ATTACHMENT A

SUMMARY OF THE NFIP PROGRAM CHANGES
EFFECTIVE APRIL 1, 2016

National Flood Insurance Program

April 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 April 1, 2016.

1. Premium Increases and Surcharges (Biggert-Waters Section 100205 and HFIAA Section 5)

Premium increases effective April 1, 2016, will comply with all the limitations on premium increases introduced by the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA). Those limitations 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 Pre-FIRM subsidized policies 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 listed 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, Federal Policy Fee (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, 2016, the RFA will remain zero for Group Flood Insurance Policies, increase from 10 percent to 15 percent for Preferred Risk Policies (PRPs), and remain at 15 percent for all other policies. The FPF is being increased from $22 to $25 for PRPs and from $45 to $50 for standard-rated policies. The condominium FPF schedule is revised as follows:

1 unit	$50 per policy
2-4 units	$150 per policy

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 decrease 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 decrease 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.

On April 1, 2015, FEMA established premium tables for Newly Mapped properties that were identical to the PRP premium tables, and included the ICC premium, RFA, and FPF. These tables are updated for use for both eligible new and renewal business effective on or after April 1, 2016. These tables are also reformatted to clarify the distinction between the base premium, the ICC premium, the RFA, the HFIAA surcharge, and the FPF.

The rating methodology for all PRPs and Newly Mapped polices is being revised effective April 1, 2016. The new tables for these two classes of policies will now display a base premium, which will be the combined building and contents premium exclusive of the ICC premium and before the application of the RFA or any other surcharges or fees. The revised rating methodology will also include a new step that includes a multiplier, which is explained below.

The new methodology will consist of the following steps:

- Identify Base Premium (from base premium tables)
- Apply Multiplier (from new multiplier tables)
- Add in ICC Premium
- Calculate and add in RFA
- Add in HFIAA Surcharge
- Add in Probation Surcharge when applicable
- Add in FPF.

This new methodology is being introduced in order to comply with Section 6 of HFIAA regarding properties newly mapped into the SFHA. In addition, the PRP and Newly Mapped Policy Application form is being revised to provide lines for all premium components (see Attachment C).

Newly Mapped Policies Effective on or after April 1, 2016

Beginning with eligible new and renewal policies effective on or after April 1, 2016, a multiplier will be applied to the policy base premium. FEMA will provide a table of multipliers in the Newly Mapped section of the Flood Insurance Manual. Initially, the multiplier will be 1.000 for all Newly Mapped policies. Beginning, January 1, 2017, the multiplier will vary based on the calendar year in which the map became effective that mapped the structure into the SFHA. It is expected that the table will be updated effective January 1 of each following year. The multiplier used for each policy rated under the Newly Mapped rating procedure must be reported on the TRRP Plan.

Preferred Risk Policies

As described above, the PRP premium tables are being revised so that they will now only contain the base premium. The rating steps for PRPs will be identical to the rating steps for Newly Mapped policies. The PRP will also use a multiplier of 1.000; for a PRP, the factor will always be 1.000.

Former PRP EE Policies

All PRP EE policies that renewed under the Newly Mapped procedure between April 1, 2015, and April 1, 2016, will also use the revised Newly Mapped tables and the new rating methodology. These policies will also use the same multiplier tables.

Rollovers and Transfers under the Newly Mapped Procedure

When renewing coverage under the Newly Mapped procedure with another carrier, the insurer processing the renewal must obtain a copy of the expiring declarations page and establish that payment has been received within 90 days of the prior policy expiration. If payment is received more than 90 days after prior policy expiration, whether with the same or a different NFIP insurer, the property is no longer eligible for the Newly Mapped procedure. In order to facilitate rollovers and transfers, insurers must display the date that a property was newly mapped into the SFHA on the Newly Mapped policy declarations page. This data was collected on the Application form beginning November 1, 2015, and it must be reported to the NFIP.

Newly Mapped Properties Ineligible for the Newly Mapped Procedure

Properties not covered under the NFIP as of March 31, 2016, and that were newly mapped into the SFHA by a FIRM revision that occurred between October 1, 2008, and April 1, 2015, are no longer eligible to be rated using the Newly Mapped rating procedure.

- Post-FIRM properties newly mapped into the SFHA between October 1, 2008, and April 1, 2015, and not covered under the NFIP as of March 31, 2016, may qualify for “built-in-compliance” grandfathering.
- Pre-FIRM properties newly mapped into the SFHA between October 1, 2008, and April 1, 2015, and not covered under the NFIP as of March 31, 2016, may qualify for Pre-FIRM subsidized rates.

