



TOP 10

Flood Insurance Changes

What Every Floodplain Official Should Know

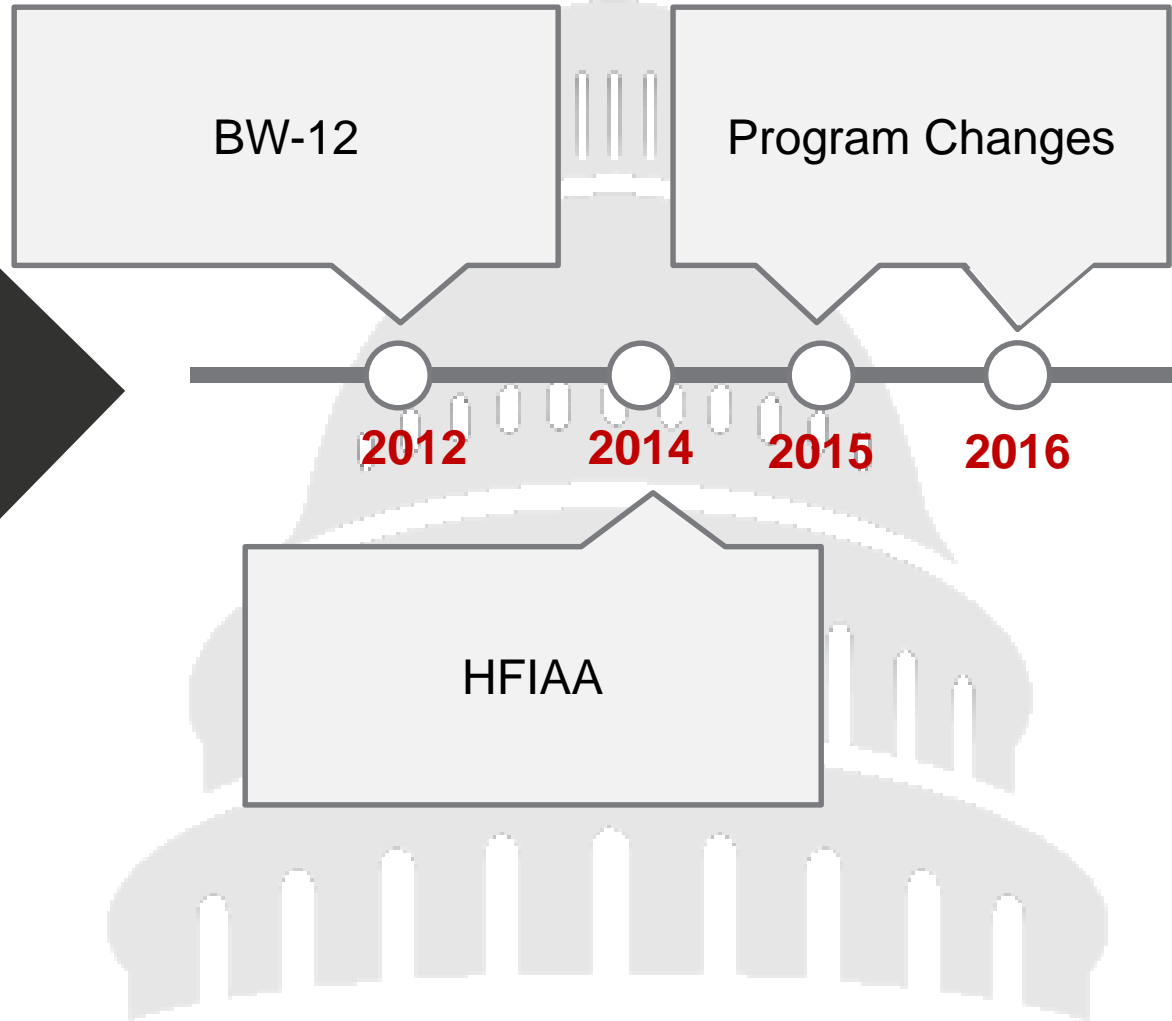


Rich Slevin, H₂O Partners
Dorothy Martinez, H₂O Partners

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Flood Insurance Changes

What Every Floodplain Official Should Know



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Flood Insurance Changes

What Every Floodplain
Official Should Know





Top Ten Tuesday

10. Rate Changes – Premium Increases

TOP 10 Premium Increases

Premium increases effective April 1, 2016

Comply with limitations introduced by Homeowner Flood Insurance Affordability Act (HFIAA)

