premium Refund Eligibility for Cancellation Reason Code 24 – Effective November 1, 2015

The Cancellation/Nullification Section of the November 1, 2015, edition of the FIM indicates conflicting information regarding the years eligible for premium refund for Reason Code 24.

- The description of the cancellation indicates that the cancel/rewrite procedure is available for the current policy year and one prior year provided that the effective date of the map revision or Letter of Map Amendment (LOMA)/Letter of Map Revision (LOMR) occurred during prior years.
- However, the Years Eligible for Refund language states that up to 5 years from the receipt date of the cancellation request are eligible for refund, provided that no claim has been paid or is pending.

Retroactive to November 1, 2015, Cancellation Reason Code 24 may be applied to the current policy year and up to 5 prior years provided that the effective date of the map revision or LOMA/LOMR occurred during prior years, and no claim has been paid or is pending.

3. Documentation Requirement Regarding Lender Release

- For all cancellation reasons involving a lender release (Cancellation Reason Codes 7, 8, 9, 12, 13, 15, 18, and 19), a policyholder may cancel a policy if the policyholder is no longer subject to a previous requirement by a lender, loss payee, or other federal agency to obtain and maintain NFIP insurance pursuant to statute, regulation, or contract.
- The policyholder must submit a signed statement that the NFIP policy is no longer required (see attached sample). Every unit owner must obtain and sign this form when it is used to cancel coverage for a Residential Condominium Building Association Policy.

4. Rating Adjustments (Endorsements and Cancel/Rewrites) – Effective October 1, 2016

Except for Reason Code 19, the NFIP does not allow refunds for cancellation in previous policy years when a policyholder is released from the mandatory purchase requirement. However, FEMA is revising its endorsement refund rules and the rules for administrative cancel/rewrite procedures (reasons 22 and 24) to allow refunds for rate adjustments in as many previous policy years as can be documented, up to a maximum of 5 policy years, for the following scenarios:

- The property was eligible for the PRP premium, but was insured using standard X-zone rates at a higher price.
- The property was eligible for the PRP premium when a property was located in Zone B, C, or X following a map revision, but was rated in a zone other than B, C, or X based on the previous map.
- The property was eligible for continuous coverage or built-in-compliance grandfathering discovered after the time of application.
- Map revisions that occurred after the time of application reflect a decrease in the risk of flood damage, resulting in a lower premium rate.

In the instances outlined above, the effective date of the endorsement will be the effective date of the initial policy year, up to a maximum of 5 policy years prior to the receipt date of the endorsement request.

5. New Business Procedures

For new business applications written on or after April 1, 2016, all NFIP insurers are required to provide the lowest premium rate available to the property based on the information provided by the insured and agent.

The following scenarios will generate a critical error in the FEMA Operation Review process:

- Failure to offer a PRP or the Newly Mapped Rating Procedure to an eligible property owner prior to issuing rates based on X, A99, or AR zones.
- Failure to apply the grandfather procedure to eligible policyholders when presented valid documentation.
- Failure to perform a comparison of full-risk premium rates to pre-FIRM subsidized premium rates when presented elevation information for a pre-FIRM building. This error will apply both at the time of application and every subsequent renewal due to the phase-out of pre-FIRM subsidy mandated by Section 100205 of the Biggert-Waters Flood Insurance Reform Act of 2012.
- Failure to validate the current map information following a map revision.

**VERIFICATION OF NO REQUIREMENT TO MAINTAIN FLOOD
INSURANCE COVERAGE WITH THE NATIONAL FLOOD INSURANCE PROGRAM**

<Insured Property Address>

I, _____, am not required by a lender, loss payee, landlord, or any Federal agency to maintain flood insurance through the National Flood Insurance Program for the above referenced property pursuant to any statute, regulation, or contract, and I am aware that by canceling my coverage, I may lose eligibility for any subsidized premium rates made available through the National Flood Insurance Program.

Check the reason that best applies:

- Property Closing Did Not Occur
- Policy Not Required by Mortgagee Due to a Revised Zone Determination by Mortgagee
- Insurance No Longer Required by Mortgagee Because Property is no Longer in a Special Flood Hazard Area due to Physical Map Revision
- Coverage No Longer Required by Mortgagee for a Detached Structure
- Mortgage Paid Off
- Voidance Prior to the Policy Effective Date
- Insurance No Longer Required Based on FEMA Review of Lender's Determination by Means of a Letter of Map Determination
- Duplicate Coverage with a Flood Insurance Policy Written Outside of the National Flood Insurance Program
- Mortgage Paid Off on a Mortgage Portfolio Protection Program Policy
- Insurance No Longer Required by the Mortgagee Because the Building is Determined Outside of the Special Flood Hazard Area by means of a Letter of Map Amendment

Insured Name (Printed)

Insured Signature and Date

PURSUANT TO 28 U.S.C. § 1746 I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE UNITED STATES OF AMERICA THAT THE FOREGOING IS TRUE AND CORRECT. I UNDERSTAND THAT ANY FALSE STATEMENTS MAY CAUSE MY POLICY TO BE VOID, AND MAY BE PUNISHABLE BY FINE OR IMPRISONMENT UNDER APPLICABLE FEDERAL LAW.

