

ATTACHMENT A

**SUMMARY OF THE NFIP PROGRAM CHANGES
EFFECTIVE APRIL 1, 2018 AND JANUARY 1, 2019**

National Flood Insurance Program

April 1, 2018 and January 1, 2019 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, 2018; the premium changes for Preferred Risk Policies (PRPs) and Newly Mapped procedure policies will become effective January 1, 2019. See Attachment B for updated rate tables effective April 1, 2018 and Attachment C for updated PRP premiums and Newly Mapped base premium and multiplier tables effective January 1, 2019. Attachment D provides 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 \$866 per policy to \$935, for an average increase of 8.0 percent. 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 \$994 to \$1,062, for an average increase of 6.9 percent.

Premium increases effective April 1, 2018, 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 percent annually until they reach full-risk rates;
- The *average* annual premium rate increases for all other risk classes are limited to 15 percent while the *individual* premium rate increase for any individual policy is simultaneously limited to 18 percent; 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 percent.

There are some limited exceptions to the 18 percent cap on premium rate increases for individual policyholders. These include policies on the properties listed above that are subject to 25 percent 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, 2018, 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.
 - Other Pre-FIRM Subsidized Policies Not Subject to 25 Percent Annual Increases: These are primarily condominium policies and multifamily policies. Premiums will increase 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 22 percent.
 - Other Pre-FIRM Subsidized Policies Subject to 25 Percent Annual Increases as required by BW-12: Premiums will increase slightly less than 25 percent, primarily due to the impact of rounding. The overall increase for these categories is about 23 percent.

- **Other Subsidized Policies**
 - A99 Zones (i.e., zones in which flood protection systems are still in the process of being constructed) and AR Zones: Premium changes for those AR and A99 zone policies that are not eligible to use PRP premiums will be effective April 1, 2018. Premiums for these policies will increase 2 percent, with a total increase of 1 percent. Premium increases for A99 and AR zone policies eligible for the PRP are described below.

- **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 11 percent, with a total increase of 11 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 3 percent, with a total increase of 2 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.

- **Miscellaneous**
 - Group Flood Insurance Policies (GFIPs): No change.
 - Tentative and Provisional Rates: No change.
 - Mortgage Portfolio Protection Program (MPPP): No change

- **Changes to Become Effective January 1, 2019**
 - Preferred Risk Policies (PRPs): Premiums will increase 8 percent, with a total increase of 6 percent.
 - A99 and AR Zone Policies eligible for the PRP: Premiums will increase 8 percent, with a total increase of 6 percent.
 - 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, 2019, premiums for Newly Mapped policies will increase 15 percent, with a total increase of 11 percent.

2. Policy Reformation for Use of Incorrect Standard Flood Insurance Policy Form

FEMA is updating Policy Reformation guidance for policies that were issued on an incorrect policy form (i.e., Dwelling, General Property, or RCBAP form). When insurers reform policies that were issued on an incorrect policy form, the maximum coverage amount on the reformed policies can be equal to the amount of coverage that was on the incorrect policy when it was discovered to be incorrect, subject to the coverage limits under the correct form. If additional premium is due, the insurer must send an underpayment notice for the additional premium. Insurers must receive the additional premium within 30 days of the underpayment notice prior to processing the policy at the restored coverage amount or prior to processing any claim. FEMA will allow the insurer to deduct the additional premium due from the claim settlement.

3. Premium Receipt Date Guidance for Invalid Payments

The NFIP Flood Insurance Manual provides guidance for determining a policy transaction effective date based on the date the transaction was applied for and the premium receipt date. FEMA considers a payment invalid if the financial institution determines there are Non-Sufficient Funds (NSF) in the account, the payment is non-negotiable for any other reason, or a reversal (dispute) is successfully completed on an electronic payment. NFIP insurers cannot use

the receipt date of the invalid payment as the premium receipt date to determine the effective date of a policy transaction (application, endorsement, or renewal).