- Individual premium rate increases capped at 18% for most policies

April 1, 2015

2016

Exception:

Pre-FIRM Subsidized policies must be increased 25% until reach full-risk rates

- Non-primary residential properties
- Severe repetitive loss properties
- Substantially damages/substantially improved properties
- Non-residential business properties (Effective 4/1/16)



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9. Surcharges and Fees

10. Rate Changes – Premium Increases

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Surcharges and Fees

Surcharges and fees not subject to 18% cap:

- Probation surcharge (\$50.00 when applicable)
- Federal Policy Fee (Effective 4/1/16)
- HFIAA Surcharge (Effective 4/1/15)

*Increase in total amount charged may exceed 18% cap

April 1, 2015

2016

Probation Surcharge

\$50 when applicable

Federal Policy Fee

\$45-\$50 standard policies

\$22-\$25 Preferred Risk Policy (PRP)

RCBAP schedule increased

HFIAA Surcharge

Applies to all policyholders

\$25 for primary residences

\$250 for all others



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8. Residential \$10K Deductible
9. Surcharges and Fees
10. Rate Changes – Premium Increases

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Residential \$10K Deductible

HFIAA made optional \$10K deductible available
(April 2015)

- All residential properties
– including 1-to-4 family buildings
- Mortgagee written consent required
(November 2015 FIM)

April 1, 2015

March 23, 2016 modification (effective 11/1/15)

- Advanced mortgagee consent eliminated
- Insurers must clearly disclose availability of optional deductibles & their effect on policyholders
- Disclosure cautions policyholders to check with mortgagee about acceptability



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7. **Force Placement (Final Rule)**
8. **Residential \$10K Deductible**
9. **Surcharges and Fees**
10. **Rate Changes – Premium Increases**

Force Placement Overview

- Lender determines at any time during the life of the loan that property securing the loan is located in SFHA;
- Flood insurance is available;
- Flood insurance is inadequate or does not exist; and
- After required notice, borrower fails to purchase appropriate amount of coverage.



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Force Placement— Final Rule

Biggert-Waters Flood Insurance Reform Act:

- Established timing of 45-day notice
- Clarified premium charge during 45-day notice period
- Allows force placement during 45-day notice period
- Requires lender to notify force place insurer to:
 - Terminate within 30 days
 - Refund any overlapping coverage

October 1, 2015



Top Ten Tuesday

6. Escrows (Final Rule)
7. Force Placement (Final Rule)
8. Residential \$10K Deductible
9. Surcharges and Fees
10. Rate Changes – Premium Increases

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Escrows- Final Rule

- New escrow rules effective 1/1/16
- Lenders > \$1 billion in total assets
- Applies to residential improved real estate or mobile homes
- Affects “designated loans” with tripwire event
 - Making, Increasing, extending, renewing
- Map changes are not tripwire events

January 1, 2016

Exceptions:

Small lender (< \$1billion) & six loan exceptions

- Non-performing loans, home equity lines of credit, subordinate liens, short-term loans, condos, co-ops, homeowner associations & business or agricultural loans



Top Ten Tuesday

- 5. Detached Structures (Final Rule)**
- 6. Escrows (Final Rule)**
- 7. Force Placement (Final Rule)**
- 8. Residential \$10K Deductible**
- 9. Surcharges and Fees**
- 10. Rate Changes – Premium Increases**

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Detached Structures Exemption – Final Rule

- Homeowner Flood Insurance Affordability Act allows mandatory purchase exemption for certain detached structures
- Three Components Required:
 - Applies to Residential Property
 - Detached from primary residential structure
 - Does not serve as a residence

October 1, 2015

“(3) DETACHED STRUCTURES. –Notwithstanding any other provision of this section, flood insurance shall not be required, in the case of any residential property, for any structure that is a part of such property but is detached from the primary residential structure of such property and does not serve as a residence.”