Revised Rating Adjustment Premium Refund Procedures (by either endorsement or the cancel/rewrite procedure)						
Item	Adjustment Description	FIM Reference	Current Refund Allowed	Revised Refund Allowed	Current Handling of Expense Allowance/Commission	Revised Handling of Expense Allowance/Commission
1	Correction to a misrating of the zone/BFE (or any other rating element) at the time of application	Subsection II.C of the Endorsement Section (page END 3)	Up to five years	No change - Up to five years	Charged back	Do not charge back expense allowance/commission if related to Section 28 reunderwriting; otherwise use current procedures.
2	Correction of a standard rated policy MISRATED in a zone other than B, C, or X at the time of application, and eligible for a PRP once the zone is corrected.	Subsection II.C of the Endorsement Section (page END 3)	Up to five years	No change - Up to five years	Charged back	Do not charge back expense allowance/commission if related to Section 28 reunderwriting; otherwise, use current procedures.

Revised Rating Adjustment Premium Refund Procedures (by either endorsement or the cancel/rewrite procedure)						
Item	Adjustment Description	FIM Reference	Current Refund Allowed	Revised Refund Allowed	Current Handling of Expense Allowance/Commission	Revised Handling of Expense Allowance/Commission
3	Converting a standard X-zone rated policy to a PRP under the assumption that a PRP was never offered at the time of application, even though the property was outside of the SFHA at the time of application.	Subsection X of the PRP Section (page PRP 3).	Current policy year only.	Up to five years.	Do not charge expense allowance or commission.	Do not charge back expense allowance or commission if related to Section 28 reunderwriting; otherwise, use current procedures for the current year. For prior years, charge back expense allowance/commission effective October 1, 2016.

Revised Rating Adjustment Premium Refund Procedures (by either endorsement or the cancel/rewrite procedure)						
Item	Adjustment Description	FIM Reference	Current Refund Allowed	Revised Refund Allowed	Current Handling of Expense Allowance/Commission	Revised Handling of Expense Allowance/Commission
4	Converting a standard SFHA-rated policy to a PRP under the assumption that a PRP was never offered following a map revision after the time of application removed the property from the SFHA.	Subsection X of the PRP Section (page PRP 3).	<p>Current policy year only can be converted to PRP.</p> <p>If the map revision occurred in the previous year, the standard rated policy may be reformed from SFHA to Non-SFHA, but not converted to PRP. If the map change occurred before the previous policy year began, then the prior term cannot be reformed.</p>	Up to five years, full conversion to a PRP.	Do not charge expense allowance or commission.	<p>Do not charge back expense allowance or commission if related to Section 28 reunderwriting; otherwise, use current procedures.</p> <p>For prior years, charge back expense allowance/commission effective October 1, 2016.</p>

Revised Rating Adjustment Premium Refund Procedures (by either endorsement or the cancel/rewrite procedure)						
Item	Adjustment Description	FIM Reference	Current Refund Allowed	Revised Refund Allowed	Current Handling of Expense Allowance/Commission	Revised Handling of Expense Allowance/Commission
5	Remaining standard SFHA rated, but changing the zone or BFE due to a map revision.	Subsection II.B.4 of the Endorsement Section (Page END 2)	If the map changed before the beginning the current policy year, only the current policy year. If the map changed after the beginning of the prior policy year, pro rata from the map change date.	Up to the map change date, or five years, whichever date is later.	Charged back	Do not charge expense allowance or commission if related to Section 28 reunderwriting; otherwise, use current procedures.
6	Decrease in coverage	Subsection II.B.2 of the Endorsement Section (page END 1-2)	Current term only, pro rata	Current term only, pro rata	Charged back	No Change
7	Application of the grandfather rating procedure to a policy previously not grandfathered	Subsection II.B.2 of the Endorsement Section (page END 1-2)	Current term only, pro rata	Current term only, pro rata	Charged back	Do not charge back expense allowance/commission if related to Section 28 reunderwriting, otherwise, use current procedures.

Revised Rating Adjustment Premium Refund Procedures (by either endorsement or the cancel/rewrite procedure)						
Item	Adjustment Description	FIM Reference	Current Refund Allowed	Revised Refund Allowed	Current Handling of Expense Allowance/Commission	Revised Handling of Expense Allowance/Commission
8	Use of the V-Zone Risk Factor Rating Form	Subsection II.B.2 of the Endorsement Section (page END 1-2)	Current term only, pro rata	Current term only, pro rata	Charged back	Charged back
9	Application of Special Rates	Subsection II.B.2 of the Endorsement Section (page END 1-2)	Current term only, pro rata	Current term only, pro rata	Charged back	Charged back
10	Revision to Alternate Rates (seldom used anymore)	Subsection II.B.2 of the Endorsement Section (page END 1-2)	Current term only, full year	Current term only, pro rata	Charged back	Charged back
11	Application of full-risk rates to a pre-FIRM subsidized policy	Subsection II.B.2 of the Endorsement Section (page END 1-2)	Current term only, full year	Current term only, pro rata	Charged back	Charged back

