

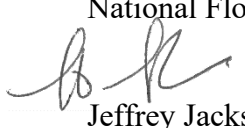


FEMA

W-23001

March 10, 2023

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

FROM: 
Jeffrey Jackson
Acting Assistant Administrator for Federal Insurance
Federal Insurance and Mitigation Administration

SUBJECT: Program Change – Updated Prior NFIP Claims Rating
Factor Guidance

The Prior NFIP Claims Rating Factor is a rating element included in the calculation of NFIP premiums. FEMA is updating the guidance for implementation of the Prior NFIP Claims Rating Factor. Please see the changes, clarifications, and reminders noted below.

- The Prior NFIP Claims Rating Factor will be based on the number of NFIP claims with loss dates that fall within a 10-year rolling window of the policy effective date, instead of the previously proposed 20-year rolling window.
- The Prior NFIP Claims Rating Factor will only consider claims with dates of loss of April 1, 2023, and later. Claims with a date of loss prior to April 1, 2023 will not be counted for purposes of the Prior NFIP Claims Rating Factor.
- The Prior NFIP Claims Rating Factor will be applied to premiums for buildings with two or more claims with dates of loss that fall within the 10-year rolling window on or after April 1, 2023.
- The Prior NFIP Claims Rating Factor will exclude Loss Avoidance claims, Increased Cost of Compliance claims, and Closed Without Payment claims. (Loss Avoidance claims were previously included.)
- Claims with dates of loss within 10 days of each other will continue to count as one claim.
- Premiums for all buildings identified as Severe Repetitive Loss (SRL) properties will include a 15 percent SRL Surcharge. However, if (1) the SRL building also meets the criteria where the Prior NFIP Claims Rating Factor would apply and (2) the Prior NFIP Claims Rating Factor would result in a higher premium than with the 15 percent SRL Surcharge, then the

premium for the SRL building will include the Prior NFIP Claims Rating Factor rather than the 15 percent SRL Surcharge.

- Policyholders are encouraged to properly mitigate their building so the claims history prior to the mitigation actions is not counted towards the Prior NFIP Claims Rating Factor.

FEMA will update guidance in the October 2023 Flood Insurance Manual to reflect these changes. Meanwhile, please make the necessary updates to your processing procedures and systems. The attached Underwriting Guidance Update provides additional information.

Please direct any questions regarding these changes to NFIPUnderwritingMailbox@fema.dhs.gov.

Attachment

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Accounting, Claims, Data Processing, Marketing, Underwriting

ATTACHMENT

**Underwriting Guidance Update For
Prior NFIP Claims Rating Factor Guidance
Effective April 1, 2023**

(Revisions to 3.II.C.8.a–b, on page 3-33 of the October 2022 FIM)

8. Claims History

The claims history used is the history of NFIP claim payments for loss or damage to insured property (**building and contents**) directly caused by a flood. The claims history applies to a building's property address and **is not associated with** the policyholder or building owner. **NFIP claims history can impact the premium of a policy by the Prior NFIP Claims Rating Factor or through a Severe Repetitive Loss (SRL) Rating Factor for SRL properties.**

a. Prior NFIP Claims Rating Factor

FEMA incorporates a Prior NFIP Claims Rating Factor on buildings with two or more claims. FEMA counts NFIP claims with a date of loss of April 1, 2023 or later into the Prior NFIP Claims Rating Factor which is used in determining an NFIP premium.

The Prior NFIP Claims Rating Factor **excludes** the following claim types:

- Increased Cost of Compliance (ICC) claims;
- Closed Without Payment (CWOP); *and*
- Loss Avoidance Claims.

Claims with dates of loss within 10 days of each other will be counted as one claim.

See **Table 20** for **guidance on how the Prior NFIP Claims Rating Factor is applied.**

Table 20. Applying the Prior NFIP Claims Rating Factor

TOPIC	GUIDANCE
Implementation of the Prior NFIP Claims Rating Factor	The Prior NFIP Claims Rating Factor is determined on the effective date of the next policy renewal term following the date of loss of the second claim.
Date of Loss	The Prior NFIP Claims Rating Factor is the number of NFIP claims with a date of loss of April 1, 2023 or later. Note: Claims with dates of loss within 10 days of each other will be counted as one claim.
10-Year Window	The Prior NFIP Claims Rating Factor is the number of NFIP claims with loss dates that are within 10 years of the policy effective date.

b. Severe Repetitive Loss Property

FEMA designates as Severe Repetitive Loss (SRL) any NFIP-insured building:

- That has incurred flood-related damage for which four or more separate claims payments have been made, with the amount of each claim (including building and contents payments) exceeding \$5,000, and with the cumulative amount of such claims payments exceeding \$20,000; *or*
- For which at least two separate claims payments (building payments only) have been made under such coverage, with the cumulative amount of such claims exceeding the market value of the building.

3. How to Write

In both instances, at least two of the claims must be within 10 years of each other, and claims made within 10 days of each other will be counted as one claim. In determining SRL status, FEMA considers the loss history since 1978, or from the building's construction if it was built after 1978, regardless of any changes in the ownership of the building. **A building designated as SRL may receive an SRL Rating Factor applied to the premium.**

Please see Appendix F: Severe Repetitive Loss Properties for additional information on SRL properties, including the Special Direct Facility that services SRL properties and how to correct or update a **building's** SRL designation.

c. Prior NFIP Claims Rating Factor and SRL Rating Factor

FEMA will not apply both the Prior NFIP Claims Rating Factor and the SRL Rating Factor on the same policy. FEMA will compare the impact of the Prior NFIP Claims Rating Factor and the SRL Rating Factor and apply whichever results in a higher premium.