Existing policies issued using the Newly Mapped procedure between April 1, 2015, and March 31, 2016, that cover properties that were newly mapped into the SFHA by a FIRM revision that occurred between October 1, 2008, and April 1, 2015, may continue to renew under the Newly Mapped procedure, so long continuous coverage is maintained. Such policies may also renew under the Newly Mapped procedure the first instance where coverage renews by means of a payment received within 90 days of expiration; any subsequent instances will render the policy ineligible for renewal under this procedure. The same rule applies to the renewal of Newly Mapped policies issued on the basis of a map change after April 1, 2015.

On or after April 1, 2016, a property is ineligible for the Newly Mapped procedure when the first policy effective date is more than 12 months after the FIRM revision newly mapping the property from a non-SFHA into an SFHA. The Newly Mapped procedure is also not available for policies on properties in the Emergency Program or properties mapped into the SFHA for the first time by the initial FIRM upon entry into the Regular Program.

As of October 1, 2016, the newly mapped procedure will also not apply to policies insuring properties located in Zone A99.[1] This change is made to comply with the language of the statute, which excludes subsidized policies from eligibility for the newly mapped rating procedure. Additional guidance will be provided at a later date.

4. Elimination of Subsidy for Certain Pre-FIRM Policies That Lapse and Are Reinstated (BW-12 Section 100205 and HFIAA Section 3)

Section 3 of HFIAA prohibits the use of Pre-FIRM subsidized rates for "any policy under the flood insurance program that has lapsed in coverage, unless the decision of the policyholder to permit a lapse in flood insurance coverage was the result of the property covered by the policy no longer being required to retain such coverage."

Effective April 1, 2016, FEMA will prohibit 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.

A policy will not be eligible for Pre-FIRM subsidized rates or the Newly Mapped procedure, as required by Section 3 of HFIAA, under the following conditions:

(1) The policy reinstates coverage on a building that was previously covered by a Standard Flood Insurance Policy (SFIP) that expired or was cancelled;

(2) One or more of the named insureds on the new policy was either a named insured on the expired or cancelled policy or had an ownership interest in the building at the time the policy expired or was cancelled;

(3) The policy was reinstated with premium received:

  (a) more than 90 days after prior policy expiration or cancellation where the named insured has maintained continuous coverage on the property from April 1, 2016 to the prior policy expiration or cancellation date; or

  (b) more than 30 days after the prior policy expiration or cancellation date, where the named insured has not maintained continuous coverage on the property from April 1, 2016 to the prior policy expiration or cancellation date; and

(4) The policy expiration or cancellation was for a reason other than that:

  (a) the insured was no longer legally required to obtain and maintain flood insurance; or

[1] Once Section 100230 of the Biggert Waters Flood Insurance Reform Act of 2012 is implemented, this procedure will also not be available to policies on properties with premium rates established pursuant to this statutory provision.

(b) the insured property was in a community that was suspended from the NFIP and the policy was reinstated within 180 days of reinstatement of the community as a participant in the NFIP.

According to procedures effective prior to the enactment of BW-12 and HFIAA, the NFIP allows coverage to be reinstated by means of a renewal if payment is received by the NFIP within 90 days of the policy expiration or cancellation date. During the first 30 days following expiration, the policy may be reinstated with no change to the effective date (commonly referred to as "the grace period"). During the remaining 60 days, coverage is reinstated with a 30-day waiting period (up to 120 days after expiration), such that there is no coverage for a loss during this period. However, if premium is received within 90 days, a new Application is not required, and insurers report the policy transaction as a renewal to the NFIP system of record. Thus, 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 Section 3 of HFIAA.

When transferring a policy from one NFIP insurer to another, a copy of the previous declarations must be obtained by the new insurer to demonstrate that coverage was reinstated by means of a payment received by an NFIP insurer within 90 days of expiration. This same rule may be used to establish eligibility for "continuous coverage" grandfathering, or processing a renewal of coverage for a Newly Mapped property. However, this renewal process may only be utilized one time per policy after April 1, 2016.

A reinstatement by means of a payment received 90 days after expiration is subject to the 30-day wait, such that the reinstatement effective date is 120 days after expiration or cancellation. Therefore, a property covered by a non-NFIP policy purchased on the private market for the period longer than 120 days after NFIP coverage has expired is considered to have lapsed from the NFIP, even if there is no period of time that the property was not insured for flood damage.

