




FEMA

W-17062

October 3, 2017

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

FROM: 
David I. Maurstad
Assistant Administrator for Federal Insurance
Federal Insurance and Mitigation Administration

SUBJECT: Underwriting Requirements for Transferring Business and Verifying Grandfathering Status

The April 1, 2015, Program Changes (Bulletin W-15046 dated October 1, 2015), required re-underwriting of policies to ensure clear communication of risk, including the correct flood zone. It has come to FEMA's attention that some agents or policyholders are using information from policy Declarations pages that contain incorrect information because they were issued prior to the policy being re-underwritten. The use of these incorrect Declarations pages allows policyholders to obtain new policies from a new insurer using incorrect grandfathering information for rating, which thereby results in a policy misrating.

Please refer to the General Rules section of the National Flood Insurance Program *NFIP Flood Insurance Manual*, paragraph XI.F. Transfer of Business, which states the following:

The new insurer must collect all underwriting information required at the time of the transfer in order to verify the correct rating and issuance of the policy. A declarations page usually does not provide all the required underwriting information.

Insurers must verify the correct rating of the previous policy when grandfathering the flood zone or rating information. To ensure eligibility for grandfathering, insurers must validate the grandfathered flood zone. Documentation that can be used to validate the grandfathered flood zone includes a flood map, zone determination, elevation certificate, or documentation from a community official. A prior Declarations page cannot be used to validate the grandfathered flood zone. However, after validation of the correct flood zone and other rating information, insurers may use the elevation information provided on the previous Declarations page when the Declarations page provides both the Lowest Floor Elevation (LFE) and the Base Flood Elevation (BFE) so that the policyholder does not have to obtain a new Elevation Certificate.

FEMA would like to remind insurers that under the terms of the Standard Flood Insurance Policy (SFIP), payment of a claim is conditioned upon accurate information having been provided to the insurer by the applicant and/or insurance agent. Refer to SFIP Section I, the insuring Agreement. While the SFIP may be rewritten post-loss to reflect the correct and accurate information for the property pursuant to the insuring Agreement and the General Conditions (paragraph G of each form) of the SFIP, there are other potential consequences associated with supplying false information or misrepresentations about the property, which include, but are not limited to, the possibility that the policy will be declared void and no amounts will be paid on a loss.

If you have any questions concerning this bulletin, please contact the iService Underwriting Department at Underwriting@nfipiservice.com.

Thank you for your cooperation in maintaining the integrity of the National Flood Insurance Program.

cc: IBHS, FIPNC, Government Technical Representative

Required Routing: Marketing, Underwriting

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