WRIGHT Flood

# BIGGERT-WATERS 2012 TALKING POINTS

## No Extension of Subsidy on the Pre-FIRM Properties in SFHA's & Zone D

Effective October 1, 2013, the NFIP will no longer provide any extension of premium rate subsidy to certain Pre-FIRM policies; these properties will be subject to full-risk rating. These properties will require an Elevation Certificate (EC) including photos in order to determine full-risk rating using the current FIRM. Tentative or provisional rates may be used for 1 year only until an EC is provided. Policies types include:

### 1. Renewal Policies – in force prior to 07/06/12

Renewal Policies that were in force prior to July 06, 2012 will still receive Pre-FIRM rates at renewal and will only be subject to full risk rating at time of sale or if the policy lapses. Or

* Renewals for the properties noted below will experience a premium rate increase up to 25% annually until such time as elevation data supplied on the Elevation Certificate indicates that full-risk premium rate is lower than the subsidized rate. *These properties fall under the exclusion of subsidized rates.*

- January 01, 2013
  - ✓ Any Non-Primary Residence for policies rates "Single Family" (this includes condominium unit owner policies in multi-family dwellings)
- October 01, 2013
  - ✓ Any Business Properties (this includes any non-residential rated policies)
  - ✓ Any Severed Repetitive Loss Properties consisting of 1-4 residences
  - ✓ Any property that has incurred flood related damage in which the cumulative amounts of NFIP flood insurance claim payments equaled or exceeded the fair market value to the property.

### 2. Renewal Policies – with New Business Effective Dates 07/06/12 to 09/30/13

All new business policies that were purchased on or after July 06, 2012 to September 30, 2013 will be subject to full risk rating on the policies first renewal on or after October 01, 2013.

* Properties Subject to full risk rating

- Properties written as new business, or existing policies assigned to new owners as a result of a property purchase on or after July 6, 2012.
- Pre-FIRM buildings built prior to January 01, 1975 or prior to the community coming into the regular program of the NFIP.
- Located in SFHA's A, AE, A1-A30, AO, AH, V, VE, V1-V30 or Zone D.

### Renewal Process

The NFIP will send a letter 120 days prior to the expiration date to the policy holders, agent and mortgagee explaining the renewal procedure (a copy of the letter is attached). ****Note: Oct & Nov notices might be under 120 days***

Wright Flood will send the notice of Non-Renewal to the insured, agent and mortgagee 70 days prior to expiration, then again at 56 days prior to expiration and then final notice sent on the expiration date.

* For the insured to maintain NFIP coverage, the supporting documentation listed below must be received along with the full premium within 30 days of the expiration (grace period) date shown on your declaration page.

- Renewal Application completed and signed by the agent.
- Elevation Certificate for flood insurance
- Clear exterior photographs of the front and back of the buildings to be insured.
- The annual premium determined with full-risk premium rates.
  - ✓ A policy with premium received after the 30 day grace period will be treated like new business and subject to the applicable waiting period.

**Renewal Process continued**

* If the insured has difficulty obtaining an elevation certificate prior to expiration of the policy the agent may offer a quote using Tentative Rates.
    - Once the policy has been issued with Tentative Rates the insured will receive a Notification of Tentative Rates letter to inform them of the limitation of tentative rates.

**3. Lapsed Policies – Reinstated after 10/04/12**

The dates below are met they will trigger a lapsed policy to receive full risk rating at the first renewal on or after October 01, 2013.

- Lapsed policies with reinstated coverage that became effective on or after October 4, 2012, and before October 01, 2013.
- Lapsed policies with reinstated coverage that became effective on or after October 01, 2013.

*Note: A lapsed policy is any policy for which premium payment is received by the insurer after the 30-day grace period following the policy's expiration date. Also lapsed policies are not eligible for continuous coverage grandfathering.*

**4. New Business – On or after 10/01/13**

If the following triggers are met the property will have to be written at full risk rates.

- The new policy being purchased on or after October 01, 2013.
- The building Pre-FIRM which means built prior to January 01, 1975 or prior to the community coming into the regular program of the NFIP.
- Is currently located in one of the following SFHA's: A, AE, A1-A30, AO, AH, V, VE, V1-V30 or D
    - ✓ *D zones do not required elevation certificates, but might be a SFR if it has a basement/enclosure.*

*Note: Structures that were built in compliance and have a construction date that is on or after the community's initial FIRM date and before January 1, 1975 are still eligible for built in compliance grandfathering.*

**Premium Increases**

The Biggert-Waters (BW 12) NFIP Reform Act now allows the NFIP to increase premiums up to 20% a year. Premiums will increase an average of 10% for policies written or renewed on or after October 1, 2013.

