




# Federal Emergency Management Agency

Washington, D.C. 20472

W-03024

MEMORANDUM FOR: WYO Company Principal Coordinators  
and the NFIP Servicing Agent

FROM: Anthony S. Lowe   
Director  
Mitigation Division  
Emergency Preparedness and Response Directorate

DATE: April 30, 2003

SUBJECT: October 1, 2003, Program Changes

We are making changes effective October 1, 2003, in response to the WYO companies' requests regarding the National Flood Insurance Program's (NFIP's) current refund and cancellation rules. Below is a summary of program changes that will foster a more consumer-friendly approach and better correspond with the operations of the private insurers in the marketplace when dealing with misrated policies and cancellation issues.

## 1. Cancel/Rewrite Processing Rules - Standard X Zone to Preferred Risk Policy (PRP)

The current NFIP rules do not allow the writing company to convert or cancel/rewrite a Standard B, C, or X zone policy, which was eligible for a PRP, to a PRP. The company must wait until the next renewal to convert to a PRP.

Effective October 1, 2003, policies written as a Standard B, C, or X zone policy and found to be eligible as a PRP, may be endorsed or rewritten as a PRP for the entire current policy term. The policy may be endorsed or cancelled/rewritten only if the following conditions are met:

- The request to endorse or cancel/rewrite the policy must be received during the current policy term.
- The policy has no open claim or closed paid claim.

The new PRP building coverage will be either equal to the building limit issued under the Standard B, C, or X zone policy or the next higher limits available under the PRP if there is no PRP option equal to the Standard B, C, or X zone building limit.

## 2. Endorsement - Refunds for Prior Years

Premium refunds will be allowed going back to 6 years when there was a misrating such as an incorrect building description, lowest floor elevation, community number, flood zone, or Base Flood Elevation, so long as the insured can provide proof of the misrating. The flood zone and Base Flood Elevation can only be corrected using the current FIRM. Any lapse in coverage does not extend the number of years the premium refund is allowed.

For the above cases where the insured is rated using other than B, C, or X zone rates, but is found to be in a B, C, or X zone and eligible for a PRP, the writing company will be allowed to endorse or cancel/rewrite the policy to a PRP.

The Standard policy may be endorsed or cancelled/rewritten to a PRP only if the policy term that is being endorsed or cancelled/rewritten has no open claim or closed paid claim. The new PRP building coverage will be either equal to the building limit issued under the Standard policy or the next higher limits available under the PRP if there is no PRP option equal to the Standard policy building limit.

The writing company's expense allowance that was previously paid will be debited for the current and prior terms based on the expense allowance percentage in effect when the refund was processed. If the policy is written through the NFIP Servicing Agent, the agent's commission for the current and prior terms will be debited. Attachment I outlines the processing procedures that must be used when processing refunds for prior years.

### **3. Changes to the Cancellation Rules**

When a policy is required by the lender and is written effective at closing and after closing it is discovered that it is not located in a Special Flood Hazard Area and the lender no longer requires flood insurance, the insured will be permitted to cancel the policy. This cancellation reason can only be used to cancel the initial policy term. If the cancellation request is received beyond the initial policy term, the policy may be endorsed to correct the zone. The procedure outlined under Item 2, first paragraph, above, applies to such endorsement.

The cancellation effective date is the date the cancellation request is received by the WYO Company or NFIP Servicing Agent. The premium will be returned pro-rata to the insured including the Expense Constant (if applicable), and Federal Policy Fee. The writing company's expense allowance that was previously paid will be debited pro rata. If the policy is written through the NFIP Servicing Agent, the agent's commission will also be debited pro rata. Use the Cancellation Reason Code 8 (TRRP Code 50), in the Flood Insurance Manual.

### **4. New Cancellation Reasons**

- A new cancellation reason code (Cancel/Rewrite – TRRP Code 22) will be created to better track when ineligible PRPs and MPPP policies are cancelled/rewritten instead of being endorsed. In addition, this new cancellation reason code will be used to cancel a Standard X zone policy eligible for a PRP. Refunds resulting from the cancellation must be applied to the rewritten policy prior to any refund being generated. For TRRP reporting, use rollover indicator "Z" to report the new policy.
- A new cancellation reason code for fraud (Fraud –TRRP Code 23) will be added. This cancellation reason will be used when the company is canceling the policy because a fraudulent act has been committed by the insured. Use of this cancellation reason code will not allow any premium refunds. The agent will be allowed to retain the full commission and the company's expense allowance will not be reduced.

### **5. Cancellation Refund Rules on Expense Constant and Federal Policy Fee**

For cancellations as a result of the building and/or contents being sold, the policy no longer being required by the mortgagee, the mortgage being paid off, or duplicate policies from sources other than the NFIP, the refund rules will be revised to allow the Expense Constant (if applicable), Federal Policy Fee, and Probation Surcharge (if applicable), to be refunded on a pro rata basis in lieu of these monies being fully earned.

These revised cancellation refund rules will apply for all cancellations with effective dates on or after October 1, 2003.

Also included are changes to the Transaction Record Reporting and Processing Plan that will be effective October 1, 2003.

If you have any questions, please contact your Program Coordinator.

Attachments

cc: IBHS, FIPNC, Government Technical Monitors, WYO Vendors

Suggested Routing: Accounting, Data Processing, Marketing, Underwriting

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# **ATTACHMENT I**

## **UNDERWRITING PROCEDURES PRIOR TERM REFUNDS**

**October 1, 2003**

The current NFIP insurer (WYO Company or NFIP Servicing Agent) will be responsible for returning the premium for the current year and 1 prior year, provided that it was the insurer for that period. The NFIP Bureau will refund the premiums for the additional prior years beyond the current and 1 prior year. If another NFIP insurer was the insurer for the prior year, the NFIP Bureau and Statistical Agent will be responsible for returning the premium for that year.

