TOP 10
Flood Insurance Changes
What Every Floodplain Official Should Know

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Top Ten Tuesday

10. Rate Changes – 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
- Exception: Pre-FIRM Subsidized policies must be increased 25% until reach full-risk rates
  - Non-primary residential properties
  - Severe repetitive loss properties
  - Substantially damaged/substantially improved properties
  - Non-residential business properties (Effective 4/1/16)
Top Ten Tuesday

9. Surcharges and Fees
10. Rate Changes – Premium Increases
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

**TOP 10 Surcharges and Fees**

- **April 1, 2015**
  - Probation Surcharge: $50 when applicable
  - Federal Policy Fee: $45-$50 standard policies
  - HFIAA Surcharge: $22-$25 Preferred Risk Policy (PRP)

- **2016**
  - Applies to all policyholders
    - $25 for primary residences
    - $250 for all others
Top Ten Tuesday

8. Residential $10K Deductible
9. Surcharges and Fees
10. Rate Changes – Premium Increases
HFIAA made optional $10K deductible available (April 2015)

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

TOP 10
Residential $10K Deductible

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
Top Ten Tuesday

1. Certain Lapsed Policies
2. Condominium Loss Assessments
3. Newly Mapped & New Rating Methodology
4. Cancellation Revisions
5. Detached Structures (Final Rule)
6. Escrows (Final Rule)
7. Force Placement (Final Rule)
8. Residential $10K Deductible
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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.

Send 45 day letter

Allow time for borrower to purchase flood insurance

Force Place?
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

TOP 10
Force Placement—Final Rule

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
TOP 10
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

Exceptions:
Small lender (< $1 billion) & 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)
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For the 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

“(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
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TOP 10 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)

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
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6. Escrows (Final Rule)
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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

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

![Premium Calculation Table]

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<th>REQUESTED COVERAGE</th>
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<tr>
<td>BUILDING COVERAGE</td>
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<tr>
<td>CONTENTS COVERAGE / CONTENTS ONLY</td>
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**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
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

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<tr>
<td>HFIAA SURCHARGE</td>
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<td>PROBATION SURCHARGE</td>
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Indicate the rate table used for the base premium:

- 3

Risk Rating Method: ☐ 7 – PRP ☒ R – Newly Mapped
Top Ten Tuesday

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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

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**TOP 10**
Condominium Loss Assessments

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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)
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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!

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