Use of the Prior NFIP Claims Rating Factor does not impact the building's SRL designation or policy servicing with the Special Direct Facility.

Note: The Prior NFIP Claims Rating Factor and the SRL Rating Factor do not apply to provisionally rated policies.

d. Resetting the Prior NFIP Claims History

If the policyholder believes that the number of claims used in applying the Prior NFIP Claims Rating Factor is inaccurate, **the policyholder may submit a request to FEMA to review.** The policyholder may also request that FEMA update the property's claims history if mitigation has occurred to reduce its future flooding potential.

i. Correcting an Invalid Claim History Association

Documentation that may be required to correct or update a property's claims history includes:

- Incorrectly linked addresses and/or losses; or
- A second address added to a Property Locator Record.

ii. Mitigation Actions Used to Reset the Prior NFIP Claims History

NFIP policyholders and property owners can mitigate their property to potentially reduce flood risk and remove the SRL designation and NFIP Prior Claims Rating Factor from their property and policy rating. Mitigation actions include building elevation, non-residential floodproofing, building /removal/ relocation, building demolition, flood control or stormwater management project, or machinery and equipment elevation. **Table 21 shows the requirements and supporting documentation for each mitigation action.**

Table 21. Mitigation Actions, Requirements, and Documentation

Mitigation Action	Requirements	Documentation
Elevating a building	<ul style="list-style-type: none"> • If the building is located in a Special Flood Hazard Area with a Base Flood Elevation (BFE), the building's Lowest Floor Elevation (LFE) must be elevated at least 2 feet above the BFE at the time of mitigation. • If the building is located in a Special Flood Hazard Area without a BFE (i.e., unnumbered A or V flood zone) or outside the Special Flood Hazard Area (i.e., B, C, X, D flood zone), the building's LFE must be elevated at least 2 feet above the Highest Adjacent Grade (HAG). • If the building is located in an AO flood zone, the building's Lowest Floor Elevation (LFE) must be elevated at least 3 feet above the HAG. 	<ul style="list-style-type: none"> • NFIP Elevation Certificate • Proper flood openings information • Clear photos of the building's exterior
Floodproofing (Non-residential)	<ul style="list-style-type: none"> • The non-residential building must be floodproofed to at least 2 feet above the Base Flood Elevation (BFE) • The non-residential building must be floodproofed to at least 3 feet above the Highest Adjacent Grade if there is no BFE. 	<ul style="list-style-type: none"> • NFIP Floodproofing Certificate for Non-residential Structures • Clear photos of the building's exterior
Flood control/ stormwater management project	<ul style="list-style-type: none"> • If the building is mitigated as a result of a flood control or storm water management project, information must be provided to demonstrate how the mitigation performs. • For the purposes of SRL designation or the NFIP Prior Claims rating factor, levees are not considered flood control or stormwater management. Levee information is included in the NFIP rating methodology. 	<ul style="list-style-type: none"> • A description of the project and how the mitigation performs • A letter from community official and supporting documentation
Building removed and relocated	<ul style="list-style-type: none"> • The building was removed and relocated from the property to another location. 	<ul style="list-style-type: none"> • Description of the project • Clear photos of the location from which the building was removed/relocated and photos of the building at the new location • If the building was removed and relocated by the community, a letter from the community official • Other documentation to confirm the building's new location

Table 21. Mitigation Actions, Requirements, and Documentation *continued*

Mitigation Action	Requirements	Documentation
Building demolition	<ul style="list-style-type: none"> The building was demolished or removed. 	<ul style="list-style-type: none"> Demolition permit If the building was acquired and demolished/removed by the community, a letter from community official is required. Clear photos of the property where the building was demolished
Elevation of machinery and equipment	<ul style="list-style-type: none"> A prior claim was due to damage to machinery and equipment only; and The covered machinery and equipment has since been elevated to at least the building's first floor height (the height of the first lowest floor above the adjacent grade, measured in feet). 	<ul style="list-style-type: none"> A description of the prior damage to machinery and equipment A description of the mitigation (elevation) of the machinery and equipment A letter from community official certifying the elevation of machinery and equipment Clear photos showing the elevation of the machinery and equipment

Required documents should be sent via email to: NFIPUnderwritingMailbox@fema.dhs.gov. For more information, refer to https://www.fema.gov/sites/default/files/documents/fema_applying-prior-claims-history-reset-factsheet.pdf.

FEMA notifies the policyholder and agent of record regarding the **documentation** review results when completed. If FEMA agrees to correct or update the property's claims history, FEMA will reevaluate the Prior NFIP Claims Rating Factor and **SRL designation**. If FEMA determines that the building was brought into compliance with NFIP minimum floodplain management standards, then FEMA will reset the prior claims count to zero at the next renewal **for both the Prior NFIP Claims Rating Factor and SRL designation**.

iii. Claims after Mitigation Action

If a property reports a claim after one of the above mitigation actions was completed, the property will be designated SRL again. The count for the Prior NFIP Claims Rating Factor will be based on the number of losses after the mitigation action.

If it can be demonstrated that the claim after a mitigation action was substantially reduced as a result of the mitigation, FEMA may not count the claim towards the Prior NFIP Claims Rating Factor.