The current NFIP insurer will be responsible for submitting all documentation necessary to make a refund for more than 2 years (or for more than 1 year, if that is the only term that it has written) to the NFIP Bureau at the following address:

NFIP Bureau and Statistical Agent  
Attention: Underwriting Department  
7700 Hubble Drive  
Lanham, MD 20706

At a minimum, this documentation will consist of the following:

- The company's statistical records or declarations pages for each policy term and evidence of premium payments obtained from the insured if these documents are not available from the company's records
- An endorsement form for each year and the premium refund calculation for each year that it had the policy
- A copy of the most recent FIRM marked to show the exact location and flood zone of the building; a LOMA; a LOMR; a FEMA Out-as-Shown Determination; a letter containing the same information and signed by a local community official; an Elevation Certificate signed by a surveyor, engineer, architect, or local community official; or a flood zone determination certification that guarantees the accuracy of the information.

Upon receipt of the confirmation from the NFIP Bureau that the prior term refunds have been processed, the WYO Company must reflect the return of the expense allowance to the WYO Program by showing the amount as a credit on Exhibit IV, line 426 (Accounting Procedures Manual). The WYO Company must make a disbursement to the U.S. Treasury for the amount of the expense allowance reimbursement via ACH Clearinghouse. In addition, the expense allowance reimbursement amount must be reflected on Financial Exhibit VIII-B and must be made within 30 days of receipt of the prior term refund information from the NFIP Bureau.

The Bureau will return ineligible requests for refunds for more than 2 years to the sender with an explanation.



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NATIONAL FLOOD INSURANCE PROGRAM  
TRANSACTION RECORD REPORTING AND PROCESSING (TRRP) PLAN  
for the  
WRITE YOUR OWN (WYO) PROGRAM

Revision 1 .....	January 1, 1992
Revision 2 .....	March 1, 1995
Revision 3 .....	October 1, 1997
Revision 4 .....	October 1, 2001
Changes 1 & 2 .....	May 1, 2002
Change 3 .....	October 1, 2002
Change 4 .....	May 1, 2003
Change 5 .....	October 1, 2003

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**DATA ELEMENT: Cancellation/Voidance Reason**

**ALIAS:** Cancellation/Nullification Reason

**ACRONYM:** WYO (PMF) CAN-REASON

**FILE:** Policy Master (PMF)  
Actuarial (APOL)

**DESCRIPTION:**

Flood insurance coverage is terminated mid-term by either canceling or nullifying a policy depending upon the reason for this transaction. Premium refunds are permitted, if applicable, for the current year and 1 prior year for all valid reasons. The insured must have maintained continuous NFIP coverage to be eligible for any prior-year premium refund. All existing rules concerning the Federal Policy Fee, Expense Constant, Probation Surcharge, and producer commission remain in effect. See the reference chart on page 4-43B for 10/1/2003 changes.

- 1 & 2. Property Sold or Removed.** The insured has transferred ownership of the insured property to another party and no longer has an insurable interest in the property at the described location, or the insured property or personal property has been completely removed from the described location. This reason is also used to cancel a policy when a structure is bought out or demolished according to an approved FEMA mitigation plan.

**Building Sold or Removed.**

TRRP Reason Code: 01  
Number of Policy Years Allowed: 2\*  
Number of Policy Terms Allowed: 2

\*The WYO companies are responsible for canceling and returning the premium up to 3 years of a 3-year policy, if a refund is allowed. Allow up to 6 years in those cases where the current and prior terms are 3-year terms and the cancellation effective date is within the prior term.

**Premium Refund:**

- Full--Expense Constant, Federal Policy Fee, and Probation Surcharge are fully refunded.
- Pro-Rata--Expense Constant, Federal Policy Fee, and Probation Surcharge are fully earned for cancellation effective dates prior to 10/1/2003. For cancellation effective dates 10/1/2003 and after, Expense Constant, Federal Policy Fee, and Probation Surcharge are pro-rated.

**One-Year Term:** Cancellation effective date is:

- Inception of current or prior term--Full refund including Expense Constant, Federal Policy Fee, and Probation Surcharge.

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

- Prior term (mid-term)--Pro-rata refund for prior term and full refund for the current term.

- Current term (mid-term)--Use pro-rata refund.

**Three-Year Term:** Cancellation effective date is:

- Inception of current or prior term--Full refund including Expense Constant, Federal Policy Fee, and Probation Surcharge.

- Prior term--Pro-rata refund for prior term and full refund for the current term.

- Current term (mid-term)--Use pro-rata refund.

**Open Claim:** Policy cannot be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Cancellation effective date must be after the loss date.

**Contents Sold or Removed.**

TRRP Reason Code: 02  
Number of Policy Years Allowed: 2\*  
Number of Policy Terms Allowed: 2

\*The WYO companies are responsible for canceling and returning the premium up to 3 years of a 3-year policy, if a refund is allowed. Allow up to 6 years in those cases where the current and prior terms are 3-year terms and the cancellation effective date is within the prior term.

**Premium Refund:**

- Full--Expense Constant, Federal Policy Fee, and Probation Surcharge are fully refunded.
- Pro-Rata--Expense Constant, Federal Policy Fee, and Probation Surcharge are fully earned for cancellation effective dates prior to 10/1/2003. For cancellation effective dates 10/1/2003 and after, Expense Constant, Federal Policy Fee, and Probation Surcharge are pro-rated.