To facilitate the process to identify affected policies that have expired more than 90 days, and are therefore lapsed, the following questions were added to the Application form on November 1, 2015, and are to be used to implement Section 3 for new business transactions effective on or after April 1, 2016:

(1) Has the applicant had a prior NFIP policy for this property?

(2) Was the policy required by the lender under mandatory purchase?

(3) Has the prior NFIP policy ever lapsed while coverage was required under mandatory purchase by the lender?

(4) Was the lapse the result of a community suspension? If yes, what is the suspension date? What is the reinstatement date?

(5) Will this policy be effective within 180 days of the community reinstatement after suspension referred to in (4) above?

A new data element will be introduced to the TRRP Plan. This data field will be the "Eligible for Pre-FIRM subsidized rates" indicator, with valid values of 'Y' or 'N'. A 'Y' may be used if a Declarations page from an NFIP carrier indicates the Application and premium have been received within 90 days of the prior expiration date, and there is no prior lapse in coverage. Where an Application and premium are submitted more than 90 days after prior policy expiration, or the policy has renewed with a lapse one time already since April 1, 2016, a table is provided in Attachment D that indicates how the 'yes' or 'no' responses to these questions on the Application can combine for a Pre-FIRM building to be eligible for Pre-FIRM subsidized rates.

For all new business covering a Pre-FIRM building rated in zones Unnumbered A, AE, A1-A30, AH, AO, V, VE, V1-V30, and D, the insurer must determine if the property is eligible for Pre-FIRM rates using the table provided in Attachment D. If the property is ineligible for the Pre-FIRM subsidized rates, the insurers must use full-risk rating procedures or AR and A99 Zone rates if applicable. The use of full-risk rates excludes Pre-FIRM subsidized rates and the Newly Mapped procedure.

If the property is eligible for Pre-FIRM subsidized rates, the Pre-FIRM rate hierarchy indicated on Table 10 in the Rating Section of the NFIP Flood Insurance Manual should be used to determine the correct Pre-FIRM subsidized rate. After determining the correct Pre-FIRM subsidized rate, the insurer must compare the amount calculated to the full-risk rate if the EC or other underwriting information required for full-risk rating is available. When presented with an EC for Pre-FIRM property eligible for subsidized rates, insurers must retain the elevation information for comparison purposes for every renewal or endorsement transaction.

For all policies receiving Pre-FIRM subsidized rates only, insurers must include a statement on the renewal offer(s) and expiration/reissue notices indicating that payment received more than 90 days after expiration may result in a loss of eligibility for Pre-FIRM subsidized rates.

5. Initial Implementation of HFIAA Section 28 – Clear Communications

HFIAA Section 28 requires that FEMA clearly communicate full flood risk determinations to individual property owners, regardless of whether their premium rates are full-risk rates. FEMA will be implementing ongoing changes to improve an understanding of the risk of flood damage and how flood insurance premiums do or do not correlate with that risk.

As an initial step to improve the communication of full flood risk determination, FEMA is requiring NFIP insurers to report current flood zone and current FIRM information including BFE, if applicable, for all new business policies effective on or after April 1, 2016, and for all renewals effective on or after October 1, 2016. This requirement does not apply to MPPPs, provisionally rated policies, tentatively rated policies, and Group Flood Insurance Policies.

For policies that are issued with the grandfathering indicator of '1' (no grandfathering), the current map information must be updated for all new business effective on or after April 1, 2016, and all renewals effective on or after October 1, 2016. Where the grandfather indicator is '1', the rated flood zone and rated map information must be based on the current FIRM, and the current map information will match the rated map information. When grandfathering for "built-in-compliance" (grandfathering indicator '2') or "continuous coverage" (grandfathering indicator '3'), the rated zone may be reported with a prior map panel.

When a policy is issued under the Newly Mapped procedure (Risk Rating Method ‘R’), the current map information will not be identical to the rated map information. Insurers should update the grandfathering indicator with a ‘2’ or a ‘3’ for policies issued with Risk Rating Method ‘R’. Where multiple map changes have occurred since a property first became eligible for the Newly Mapped procedure, the date of the first map indicating the property in the SFHA will be captured in a separate Newly Mapped date field, while the current map fields will continue to be updated with the current map information. The rated map information for the policy using the Newly Mapped procedure will be the last map that indicated the property is outside of the SFHA.