The average premium change by zone varies as described below. ***Note: premium for a particular policy may change more or less than the average change.***

**1. Special Flood Hazard Zones (SFHA)**

* V Zones: Post-FIRM premiums will increase 11% and Pre-FIRM premiums will increase 17%
* A1-A30 & AE Zones: Post-FIRM premiums will increase 6% & Pre-FIRM premiums will increase 16%
* AO, AH, AOB and AHB (shallow flooding zones): Premiums will increase 6%
* Unnumbered A Zones (where elevations have not been determined): Premiums will increase 8%
* A99 Zones (approved flood mitigation projects, e.g., levees still in the course of construction) and AR Zones: Premiums will increase 9%

2. **Non-Special Flood Hazard Areas (Non-SFHA)**

   * Pre & Post-FIRM X zone standard risk policy will increase 8%

   * Preferred Risk Policy (PRP) will increase less than 1% due to increase in the federal policy fee. Premiums will remain unchanged.

   * Preferred Risk Policy Extension Eligibility will see a 20% premium increase along with the introduction of separate rate tables in the PRP section of the NFIP flood manual.

3. **Reserve Fund Assessment and Federal Policy Fee**

   * In accordance with Section 100212 of BW 12, a Reserve Fund Assessment will be applied to each NFIP policy, except PRPs (including PRP Extension Policies) and GFIPs. The Reserve Fund Assessment for policies effective on or after October 1, 2013, is 5% of the total premium.

   * Federal Policy Fee on October 01, 2013 will be raised to the following:

     - Preferred Risk Policies - $20 to $22
     - Standard Policies or equivalent multiple for RCBAP - $40 to $44

4. **Other**

   * Other than updates to the Mortgage Portfolio Protection Program, Provisional, and Tentative rates, there are no additional changes (to ICC premiums, deductibles, etc.) that would affect the premium for an individual policy.

**Non Premium Changes**

* Changes have been made to the NFIP Flood Insurance Application, General Change Endorsement, Preferred Risk Policy, and Cancellation Forms. The previous versions of these forms will expire on August 31, 2013. The revised forms now incorporate certain data elements required for the effective implementation of the provisions of BW 12.

* Elimination of No Waiting Period Due to Lender Requirement - The 30-day waiting period applies to a new application when the lender determines that a loan on a building in an SFHA that requires flood insurance does not have it.

NATIONAL FLOOD
INSURANCE PROGRAM

## *IMPORTANT – YOUR ACTION IS REQUIRED*
## A RENEWAL OFFER WILL NOT BE MADE FOR YOUR FLOOD INSURANCE POLICY

The Biggert-Waters Flood Insurance Reform Act of 2012 eliminates subsidized[1] premium rates and mandates a building's full-risk premium rate be applied to the following National Flood Insurance Program (NFIP) policies:

- New policies written with an effective date on or after July 6, 2012
- Policies written as new business, or existing policies assigned to a new owner as a result of a property purchase on or after July 6, 2012
- Policies that have lapsed and been reinstated on or after October 4, 2012.

Our records indicate your flood insurance policy receives NFIP subsidized premium rates, but is no longer eligible for those rates because it meets one of the above criteria. Since the subsidized rates used to determine the premium for your expiring policy are no longer available, a renewal bill cannot be provided without additional information.

To maintain NFIP coverage, your agent must complete a Renewal Application using full-risk premium rates. To determine the full-risk premium rates, you must provide your agent with the information and supporting documentation listed below which was not required at the time your original policy was issued. You and your agent must submit this documentation and information for submission to and receipt by the insurer within 30 days of the expiration date shown on your policy.

- An Elevation Certificate for Flood Insurance.[2]
- Clear exterior photographs of the front and back of the building to be insured.
- A Renewal Application completed and signed by your agent.
- The annual premium determined with full-risk premium rates or tentative premium rates.

If you don't have an Elevation Certificate for your building, you will need to hire a surveyor to come to your property to complete the certificate.

In order to renew this policy, you must follow the instructions above. Neither you nor your lender will be sent a renewal bill by your insurer.

If you have difficulty in obtaining an Elevation Certificate prior to your expiration date, your agent may offer you a quote for the Renewal Application using tentative rates. The tentative rate procedure provides a mechanism to keep continuous coverage during the Renewal Application process while an Elevation Certificate is being procured. Tentative premium rates may be higher than your full-risk rate, and no flood loss can be settled before the full-risk premium is determined with an Elevation Certificate. A policy using tentative rates may not renew a second year under tentative rates, and coverage may not be increased until full-risk premium rates are determined. If the Elevation Certificate indicates the premium we received from the tentative rates is less than required for full-risk premium rates, the coverage limits shown on your declarations page will be reduced to match the initial premium we received. Premium received more than 30 days after expiration will result in a lapse in coverage.