**One-Year Term:** Cancellation effective date is:

- Inception of current or prior term--Full refund including Expense Constant, Federal Policy Fee, and Probation Surcharge.

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

Prior to May 1, 2000, this code was used for situations not addressed by any other cancellation/voidance reason.

TRRP Reason Code: 10  
Number of Policy Years Allowed: 1  
Number of Policy Terms Allowed: 1

**Premium Refund:**

- Full--N/A
- Pro-Rata (mid-term)--N/A

**One-Year Term:** Cancellation effective date is:

- Prior term--N/A
- Current term--No refund allowed.

**Three-Year Term:** Cancellation effective date is:

- Prior term--N/A
- Current term--No refund allowed.

**Open Claim:** Policy cannot be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Policy can be canceled.  
Cancellation effective date must be after the date of loss.

**16. Insurance No Longer Required Based on FEMA Review of Lender's Special Flood Hazard Area Determination.**

Flood insurance was initially required by the mortgagee or other lender because the property was determined to be in a Special Flood Hazard Area (SFHA). Following a review with FEMA under the Flood Disaster Protection Act of 1973, as amended, FEMA issued an Out-As-Shown Determination because the building or manufactured home is not in an SFHA and insurance is not required. The NFIP policy may be canceled back to the date of inception.

This cancellation reason can only be used if the request from the borrower and lender was sent to FEMA for an Out-As-Shown determination within 45 days from the lender's notification to the borrower that the building is in an SFHA and that flood insurance is required.

If the insured submits a copy of FEMA's Out-As-Shown of Determination review and a statement from the lender that flood insurance is not required, a full refund, including the Expense Constant, Federal Policy Fee, and Probation Surcharge, will be issued, providing no claim has been paid or is pending.

TRRP Reason Code: 16  
Number of Policy Years Allowed: 1\*  
Number of Policy Terms Allowed: 1

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

\*The WYO companies are responsible for canceling and returning the premium up to 3 years of a 3-year policy, if a refund is allowed.

**Premium Refund:**

- Full--Cancellation date is the inception date of the current term. Return all premiums including Expense Constant, Federal Policy Fee, and Probation Surcharge.

- Pro-Rata--N/A

**One-Year Term:** Cancellation effective date is:

- Prior term--N/A
- Current term--Use full refund.

**Three-Year Term:** Cancellation effective date is:

- Prior term--N/A
- Current term--Use full refund.

**Open Claim:** Policy cannot be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Policy cannot be canceled.

17. **Duplicate Policies from Sources Other Than the NFIP.**

This reason code is used to cancel duplicate policies from sources other than the NFIP. A statement from the mortgagee accepting the non-NFIP policy as replacement will be required. The premium will be calculated pro-rata less Expense Constant, Federal Policy Fee, and Probation Surcharge.

TRRP Reason Code: 17  
Number of Policy Years Allowed: 2\*  
Number of Policy Terms Allowed: 1

\*The WYO companies are responsible for canceling and returning the premium up to 2 years of a 3-year policy, if a refund is allowed.

**Premium Refund:**

- Full Refund--Full refund including Expense Constant, Federal Policy Fee, and Probation Surcharge.
- Pro-Rata--Expense Constant, Federal Policy Fee, and Probation Surcharge are fully earned for cancellation effective dates prior to 10/1/2003. For cancellation effective dates 10/1/2003 and after, Expense Constant, Federal Policy Fee, and Probation Surcharge are pro-rated.

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

**Open Claim:** Policy cannot be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Policy cannot be canceled.

**NOTE:** Cancellation effective date must be the same as the current term policy effective date.

22. **Cancel/Rewrite.** This reason code is used when ineligible PRPs or MPPP policies are canceled and rewritten and when changes are made due to system constraints. The code should also be used to cancel a standard policy that is eligible for a PRP. Refunds resulting from the cancellation must be applied to the rewritten policy prior to any refund being generated. Use rollover indicator "Z" to report the new policy.

TRRP Reason Code: 22  
Number of Policy Years Allowed: 2  
Number of Policy Terms Allowed: 2

**Premium Refund:**

- Full--Expense Constant, Federal Policy Fee, and Probation Surcharge are fully refunded.
- Pro-Rata--N/A

**One-Year Term:** Cancellation effective date is:

- Prior term--Full refund
- Current term--Full refund

**Three-Year Term:** N/A

**Open Claim:** Policy cannot be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Policy cannot be canceled.

23. **Fraud.** This reason code is used when fraud has been determined. No premium refunds are allowed with this reason code. The agent will be allowed to retain the full commission and the company's expense allowance will not be reduced.

TRRP Reason Code: 23  
Number of Policy Years Allowed: 1  
Number of Policy Terms Allowed: 1

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

**Premium Refund:**

- Full--N/A
- Pro-Rata--N/A

**One-Year Term:** Cancellation effective date is:

- Prior term--N/A
- Current term--N/A

**Three-Year Term:** N/A

**Open Claim:** Policy can be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Policy can be canceled.

45. **Condominium Policy (Unit or Association) Converting to RCBAP.** This provides the means to report the cancellation of a condominium unit or association policy because coverage is being provided with an RCBAP.

TRRP Reason Code: 45  
Number of Policy Years Allowed: 2\*  
Number of Policy Terms Allowed: 2

\*The WYO companies are responsible for canceling and returning the premium up to 6 years of a 3-year policy, if a refund is allowed.

**Premium Refund:**

- Full--Return all premiums including Expense Constant, Federal Policy Fee, and Probation Surcharge.
- Pro-Rata--Mid-term cancellation of a 1-year or 3-year policy. Pro-rata calculations of all premiums including Expense Constant, Federal Policy Fee, and Probation Surcharge.