The current map information must reflect the current panel number and suffix. The underwriting file must be kept current at all times with current map information documentation. Acceptable documentation for the current map information, including the current zone and Base Flood Elevation (BFE), is any one of the following:

- A Letter of Map Amendment (LOMA) or Letter of Map Revision referencing the property;
- A copy of the current FIRM or DFIRM with the property location clearly indicated;
- A letter from a local community official indicating the property address and zone for the property;
- An Elevation Certificate for Flood Insurance referencing the current map; or
- A guaranteed Standard Flood Hazard Determination Form.

Except for a LOMA, if there are conflicting documents referencing the same map, the more hazardous zone must be used. If there is no zone conflict, but conflicting BFEs, the higher BFE must be used.

Reunderwriting Requirement

Beginning no less than 180 days prior to renewal, NFIP insurers are required to review their existing policies renewing on or after October 1, 2016, to determine if they are being rated based on information from the current FIRM, or from a prior FIRM (using the grandfathering or Newly Mapped rating procedures). This reunderwriting requirement includes validating the current FIRM information for PRPs. If the policy is rated based on information from a prior FIRM, the NFIP insurer is required to update the grandfather indicator, the Risk Rating Method, if applicable, and the current map information fields on the policy records at the first renewal that is effective on or after October 1, 2016. All elevation data should be reported with the same datum as the current BFE. After the reunderwriting of renewal policies effective on or after October 1, 2016, has been completed, insurers will only be required to validate the current map information for subsequent renewals of policies covering property located on a map panel that changed at least 90 days prior to the most recent renewal date on or after October 1, 2017.

New relational edits will validate the reporting of current flood zone and FIRM information by comparing the rated and current map information fields to the Community Master File as of 90 days prior to renewal. For policies not using the grandfathering rating procedure, additional edits will validate that the “rated” flood zone and community information is based on a current FIRM.

If a policy is using the grandfathering procedure, edits will validate that the “current” flood zone and community information is based on a current FIRM.

The data reported to the NFIP system of record through the TRRP Plan will be used in mailings sent by the NFIP Bureau and Statistical Agent. The mailing will provide a narrative description of the rating, as well as generic sample full-risk premiums if the policy is grandfathered, Newly Mapped, or subsidized. If an insurer does not update the current map information fields prior to the renewal, the insurer will receive a critical error with no tolerance on the Invalid Policy report. The mailing to the insured will be held until the insurer completes the reunderwriting.

If an insurer discovers that the original Application was rated with the incorrect zone, and the policyholder was charged a higher amount than would be determined using the correct zone, the policy may be reformed for up to 5 policy years. However, if the Application was written correctly, and the zone or BFE has changed since, the policy may be reformed for the current term only. When the insurer discovers a misrating resulting in a higher amount due, the effective date of the correction will be the date of discovery, unless the discovery of misrating occurs within 60 days prior to a prospective renewal (after the first renewal offer has already been made). In this case, the correction will apply to the prospective renewal policy using the renewal effective date. The policy may not be canceled for a full premium refund due solely to a misrating.

FEMA will provide under separate cover a sample letter that FEMA will send to policyholders to communicate their risk.

6. Reformation of Coverage

Policy Issuance 2005 issued May 23, 2005, is revoked effective April 1, 2016. The prospective reformation of coverage upon discovery of a misrating pursuant to Section 209 of FIRA 2004 applies only when a misrating is the result of the incorrect determination of the flood zone or BFE.

Otherwise, insurers must follow the reformation procedures outlined in the SFIP at Section VII.G of the Dwelling and General Property forms, and Section VIII.G of the Residential Condominium Building Association Policy form. However, when a misrating is discovered after a loss, the prior policy term does not require reformation as indicated in G.(3)(b). Only the current policy term requires reformation, effective to the beginning of the policy term. When there is no loss in the current policy term, and the discovery of a misrating occurs within 60 days prior to a prospective renewal (after the first renewal offer has already been made), the correction will be made effective the date of the prospective renewal.

7. Declarations Page Requirements

In order to ensure that the 18-percent/25-percent cap on annual premium rate increases applies to all policies, including transfers and rollovers, FEMA is requiring additional information to be presented on policy declarations to assist the receiving insurer in validating the correct rates. Specifically, the company’s National Association of Insurance Commissioners (NAIC) identification number must be provided on the policy declarations page. Additionally, the TRRP Plan reported policy number, clearly labeled and limited to 10 characters, must be included. See Attachment E for the full declarations page requirements.