Please note: All insurers who issue policies through the National Flood Insurance Program are mandated to follow these requirements as a result of the implementation of the Biggert-Waters Flood Insurance Reform Act of 2012.

Please contact your insurance agent for more information.

[1] Subsidized premium rates are discounted rates that have been traditionally available for structures built before a community first adopted FEMA Flood Maps and guidelines. The subsidized rates are determined with limited underwriting information and typically do not reflect the full risk of flood loss.

[2] Go to www.fema.gov/library/viewRecord.do?id=7408 for more information about the Elevation Certificate form and how to obtain one.

WRIGHT

**Notice of Tentative Rates**
(Requested at the time of application)

Dear Insured,

As set forth in the Biggert-Waters Flood Insurance Reform Act of 2012, the National Flood Insurance Program (NFIP) has implemented requirements that affect your insurance policy. We have received a request by you or your agent/producer to "Tentative Rate" your Standard Flood Insurance Policy (SFIP) due to the FEMA Elevation Certificate requirement at the time of the application.

Tentative Rates are used to issue policies when we do not have an Elevation Certificate or other pertinent information to determine a premium that accurately reflects the flood risk (i.e., actuarial rates). Tentative Rates are generally higher than other rates published in the NFIP Flood Insurance Manual (ranging from $2 to $12 per $100 of coverage). Tentatively Rated policies cannot be endorsed to increase coverage limits, or renewed for another policy term, until the required actuarial rating information and full premium payment is received.

If the documents necessary for actuarial rating are received, and the actuarial premium is more than the Tentative Rated premium, the coverage limits will be less than those shown on the enclosed Declaration page. If a loss occurs on a property covered by a Tentatively Rated policy, payment for the loss can only occur if the policy is actuarially rated (with all necessary documentation received), and payment will be limited by the amount of coverage that the initially submitted premium will purchase using the correct actuarial rating information, but may not exceed the amount of coverage originally requested.

We would request that you follow up on this matter or if you have any questions, please contact your [agent/broker – concatenated with a period]

Sincerely,

Flood Customer Service

# Pre-FIRM SFHA Rating Guide Effective October 01st, 2013

| Pre-FIRM Buildings located in Flood Zones A, AE, A1-A30, AO, AH, V, VE, V1-V30 and D Rate Table | | | | | |
|---|---|---|---|---|---|
| **New Business** | **Single Family [1] "Primary Residence"** | **Single Family [1] "Non - Primary Residence"** | **2-4 Family, Other Residential and RCBAP** | **Non-Residential** | **Comments** |
| **On or after October 1, 2013** | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | If no EC will have to be rated with Provisional or Tentative Rates for one year only - then EC will be required or they will not be able to renew.<br>Policy is **not** eligible for Grandfathering. |
| | | | | | |
| **Renewals[2]** | **Single Family [1] "Primary Residence"** | **Single Family [1] "Non - Primary Residence"** | **2-4 Family, Other Residential and RCBAP** | **Non-Residential** | **Comments** |
| **Initial effective date prior to July 6, 2012** | Pre-FIRM Rates | Pre-FIRM Rates with 25% annual increase until actuarial rates are reached | Pre-FIRM Rates | Pre-FIRM Rates with 25% annual increase until actuarial rates are reached | Grandfathering allowed if policy was not assumed/ transferred to new owner after July 6, 2012.[3] |
| **Initial effective date or policy assumed to new owner between July 6, 2012 - September 30, 2013** | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | If no EC will have to be rated with Provisional or Tentative Rates for one year only - then EC will be required or they will not be able to renew.<br>No Grandfathering or assuming (transferring) a policy to a new owner.[3] |
| **Initial effective date prior to July 6, 2012 that have lapsed with new effective date of 10/4/2012 or later** | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | Post-FIRM Rates - EC required using the BFE and Flood zone in effect at the time the policy is issued. | If no EC will have to be rated with Provisional or Tentative Rates for one year only - then EC will be required or they will not be able to renew.<br>Policy is not eligible for Grandfathering. |

[1] Single Family residences include residential condominium unit owner policies written under the dwelling form in multi-unit buildings
[2] This chart does not include Repetitive Loss Properties or Cumulative Loss Properties please refer to the additional information attached.
[3] Policies that are/have been transferred to an estate/trust are eligible for grandfathering provided they have continuous coverage.