Top Ten Tuesday

- 4. Cancellation Revisions**
- 5. Detached Structures (Final**
- 6. Escrows (Final Rule)**
- 7. Force Placement (Final Rule)**
- 8. Residential \$10K Deductible**
- 9. Surcharges and Fees**
- 10. Rate Changes – Premium Increases**

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Cancellation Revisions

- Prior term refunds limited to select cancellation reasons
- Refunds restricted to 5 years maximum (down from 6 years)
- Certain cancellation refunds for current year only
- Duplicate policy cancellation limitations (NFIP policies only)

November 1, 2015

Cancellation Receipt Date Procedures

- November 1, 2015 - New requirement:
 - Cancellation receipt date = Date cancellation request/documentation received
- March 23, 2016 requirement modified:
 - Cancellation receipt date = Date cancellation request received
 - If all supporting documentation is received within 60 days



Top Ten Tuesday

3. **Newly Mapped & New Rating Methodology**
4. **Cancellation Revisions**
5. **Detached Structures (Final**
6. **Escrows (Final Rule)**
7. **Force Placement (Final Rule)**
8. **Residential \$10K Deductible**
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Newly Mapped Procedure



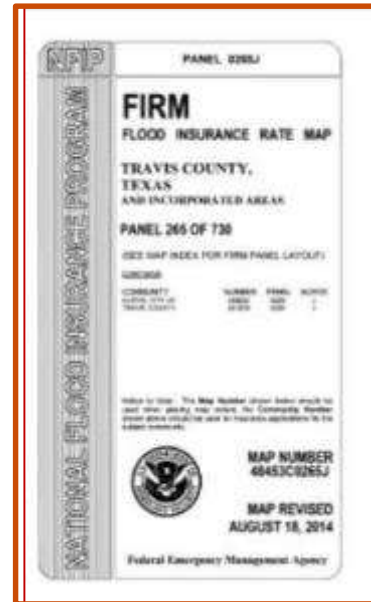
- Effective April 2015
- Newly Mapped procedure
- Properties in B, C, X and D zones on the old map to an SFHA on new map
- Preferred Risk premium – first year
- Must meet specific loss eligibility requirements

Newly Mapped procedure

Newly Mapped after April 1, 2015

Newly Mapped into SFHA on or after April 1, 2015:

- Eligible for Newly Mapped:
 - If coverage effective within 12 months of map revision
- Not eligible for Newly Mapped:
 - Coverage not effective within 12 months of map change
 - May qualify for grandfathered or subsidized rating



Within 12 months
of map revision

NOTE: All Properties must meet Preferred Risk Policy loss requirements to be eligible for Newly Mapped Procedure

Newly Mapped procedure

New Rating Methodology

Rating Methodology (Effective 4/1/16)

- Identify Base Premium
- Apply Multiplier
 - First Year – 1.00
 - Varies based on map change year
- Add ICC Premium
- Calculate and add RFA
- Add HFIAA surcharge
- Add Probation surcharge (if applicable)
- Add Federal Policy Fee

ENTER SELECTED OPTION FOR COVERAGE LIMIT AND PREMIUM FROM THE TABLES IN THE NFIP FLOOD INSURANCE MANUAL

BUILDING AND CONTENTS COVERAGE COMBINATION

REQUESTED COVERAGE	
BUILDING COVERAGE	\$ \$250,000
CONTENTS COVERAGE / CONTENTS ONLY	\$ \$100,000
PREMIUM CALCULATION	
BASE PREMIUM	\$ \$344.00
MULTIPLIER	1.00
ADJUSTED PREMIUM	\$ \$344.00
ICC PREMIUM	\$ \$ 4.00
PREMIUM SUBTOTAL	\$ \$348.00
RESERVE FUND ASSESSMENT PERCENT	15 %
RESERVE FUND ASSESSMENT AMOUNT	\$ \$ 52.00
TOTAL PREMIUM	\$ \$400.00
FEES AND SURCHARGES	
HFIAA SURCHARGE	\$ \$ 25.00
PROBATION SURCHARGE	\$ \$ 0.00
FEDERAL POLICY FEE	\$ \$ 50.00
TOTAL AMOUNT DUE	\$ \$475.00