**One-Year Term:** Cancellation effective date is:

- Inception of prior or current term--Full refund including Expense Constant, Federal Policy Fee, and Probation Surcharge.
- Prior term (mid-term)--Pro-rata refund for prior year and full refund for the current year.



**DATA ELEMENT:** Cancellation/Voidance Reason (Cont'd.)

**DESCRIPTION:** (Cont'd.)

- Current term (mid-term)--Use pro-rata refund.

**Three-Year Term:** Cancellation effective date is:

- Inception of prior or current term--Full refund including Expense Constant, Federal Policy Fee, and Probation Surcharge.

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**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

- Prior term (mid-term)--Pro-rata refund for prior term and full refund for the current term.
- Current term (mid-term)-- Use pro-rata refund.

**Open Claim:** Policy cannot be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Cancellation effective date must be after the loss date.

NOTE: According to FIMA rules, a policy may be canceled back to the inception date of the policy, subject to the 6-year statute of limitations. The WYO companies are responsible for canceling and returning the premium for the current and 1 prior policy year, provided that it was the insurer for that period. If another NFIP insurer was the insurer for the prior policy year, the insurer for that year will be responsible for refunding the premium.

The NFIP Bureau and Statistical Agent will refund the premiums for the additional prior years beyond the current and 1 prior policy year.

50. **Policy Not Required by Mortgagee.** This provides a means to cancel a policy when coverage was required by the mortgagee for a closing and it was determined that the property was not located in a Special Flood Hazard Area (SFHA). As a result, coverage was not required by the mortgagee. This cancellation reason can only be used to cancel the initial term. The cancellation effective date is the date the cancellation request is received by the writing company. FEMA Out-As-Shown determination is required to cancel the policy.

TRRP Reason Code: 50  
Number of Policy Years Allowed: 1  
Number of Policy Terms Allowed: 1

**Premium Refund:**

- Full--Return all premiums including Expense Constant, Federal Policy Fee, and Probation Surcharge, if the cancellation effective date is the inception of the initial term.

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

- Pro-Rata--For cancellation dates 10/1/2003 and after, prorated refund including Expense Constant, Federal Policy Fee, and Probation Surcharge.

**One-Year Term:** Cancellation effective date is:

- Prior year--N/A
- Current year--Use full refund for cancellation effective dates prior to 10/1/2003. For 10/1/2003 and after, use pro-rated.

**Open Claim:** Policy cannot be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Policy cannot be canceled.

51. **Mid-Term Voidance of 3-Year Policy Due to Cessation of Community Participation in the NEIP.** The voidance is effective at the end of the policy year in which the cessation occurs.

*This reason code is no longer available for cancellation dates 5/1/2003 and after.*

TRRP Reason Code: 51  
Number of Policy Years Allowed: 2\*  
Number of Policy Terms Allowed: 1

\*The WYO companies are responsible for canceling and returning the premium up to 2 years of a 3-year policy, if a refund is allowed.

**Premium Refund:**

- Pro-Rata--Cancellation date is mid-term (anniversary date). Expense Constant, Federal Policy Fee, and Probation Surcharge are fully earned.

**One-Year Term:** Cancellation effective date is:

- Prior term--N/A
- Current term--N/A

**Three-Year Term:** Cancellation effective date is:

- Prior term--N/A

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

- Current term (anniversary date)--Use pro-rata refund.

**Open Claim:** Policy cannot be canceled.

**Closed Claim without Payment:** Policy can be canceled.

**Closed Claim with Payment:** Cancellation effective date must be on an anniversary date and after the loss date.

52. **Mortgage Paid Off.** This cancellation reason code may be used to cancel a 1-year or a 3-year policy, when the mortgage has been paid off. A statement from the mortgagee stating that the mortgage has been paid off and that flood insurance was required as part of the mortgage must be attached to the Cancellation/Nullification Request Form.

TRRP Reason Code: 52

Number of Policy Years Allowed: 2\*

Number of Policy Terms Allowed: 1

- \*The WYO companies are responsible for canceling and returning the premium up to 2 years of a 3-year policy, if a refund is allowed.

**Premium Refund:**

- Full--Expense Constant, Federal Policy Fee, and Probation Surcharge are fully refunded.
- Pro-Rata--Expense Constant, Federal Policy Fee, and Probation Surcharge are fully earned for cancellation effective dates prior to 10/1/2003. For cancellation effective dates 10/1/2003 and after, Expense Constant, Federal Policy Fee, and Probation Surcharge are pro-rated.

**One-Year Term:** Cancellation effective date is:

- Inception of current term--Full refund including Expense Constant, Federal Policy Fee, and Probation Surcharge.
- Prior term--N/A
- Current term (mid-term)--Use pro-rata refund.

**Three-Year Term:** Cancellation effective date is:

- Prior term--N/A
- Current term--Use pro-rata refund.

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

In all calculations, the community Probation Surcharge should be included as part of the Expense Constant.

Written Premium (including \$50 Expense Constant) plus \$30 Federal Policy fee = \$320.

