U.S. Department of Homeland Security
500 C Street, SW
Washington, DC 20472

FEMA

W-13033

June 14, 2013

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

FROM: Jhun de la Cruz
Branch Chief, Underwriting
Risk Insurance Division

SUBJECT: Procedures for Processing Renewals of Certain Pre-FIRM Subsidized Policies that are New, Lapsed, or Assigned

FEMA announced a number of program changes necessitated by the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) in NFIP Bulletin W-13016 dated March 29, 2013. This Bulletin provides supplemental guidance on implementation of BW-12 Section 205, 42 U.S.C. § 4014(g), which states that the NFIP can no longer provide premium rate subsidy to new, lapsed, or assigned Standard Flood Insurance Policies (SFIPs) due to the purchase of Pre-FIRM properties, or the purchase of new coverage effective October 1, 2013. Effective October 1, 2013, new, lapsed, or assigned SFIPs will be subject to full-risk rating, and we will require an Elevation Certificate (EC) including photographs to determine full-risk rating using the current FIRM. Policies rated in D zones or Unnumbered V zones do not require an EC, but must provide at least two photographs before the policy can be renewed. This bulletin provides additional guidance regarding the processing for the following scenarios.

A. Renewals effective on or after October 1, 2013, of the subsidized policies described below:
    - Subsidized policies that were written with original new business dates effective on or after July 6, 2012, but before October 1, 2013; or
    - Subsidized policies that have lapsed, and coverage is reinstated following the lapse (for reasons other than community suspension), where the reinstatement date is effective on or after October 4, 2012, but before October 1, 2013; or
    - Subsidized policies that were written as new business or as an assigned policy as a result of the property being purchased on or after July 6, 2012, but before October 1, 2013.

    1. The insurer must send a notice to the agent, insured, and lender(s) advising of the need for additional rating information in order to determine the full-risk premium.

The agent must be required to renew the policy by application. This notice must be sent at least 60 days prior to the policy expiration date, and it should indicate that the policy cannot be renewed without the required rating information and the premium.

2. Any payment received prior to the policy expiration date and prior to the collection of sufficient information to determine a full-risk premium must be held in abeyance (suspense/pending) until the policy expiration date or the collection of the necessary information, whichever occurs first.

3. If premium is not received by the policy expiration date, the Final Notice must be sent to the insured, agent, and lender(s) within five days of the policy expiration date.

4. After the policy expiration date, but prior to the collection of sufficient information to determine a full-risk premium, any premium received may be refunded and a Final Notice must be issued to the insured, agent and lender(s); or the renewal may be processed using the tentative rate procedures.

B. The following process must be used for renewals effective on or after October 1, 2013, of subsidized policies that lapsed, and coverage is reinstated following the lapse (for reasons other than community suspension), where the reinstatement date is effective on or after October 1, 2013:

1. Upon receipt of premium intended to reinstate coverage more than 30 days after policy expiration date, but less than 90 days, the insurer must use the tentative rate procedures to issue coverage. The premium may not simply be refunded.

2. Alternatively, insurers may hold the premium in abeyance (suspense or pending) for 60 days following a notice of the need for additional rating information, and then process the payment using the tentative rate procedures if the required rating information was not obtained. The premium may not simply be refunded.

Once a policy has been issued with tentative rates, the policy may be reformed upon receipt of the EC, photographs, and any other required rating information up to the amount of coverage originally requested or up to the amount of coverage the original premium submitted would buy, whichever is less. Coverage may be increased with a standard 30-day waiting period.

In addition, FEMA recommends that for all instances where a policy will be assigned from a current policyholder to a purchaser, the insurance company should provide a quote to the purchaser indicating the annual premium amount using full-risk rates. This will afford the purchaser the opportunity to evaluate the costs of insurance prior to purchasing the property, and should reduce issues that a potential purchaser might have regarding the policy’s cost.

Thank you for your cooperation in this matter. If you have any questions, please contact Joe Cecil of my staff at Joseph.Cecil@fema.dhs.gov.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Data Processing, Underwriting, Marketing