INDICATE THE RATE TABLE USED FOR THE BASE PREMIUM: 3

RISK RATING METHOD: 7 - PRP R - NEWLY MAPPED

Newly Mapped procedure

New Rating Methodology

Rating Methodology (Effective 4/1/16)

- Identify Base Premium
- Apply Multiplier
 - Effective 1/1/17 – 1.15
 - Varies based on map change year
- Add ICC Premium
- Calculate and add RFA
- Add HFIAA surcharge
- Add Probation surcharge (if applicable)
- Add Federal Policy Fee

ENTER SELECTED OPTION FOR COVERAGE LIMIT AND PREMIUM FROM THE TABLES IN THE NFIP FLOOD INSURANCE MANUAL

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PREMIUM CALCULATION	
BASE PREMIUM	\$ \$344.00
MULTIPLIER	1.15
ADJUSTED PREMIUM	\$ \$396.00
ICC PREMIUM	\$ \$ 4.00
PREMIUM SUBTOTAL	\$ \$400.00
RESERVE FUND ASSESSMENT PERCENT	15 %
RESERVE FUND ASSESSMENT AMOUNT	\$ \$ 60.00
TOTAL PREMIUM	\$ \$460.00
FEES AND SURCHARGES	
HFIAA SURCHARGE	\$ \$ 25.00
PROBATION SURCHARGE	\$ \$ 0.00
FEDERAL POLICY FEE	\$ \$ 50.00
TOTAL AMOUNT DUE	\$ \$535.00

COVER AGE AND PREMIUM

INDICATE THE RATE TABLE USED FOR THE BASE PREMIUM: 3

RISK RATING METHOD: 7 - PRP R - NEWLY MAPPED



Top Ten Tuesday

- 2. Condominium Loss Assessments**
- 3. Newly Mapped & New Rating Methodology**
- 4. Cancellation Revisions**
- 5. Detached Structures (Final**
- 6. Escrows (Final Rule)**
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Condominium Loss Assessments

- RCBAP's co-insurance penalty triggers:
 - Building limit is < 80% of replacement cost, or
 - < maximum limit available
- Unit owner loss assessments can now be paid under Dwelling Form (DWP) when association incurs co-insurance penalty
- **NOTE:** Combined building coverage of RCBAP and DWP cannot exceed maximum limit

April 1 2016
(FEMA Bulletin W-16024)

BW-12 – Section 100214 – Payment of Condominium Claims


Prohibits denying payment to condo unit owners under Dwelling Form Policy (DWP) for building claims that can not be paid under Residential Condominium Building Association Policy (RCBAP)



Top Ten Tuesday

- 1. Certain Lapsed Policies**
- 2. Condominium Loss Assessments**
- 3. Newly Mapped & New Rating Methodology**
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Subsidy Elimination – Lapsed Policies



HFIAA prohibits use of Pre-FIRM subsidized rates for lapsed policies unless property covered by policy no longer required to retain coverage



Effective April 1, 2016, a policy will not be eligible for:

- Pre-FIRM subsidized rates, or
- Newly Mapped procedure



If all of the following apply:

- The policy reinstates coverage on a building previously covered by an SFIP that expired or was cancelled, and
- One or more of named insureds on new policy was named insured or had ownership interest on cancelled/expired policy, and
- The policy was reinstated with premium received:
 - More than 90 days after prior policy expiration or cancellation
 - (ONE TIME: Not lapsed if received after 30 days but not more than 90 days)
 - More than 30 days after (subsequent occurrence), and
- Policy expiration or cancellation was **for a reason other than** that:
 - The insured was no longer legally required to obtain and maintain flood insurance
 - The insured property was in a community that was suspended by the NFIP



Thanks for attending!



Rich Slevin
Dorothy Martinez

rich@h2opartnersusa.com
dorothy@h2opartnersusa.com