**Cases I, II, III, VI, VIII:** Cancellation effective halfway through 1-year policy term

**Cases VII, X:** Cancellation effective at second anniversary date of 3-year policy term

**Cases V, IV, IX:** Cancellation effective on policy term effective date

**Case XI:** Cancellation effective at the beginning of the term or mid-term

**Case I:** Reasons 1 and 2 with cancellation dates before 10/1/2003. See Case III for cancellation dates on or after 10/1/2003.

a) Calculation of Refund to Insured:

Written Premium and FPF	\$ 320.00
less Expense Constant	- 50.00
less Federal Policy Fee	- 30.00
Refund to Insured	\$ 240.00
Times Pro-rata Cancellation Factor	x .5
	\$ 120.00

b) Calculation of Expense Allowance Retained by WYO Company:

Written Premium and Federal Policy Fee	\$ 320.00
less Federal Policy Fee	- 30.00
less Premium Refund to Insured	- 120.00
Retained Written Premium subject to Expense Allowance	\$ 170.00
Expense Allowance Percentage	x 32.9%
Expense Allowance Subtotal	\$ 55.93

Premium Refund to Insured	\$ 120.00
Agent Commission Percentage	x 15.0%
Allowance for Agent Commission	\$ 18.00

Total Expense Allowance Retained	\$ 73.93
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**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

- c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Premium Refund to Insured	\$ 120.00
Difference between Expense Allowance and Commission Percentages	x 17.9%
Expense Allowance Returned	\$ 21.48

**Case II: Reason 52 with cancellation dates before 10/1/2003.  
See Case III for cancellation dates on or after 10/1/2003.**

- a) Calculation of Refund to Insured:

Written Premium and FPF	\$ 320.00
less Expense Constant	- 50.00
less Federal Policy Fee	- 30.00
	\$ 240.00
Times Pro-rata Cancellation Factor	x .5
Refund to Insured	\$ 120.00

- b) Calculation of Expense Allowance Retained by WYO Company:

Written Premium and Federal Policy Fee	\$ 320.00
less Federal Policy Fee	- 30.00
less Premium Refund to Insured	- 120.00
Retained Written Premium subject to Expense Allowance	\$ 170.00
Expense Allowance Percentage	x 32.9%
Total Expense Allowance Retained	\$ 55.93

- c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Premium Refund to Insured	\$ 120.00
Expense Allowance Percentage	x 32.9%
Expense Allowance Returned	\$ 39.48

**Case III: Reasons 3, 4 or 18; for reasons 1, 2, 17, 45, 50, and 52 with cancellation dates 10/1/2003 and after.**

- a) Calculation of Refund to Insured:

Written Premium and Federal Policy Fee	\$ 320.00
Times Pro-rata Cancellation Factor	x .5
Refund to Insured	\$ 160.00

- b) Calculation of Expense Allowance Retained by WYO Company:

Written Premium and Federal Policy Fee	\$ 320.00
less Federal Policy Fee	- 30.00
Times Pro-rata Cancellation Factor	\$ 290 x .5
Premium subject to Expense Allowance	\$ 145.00
Expense Allowance Percentage	x 32.9%
Expense Allowance Subtotal	\$ 47.71

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

- c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Refund to Insured	\$ 160.00
less refunded portion of Federal Policy Fee (\$30.00 x 1/2)	- 15.00
	<u>\$ 145.00</u>
Expense Allowance Percentages	x 32.9%
Expense Allowance Returned	<u>\$ 47.70</u>

**Case IV: Reasons 5, 6, 8, 16, 21, 22\*, 60, and 70**

- a) Full refund given to insured or, for Reason 5, to agent or company as appropriate.
- b) No expense allowance retained by WYO Company.
- c) Full expense allowance returned to NFIP.

\*For reason 22, refunds resulting from the cancellation must be applied to the rewritten policy prior to any refund being generated.

**Case V: Reason 9; Reason 20 with cancellation dates 10/1/2003 and after.**

- a) Calculation of Refund to Insured:

Written Premium and Federal Policy Fee	\$ 320.00
Refund to Insured	\$ 320.00

- b) Calculation of Expense Allowance Retained by WYO Company:

Refund to Insured	\$ 320.00
less Federal Policy Fee	- 30.00
Written Premium subject to Agent Commission	\$ 290.00
Agent Commission Percentage	x 15.0%
Agent Commission Allowance	<u>\$ 43.50</u>

- c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Refund to Insured	\$ 320.00
less Federal Policy Fee	- 30.00
Premium subject to Expense Allowance	\$ 290.00
Difference between Expense Allowance and Commission Percentages	x 17.9%
Expense Allowance Returned	<u>\$ 51.91</u>

**Case VI: Reasons 10 and 23**

- a) No premium refund to Insured

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

b) Calculation of Expense Allowance Retained by WYO Company:

Written Premium and Federal Policy Fee	\$ 320.00
less Federal Policy Fee	- 30.00
Premium subject to Expense Allowance	\$ 290.00
Expense Allowance Percentage	x 32.9%
Expense Allowance Subtotal	\$ 95.41

c) No expense allowance returned to the NFIP

**Case VII: Reason 17 with cancellation dates before 10/1/2003.  
See Case III for cancellation effective dates on or after 10/1/2003.**

In this example case, the policy voidance is effective on the second anniversary of the policy effective date.

a) Calculation of Refund to Insured:

Written Premium and FPF	\$ 320.00
less Expense Constant	- 50.00
less Federal Policy Fee	- 30.00
	\$ 240.00
	x 33%
Refund to Insured	\$ 80.00

b) Calculation of Expense Allowance Retained by WYO Company:

Written Premium and Federal Policy Fee	\$ 320.00
less Federal Policy Fee	- 30.00
less Premium Refund to Insured	- 80.00
Retained Written Premium subject to Expense Allowance	\$ 210.00
Expense Allowance Percentage	x 32.9%
Expense Allowance Retained	\$ 69.09

c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Premium Refund to Insured	\$ 80.00
Expense Allowance Percentage	x 32.9%
Expense Allowance Returned	\$ 26.32

**Case VIII: Reason 45 for cancellation dates before 10/1/2003.  
See Case III for cancellation effective dates on or after 10/1/2003.**

a) Calculation of Refund to Insured:

