



FEMA

W-14028

June 4, 2014

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

A handwritten signature in cursive script, reading "Jhun de la Cruz".

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

SUBJECT: June 1, 2014 NFIP Flood Insurance Manual Clarifications

The purpose of this memorandum is to provide clarifications to questions raised by changes to the June 1, 2014 NFIP *Flood Insurance Manual* (FIM). These clarifications are unrelated to the implementation of the Homeowners Flood Insurance Affordability Act (HFIAA) of 2014.

Primary Residence

A Pre-Flood Insurance Rate Map subsidized policy written in the name of a Trust is eligible for the primary residence subsidized rates (Table 2A in the Rating section of the FIM) if a beneficiary of the Trust is using the building as a primary residence. The beneficiary of the Trust using the home as a primary residence must provide the standard documentation of primary residence outlined on page APP 5 of the Applications section of the FIM and in Bulletin W-14001. In addition, the insurer must obtain documentation that the person using the home as a primary residence is a beneficiary of the Trust named as the insured.

The grantor of a Trust may also be eligible for the primary residence rating if the Trust documents support that the grantor is a beneficiary of the Trust with the right to live in the home. The grantor must submit both the Trust documents and the standard documentation of primary residence outlined on page APP 5 of the Applications section of the FIM and in Bulletin W-14001. Accordingly, the insurer must obtain documentation that the grantor is a beneficiary of the Trust named as the insured with the right to live in the home as a benefit.

Tenant Improvements and Betterments

Subsection IX.F of the General Rules section of the FIM indicates that the building owner must be named on a flood insurance policy. If building coverage is purchased by a tenant due to a lease agreement, the tenant may be named as an additional insured on the policy.

This memorandum clarifies that the NFIP does not designate any of the named insureds as primary or secondary. The rule is intended to ensure that all parties with an insurable interest in the building are named on any claim settlement proceeds for building damages.

Photograph Requirement on Business Transfer

The photograph requirement outlined in subsection XI.F of the General Rules section of the FIM for elevation-rated policies being transferred from one insurer to another involves the development of new processes for most insurers. This requirement will help to ensure proper rating of NFIP policies. Because the change was not included in the standard 6-month advance notice of program changes, FEMA will allow insurers to phase in the use of photographs for processing transfers on a voluntary basis through March 31, 2015. The photograph requirement must be applied for all transferred policies with effective dates on or after April 1, 2015.

Minimum Deductibles

The \$1,000 minimum deductibles for building and contents coverage indicated in the Mortgage Portfolio Protection Policy and Preferred Risk Policy sections of the FIM remain effective regardless of coverage amount. Clarifying notes have been added to Table 8A in the Rating section of the FIM to indicate that the change to minimum deductibles do not apply to these two product types.

FEMA will continue to consult and coordinate with WYO insurers and other stakeholders as we implement provisions of the HFIAA. For questions, please contact Joe Cecil at (202) 212-2067.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Data Processing, Underwriting, Marketing