Revised Rating Adjustment Premium Refund Procedures (by either endorsement or the cancel/rewrite procedure)						
Item	Adjustment Description	FIM Reference	Current Refund Allowed	Revised Refund Allowed	Current Handling of Expense Allowance/Commission	Revised Handling of Expense Allowance/Commission
12	Application of elevation data to a full-risk property rated without elevation data for Unnumbered A, AO, and AH (written prior to October 1, 2011)	Subsection II.B.2 of the Endorsement Section (page END 1-2)	Current term only, full year	Current term only, pro rata	Charged back	Charged back
13	Use of an updated Elevation Certificate.	Subsection II.B.2 of the Endorsement Section (page END 1-2)	Current term only, full year	Current term only, pro rata	Charged back	Charged back

Revised Cancellation Refund Procedures Effective October 1, 2016, with retroactive date of November 1, 2015

Item	Cancellation Rule Description	Cancellation Reason Code in the FIM	Type of Refund	Current Rule Procedures	Revised Rule Procedures	Changes Effective October 1, 2016
1	Policy required by mortgagee in error, no longer required by lender - first year only	Reason Code 8	Premium less fees and surcharges, pro rata and prospective effective upon receipt of the cancellation request.	The documentation requires an insured signed cancellation request accompanied by a copy of the original mandatory purchase document, a current statement from the mortgagee that the policy is not required; and a revised determination from the lender showing that the building is not in an SFHA.	The documentation requires only an insured signed cancellation request accompanied by an insured signed statement that there is no requirement under any law or contract to purchase and maintain flood insurance for the property.	Change the documentation requirement effective October 1, 2016

Revised Cancellation Refund Procedures Effective October 1, 2016, with retroactive date of November 1, 2015

Item	Cancellation Rule Description	Cancellation Reason Code in the FIM	Type of Refund	Current Rule Procedures	Revised Rule Procedures	Changes Effective October 1, 2016
2	Policy no longer required by mortgagee because property is no longer in located in SFHA due to Map Revision or LOMR.	Reason Code 9	Premium less fees and surcharges, pro rata and prospective effective upon receipt of the cancellation request.	<p>The documentation requires an insured signed cancellation request accompanied by a statement from the mortgagee that the policy is no longer required; and a copy of the revised map or LOMR. In the case of multi-property LOMR's that do not reference a specific address, a letter from a community official is also required.</p> <p>If a condominium board seeks to cancel an RCBAP, every unit owner must obtain a lender release, or make a statement that there is no lender.</p>	<p>Change the rule description to cover a release from mandatory purchase for a detached structure under HFIAA 13.</p> <p>The documentation requires only an insured signed cancellation request accompanied by an insured signed statement that there is no requirement under any law or contract to purchase and maintain flood insurance for the property.</p> <p>If a condominium board seeks to cancel an RCBAP for this reason, every unit owner must sign the statement that there is no requirement to purchase and maintain insurance.</p>	Allowing policies to cancel for detached structures released from mandatory purchase would apply to cancellation request received on or after November 1, 2015, but the cancellation effective date cannot be earlier than April 1, 2016.

Revised Cancellation Refund Procedures Effective October 1, 2016, with retroactive date of November 1, 2015

Item	Cancellation Rule Description	Cancellation Reason Code in the FIM	Type of Refund	Current Rule Procedures	Revised Rule Procedures	Changes Effective October 1, 2016
3	<p>Insurance No Longer Required by the Mortgagee Because the Building Has Been Removed from the SFHA by Means of a LOMA</p> <p>NOTE: This cancellation is covered under 44 CFR 65.2</p>	Reason Code 19	<p>The full premium less fees and surcharges is refunded for the entire current term only in most cases. One prior term full premium less fees and surcharges is allowed if the lender renewed the policy in error. Thus, if the LOMA effective date was within the 60 day period prior to the renewal effective date, and the request is received by the insurer within 6 months of the</p>	<p>The documentation requirement is an insured signed cancellation request and a statement from the mortgagee that flood insurance is no longer required because the property was removed from the SFHA, and a copy of the LOMA.</p> <p>If a condominium board seeks to cancel an RCBAP, every unit owner must obtain a lender release, or make a statement that there is no lender.</p>	<p>The documentation requires only an insured signed cancellation request accompanied by an insured signed statement that there is no requirement under any law or contract to purchase and maintain flood insurance for the property.</p> <p>If a condominium board seeks to cancel an RCBAP for this reason, every unit owner must sign the statement that there is no requirement to purchase and maintain insurance.</p>	No Change

Revised Cancellation Refund Procedures Effective October 1, 2016, with retroactive date of November 1, 2015

Item	Cancellation Rule Description	Cancellation Reason Code in the FIM	Type of Refund	Current Rule Procedures	Revised Rule Procedures	Changes Effective October 1, 2016
			LOMA effective date, the current and one prior year's premium (less fees and surcharges) will be refunded.			