Written Premium and Federal Policy Fee	\$ 320.00
Times Pro-rata Cancellation Factor	x .5
Refund to Insured	\$ 160.00



**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

b) Calculation of Expense Allowance Retained by WYO Company:

Written Premium and Federal Policy Fee	\$ 320.00
less Federal Policy Fee	- 30.00
Times Pro-rata Cancellation Factor	\$ 290 x .5
Premium subject to Expense Allowance	\$ 145.00
Expense Allowance Percentage	x 32.9%
Expense Allowance Subtotal	\$ 47.71

Refund to Insured	\$ 160.00
less refunded portion of Federal Policy Fee (\$30.00 x .5)	- 15.00
	\$ 145.00
Agent Commission Percentage	x 15.0%
Allowance for Agent Commission	\$ 21.75

Total Expense Allowance Retained \$ 69.46

c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Refund to Insured	\$ 160.00
less refunded portion of Federal Policy Fee (\$30.00 x .5)	- 15.00
	\$ 145.00
Difference between Expense Allowance and Commission Percentages	x 17.9%
Expense Allowance Returned	\$ 25.96

**Case IX: Reason 50 with cancellation dates before 10/1/2003.  
See Case III for cancellation dates on or after 10/1/2003.**

a) Calculation of Refund to Insured:

Written Premium and Federal Policy Fee	\$ 320.00
Refund to Insured	\$ 320.00

b) Calculation of Expense Allowance Retained by WYO Company:

No expense allowance is retained.

c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Refund to Insured	\$ 320.00
less Federal Policy Fee	- 30.00
Written Premium subject to Expense Allowance	\$ 290.00
Expense Allowance Percentage	x 32.9%
Expense Allowance Returned	\$ 95.41

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION:** (Cont'd.)

**Case X: Reason 51**

In this example case, the policy voidance is effective on the second anniversary of the policy effective date.

a) Calculation of Refund to Insured:

Written Premium and Federal Policy Fee	\$ 320.00
less Expense Constant	- 50.00
less Federal Policy Fee	- 30.00
	<u>\$ 240.00</u>
	x 33%
Refund to Insured	<u>\$ 80.00</u>

b) Calculation of Expense Allowance Retained by WYO Company:

Written Premium and Federal Policy Fee	\$ 320.00
less Federal Policy Fee	- 30.00
less Premium Refund to Insured	- 80.00
Retained Written Premium subject to Expense Allowance	<u>\$ 210.00</u>
Expense Allowance Percentage	x 32.9%
Expense Allowance Retained	<u>\$ 69.09</u>
Premium Refund to Insured	\$ 80.00
Agent Commission Percentage	x 15.0%
Allowance for Agent Commission	<u>\$ 12.00</u>
Total Expense Allowance Retained	\$ 81.09

c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Premium Refund to Insured	\$ 80.00
Difference between Expense Allowance and Commission Percentages	x 17.9%
Expense Allowance Returned	<u>\$ 14.32</u>

**Case XI: Reason 20 with cancellation dates before 10/1/2003.  
See Case V for cancellation dates on or after 10/1/2003.**

a) Calculation of Refund to Insured:

Written Premium and Federal Policy Fee	\$ 320.00
	x .5
Refund to Insured	<u>\$ 160.00</u>

**DATA ELEMENT: Cancellation/Voidance Reason (Cont'd.)**

**DESCRIPTION: (Cont'd.)**

b) Calculation of Expense Allowance Retained by WYO Company:

Written Premium and Federal Policy Fee	\$ 320.00
less Federal Policy Fee	<u>- 30.00</u>
Times Pro-rata Cancellation Factor	\$ 290 x .5
Premium subject to Expense Allowance	\$ 145.00
Expense Allowance Percentage	<u>x 32.9%</u>
Expense Allowance Subtotal	\$ 47.71

Refund to Insured	\$ 160.00
less refunded portion of Federal	
Policy Fee (\$30.00 x .5)	<u>- 15.00</u>
	\$ 145.00

Agent Commission Percentage	<u>x 15.0%</u>
Allowance for Agent Commission	\$ 21.75

Total Expense Allowance Retained	\$ 69.46
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c) Calculation of Expense Allowance Returned by WYO Company to NFIP:

Refund to Insured	\$ 160.00
less refunded portion of Federal	
Policy Fee (\$30.00 x .5)	<u>- 15.00</u>
	\$ 145.00

Difference between Expense Allowance and	
Commission Percentages	<u>x 17.9%</u>
Expense Allowance Returned	\$ 25.96

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**Processing Outcomes for Cancellation/Nullification  
Of a Flood Insurance Policy  
Effective 10/1/2003**

TRRP Reason Code	Premium Refund		Expense Constant			Federal Policy Fee			Producer Commission (Direct Business Only)			Operating Expense Allowance (WYO) *		
	Full	Pro Rata	Full Refund	Pro Rata	Fully Earned	Full Refund	Pro Rata	Fully Earned	Full Deduction	Pro Rata	Retained	Full Deduction	Pro Rata	Retained
01		X		X			X			X			X	
02		X		X			X			X			X	
03		X		X			X			X			X	
04		X		X			X			X			X	
05	X		X			X			X			X		
06	X		X			X			X			X		
08	X		X			X			X			X		
09	X		X			X					X	X		
10	NO REFUND OF PREMIUM, EXPENSE CONSTANT, OR FEDERAL POLICY FEE ALLOWED										X			X
16	X		X			X			X			X		
17		X		X			X			X			X	
18	DELETED													
20	X		X			X					X	X		
21	X		X			X			X			X		
22	X		X			X			X			X		
23	NO REFUND OF PREMIUM, EXPENSE CONSTANT, OR FEDERAL POLICY FEE ALLOWED										X			X
45		X		X			X			X			X	
50		X		X			X			X			X	
51	DELETED													
52		X		X			X			X			X	
60	X		X			X			X			X		
70	X		X			X			X			X		

\*For TRRP Reason Codes 9 and 20, the 15% agent commission as part of the expense allowance paid to the Write Your Own Company will be retained.