Upon notification of the NSF/non-negotiable/reversal status of a premium payment, the insurer is to cancel/nullify the transaction associated with that payment back to the transaction's effective date immediately. The insurer will send notification to the policyholder, agent, and lender(s), if applicable, of the cancellation/nullification of the transaction for invalid payment due to NSF/non-negotiable/reversal status. If the insurer receives a new payment, the insurer must process the transaction based on the premium receipt date of the new payment. The effective date of the transaction is subject to the effective date rules based on the new payment receipt date. *Note: A new application or endorsement request is not required for this transaction as long as the insurer still has the original request.*

4. Primary Residence Determination

FEMA is updating the Primary Residence guidance to allow a policyholder and policyholder's spouse to have more than one primary residence. This change will accommodate those situations in which each spouse may reside more than 50 percent of the year at a separate residence. The policyholder and policyholder's spouse can each have one primary residence provided that they submit the required supporting documentation for each residence.

5. Clarification of Increased Cost of Compliance Premium for Other Residential Buildings

FEMA is restructuring the ICC premium table in the Rating Section of the Flood Insurance Manual to clarify the different building amount of insurance available to 1-4 family buildings and other residential buildings.

6. HFIAA Section 28, Clear Communication of Risk – Phase 2 Reunderwriting

In view of the resource constraints imposed by the extensive flooding resulting from recent hurricanes and flooding events, FEMA is allowing additional time for NFIP insurers to complete the reunderwriting required for HFIAA Section 28, Clear Communication of Risk - Phase 2. (See NFIP Bulletin W-16021 dated March 29, 2016.) Instead of reunderwriting Phase 2 policy renewals effective on or after October 1, 2017, for the full year of policy renewals, NFIP insurers can now reunderwrite Phase 2 policy renewals effective on or after April 1, 2018. The reunderwriting process for these policies must be completed by April 1, 2019 for the full year of policy renewals. FEMA will not send the clear communication Cost-of-Flood letter for these policies until after the system processing of April 2018 policy data reported through the Transaction Record Reporting and Processing Plan. *Note: For those Phase 2 policy renewals already reunderwritten under the current timeline, FEMA does not require insurers to reunderwrite them again at the next renewal.*

7. Datum Conversion

FEMA is providing additional guidance for elevation datum conversions:

- (1) The elevations used to calculate the elevation difference should always be the same datum.
- (2) Since datum NAVD88 was not used to develop Flood Insurance Rate Maps (FIRMs) until June 1991, insurers can use the following guidelines for reunderwriting rating purposes:
 - a. For any documentation used to validate elevations dated prior to June 1991, assume that all elevations are NGVD29.
 - b. For elevation-rated policies where the rating community information references a FIRM dated prior to June 1, 1991, assume the elevations are NGVD29.
 - c. If unable to confirm that the datum of all the elevations on the elevation documentation are the same, assume the same datum was used for all elevations.
 - d. If the elevation documentation is not available on existing elevation-rated policies where the rating community information references a FIRM dated prior to June 1, 1991, assume the elevations are NGVD29.
 - e. For areas that have a datum other than NGVD29 or NAVD88, a community official, surveyor, or the Flood Insurance Study for the community are resources for datum conversions.
 - f. Since Hawaii and the U.S. Island Territories never used NGVD29 or NAVD88 in developing their FIRMs, properties located in these areas do not require datum conversion. The same datum (referred to Local Tidal Datum and Local Mean Sea Level) is used in Hawaii and the U.S. Island Territories. It should be noted that prior FIRMs issued in Hawaii have referenced the NGVD29 datum incorrectly.
 - g. Unnumbered A zones without an estimated Base Flood Elevation and AO zones do not require a datum conversion for rating purposes.
 - h. Unnumbered A zones with an estimated Base Flood Elevation require confirmation that the elevations are using the same datum.

For all of the above items, if the current FIRM references a different datum, convert the elevations to the current datum

8. Updated Claims Data Elements

The TRRP Plan includes updates to several Claims data elements, including adjustment of the field length to accommodate up to 10 characters for the assigned Adjuster Individual Flood Control Number.