**DATA ELEMENT:** Cancellation/Voidance Reason (Cont'd.)

**EDIT CRITERIA:** Number, Alphanumeric, Acceptable Values:

- 01 - Building Sold or Removed
- 02 - Contents Sold or Removed (for contents-only policy)
- 03 - Policy Cancelled and Rewritten to Establish a Common Expiration Date with Other Insurance Coverage
- 04 - Duplicate Policies
- 05 - Non-Payment with Refund
- 06 - Risk Not Eligible for Coverage
- 08 - Property Closing Did Not Occur
- 09 - Insurance No Longer Required by Lender Because Property Is No Longer Located in Area of Special Flood Hazard (Map Revision Only)
- 10 - OTHER: Continuous Lake Flooding or Closed Basin Lakes
- 11 - Non-Payment/No Refund
- 16 - Insurance No Longer Required Based on FEMA Review of Lender's Special Flood Hazard Area Determination
- 17 - Duplicate Policies from Sources Other Than the NFIP
- 18 - Mid-term Cancellation of a 3-Year Policy to Obtain IGC Coverage
- 19 - Mortgage Paid-off on an MPPP Policy (combined with 52)
- 20 - Insurance No Longer Required by Lender Following the Issuance of a LOMA or LOMR
- 21 - Policy Was Written to the Wrong Facility (Repetitive Loss Target Group)
- 22 - Cancel / Rewrite
- 23 - Fraud
- 45 - Condominium Policy (Unit or Association) Converting to RCBAP
- 50 - Policy Not Required by Mortgagee
- 51 - Mid-term Voidance of a 3-Year Policy Due to Cessation of Community Participation in NFIP
- 52 - Mortgage Paid Off
- 60 - Voidance Prior to Effective Date
- 70 - Voidance due to Credit Card Error

**LENGTH:** 2

**DEPENDENCIES:** Information is obtained from the Cancellation/Nullification Request Form.

**SYSTEM FUNCTION:** Policy History  
Validation of Cancellation Reason

**REPORTING REQUIREMENT:** Required

**DATA ELEMENT: Lowest Floor Elevation**

**ALIAS:** First Floor Elevation, Lowest Floor Including Basement

**ACRONYM:** WYO (PMF) LOW-FLOOR

**FILE:** Policy Master (PMF)  
Elevation Certificate Master (ECMF)  
Claims Master (CMF)  
Actuarial (APOL)

**DESCRIPTION:**

A building's lowest floor is the floor or level (including basement) that is used as the point of reference when rating a building. This includes the level to which a building is floodproofed. For more definitive information, refer to the NFIP Flood Insurance Manual. The lowest floor elevation of the insured structure in tenths of feet is supported by an elevation survey of the property. Value 9999 indicates the field is not reported and/or used for this policy. Note: In Claims Master File (CMF), whole feet are used.

**EDIT CRITERIA:** Numeric, may be positive or negative

**LENGTH:** 6 with an implied decimal of one position

**DEPENDENCIES:** Information is obtained from the Flood Insurance Application.

**SYSTEM FUNCTION:** Used in computing elevation difference between lowest floor and base flood elevation (BFE)

**REPORTING REQUIREMENT:** Required for new business policies on or after May 1, 1997.

**DATA ELEMENT: Map Panel Number**

**ALIAS:** Panel, Panel Number, Grid Number of Flood Map

**ACRONYM:** Direct (PMF) Community-Panel  
Direct (PMF) Panel Number (CM-Panel-Number) (COMF)  
WYO (PMF) W-PANEL-NO

**FILE:** Policy Master (PMF)  
Community Master (COMF)  
Actuarial (APOL)

**DESCRIPTION:**

Identifies the number of the flood map panel that includes the location of the insured property, if the map is of the z-fold type. The flood map panel provides the information necessary to determine whether or not the insured property is in the Special Flood Hazard Area in the case of Emergency Program communities, or to determine flood risk zone and Base Flood Elevation in the case of Regular Program communities.

**EDIT CRITERIA:** Alphanumeric; must be all numerals or all blanks.

Zero or blanks will be accepted for the following conditions only:

- The Regular/Emergency Program indicator is 'E' (Emergency Program), or
- The New/Renewal indicator is 'E', or
- The Risk Rating method is 'G' (Group Flood policies), or
- The community has only an active zero map panel or active blank map panel for the reported map suffix, or
- The Risk Rating method is '3' (Alternative Rating).

If the community has active map panels (other than zeros or blanks) for the reported map suffix, one of these active map panels must be used.

**LENGTH:** 4

**DEPENDENCIES:** Information is obtained from the Elevation Certificate.

**SYSTEM FUNCTION:** Validates flood risk zone used for rating policy.

**REPORTING REQUIREMENT:** Required



**DATA ELEMENT:** New/Renewal Indicator

**ALIAS:** Rollover

**ACRONYM:** (PMF) ROLLOVER

**FILE:** Policy Master (PMF)  
Actuarial (APOL)

**DESCRIPTION:**

Code indicating whether:

- The policy is a new issue generated by the WYO company (N).
- The policy was transferred from one WYO company to another and is considered a rollover or renewal (R).
- The policy is renewed by the WYO company but reported as new business due to either a cancellation/rewrite or conversion of an existing policy to a new NFIP policy form (R).
- The policy was transferred from NFIP Direct to a WYO company and is considered a rollover or renewal (R).
- The policy was transferred from one WYO company or the NFIP Direct to another WYO company and the elevation certification date was prior to October 1, 1997. This is to identify those rollover/renewal policies that are not required to report lowest adjacent grade, diagram number, or elevation certification date (E). Effective May 1, 2002, code "E" will also identify those rollover/renewal policies that are not required to report replacement cost. Effective May 1, 2003, code "E" will also identify those rollover/renewal policies that are not required to report the map panel number.
- The policy was canceled and rewritten for TRRP reason code 22. This is used when an ineligible PRP or MPPP policy was canceled and rewritten. It should also be used to identify a policy that was canceled as a standard X zone policy and rewritten as a PRP (Z).

**EDIT CRITERIA:** Alpha, Acceptable Values:

N - New Issue  
R - Rollover/Renewal  
E - Rollover/Renewal with Elevation Certification  
Date Prior to October 1, 1997  
Z - Rewritten for TRRP cancellation reason code 22

**LENGTH:** 1

**DEPENDENCIES:** Will be provided by WYO company or agent.

**SYSTEM FUNCTION:** Marketing Analysis  
WYO Program Evaluation  
Rating

**REPORTING REQUIREMENT:** Required

**DATA ELEMENT:** Number of Floors(Including Basement)/Building Type

**ALIAS:** None

**ACRONYM:** Direct (PMF) Number-of-Floors  
Direct (CMF) Num-Stories  
WYO (PMF) BUILDING

**FILE:** Policy Master (PMF)  
Claims Master (CMF)  
Recertification Master (RCMF)  
Reinspection Master (RIMF)  
Actuarial (APOL)

**DESCRIPTION:**

Code that indicates the number of floors in the insured structure. Refer to the NFIP Standard Flood Insurance Policy for the definition of a building.

**EDIT CRITERIA:** Number, Alphanumeric, Acceptable Values:

- 1 - One floor
- 2 - Two floors
- 3 - Three or more floors
- 4 - Split-level
- 5 - Manufactured (mobile) home or travel trailer on foundation
- 6 - Three or more floors - townhouse/rowhouse

**LENGTH:** 1

**DEPENDENCIES:** Information is obtained from the Flood Insurance Application. Claims Master should be in agreement with Policy Master.

**SYSTEM FUNCTION:** Rating Element

**REPORTING REQUIREMENT:** Required

**INSURANCE TO VALUE RATIO INDICATOR**

<u>DESCRIPTION</u>	<u>CODE</u>
Less than .50	1
.50 - .74	2
.75 or More	3

**LOCATION OF CONTENTS INDICATOR**

<u>DESCRIPTION</u>	<u>CODE</u>
Basement Only	1
Basement and Above	2
Lowest Floor Only Above Ground Level	3
Lowest Floor Above Ground Level and Higher Floors	4
Above Ground Level More Than One Full Floor	5
Manufactured (Mobile) Home or Travel Trailer on Foundation	6

**NAME FORMAT INDICATOR**

<u>DESCRIPTION</u>	<u>CODE</u>
Person	P
Group	G

**NAME OR DESCRIPTIVE INFORMATION INDICATOR**

<u>DESCRIPTION</u>	<u>CODE</u>
Name	N
Descriptive	D

**NEW/RENEWAL INDICATOR**

<u>DESCRIPTION</u>	<u>CODE</u>
New Issue	N
Rollover/Renewal	R
Rollover/Renewal with Elevation Certification Date Prior to October 1, 1997	E
Rewritten for TRRP Cancellation Reason Code 22	Z

**NUMBER OF FLOORS (INCLUDING BASEMENT)/BUILDING TYPE**

<u>DESCRIPTION</u>	<u>CODE</u>
One Floor	1
Two Floors	2
Three or More Floors	3
Split-Level	4
Manufactured (Mobile) Home or Travel Trailer on Foundation	5
Three or More Floors - Townhouse/Rowhouse	6

### **OBSTRUCTION TYPE**

<u>DESCRIPTION</u>	<u>CODE</u>
Free of obstruction	10
With obstruction: enclosure/crawlspace with proper openings not used for rating (Zone A only)	15
With obstruction: less than 300 sq. ft. with breakaway walls, but no machinery or equipment attached to building below lowest elevated floor, or elevation of machinery/equipment is at or above Base Flood Elevation	20
With obstruction: less than 300 sq. ft. with breakaway walls and with machinery or equipment attached to building below lowest elevated floor, and elevation of machinery/equipment is below Base Flood Elevation	24
With obstruction: 300 sq. ft. or more with breakaway walls, but no machinery or equipment attached to building below lowest elevated floor	30
With obstruction: 300 sq. ft. or more with breakaway walls and with machinery or equipment attached to building below lowest elevated floor	34
With obstruction: no walls, but the elevation of machinery or equipment attached to building is below Base Flood Elevation (NOTE: Use Obstruction Type "10" and Without Obstruction Rate Table if the elevation of machinery/Equipment is at or above Base Flood Elevation.)	40
With obstruction: nonbreakaway walls with no machinery or equipment attached to building below lowest elevated floor	50
With obstruction: nonbreakaway walls with machinery or equipment attached to building below lowest elevated floor	54
With obstruction	60

### **OCCUPANCY TYPE**

<u>DESCRIPTION</u>	<u>CODE</u>
Single-Family	1
Two- to Four-Family	2
Other Residential	3
Nonresidential	4

### **POLICY TERM INDICATOR**

<u>DESCRIPTION</u>	<u>CODE</u>
1 Year	1
3 Years (only for policies effective prior to May 1, 1999)	3
Other (between 1 and 3 years)	9