ATTACHMENT A

SUMMARY OF THE NFIP JUNE 2014 PROGRAM CHANGES

1. Change to Maximum Coverage Limits (Section 100204)

In accordance with Section 100204 of the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12), the maximum limits of building coverage available for non-condominium residential buildings designed for use for five or more families (classified as Other Residential buildings by the NFIP) will be increased to match the limits of commercial and other non-residential properties insured under the Standard Flood Insurance Policy (SFIP) General Property Form. This is an increase of available building coverage from $250,000 per building to $500,000. The maximum contents coverage for all policies covering Other Residential buildings will remain $100,000 per policy. New premium combinations reflecting this change to the maximum limits for multi-family dwellings have been added to the Preferred Risk Policy (PRP) and PRP Eligibility Extension premium tables (see Attachment B). The new coverage limits are available for new business, renewals, or change endorsements that are effective on or after June 1, 2014.

At least 90 days prior to June 1, 2014, insurers must send the attached sample letter (see Attachment C) to all Other Residential policyholders to inform them of the new maximum limits. Insurers must also include a message on the Renewal Notice advising affected policyholders that higher limits are available.

2. Revised Primary Residence Definition (Section 100205)

Section 100205 of BW-12 requires FEMA to phase out Pre-FIRM subsidized rates for non-primary residences. On January 1, 2013, the NFIP began implementing this provision using an 80-percent occupancy threshold. Effective June 1, 2014, the NFIP will implement this provision by defining primary residence to be a building that will be lived in by the insured or the insured's spouse for more than 50 percent of the 365 days following the policy effective date.

To be eligible for replacement cost under the SFIP, the dwelling must be the insured's "principal residence" (i.e., the insured must live in the dwelling for 80 percent of the 365 days preceding the loss), and the dwelling must be insured 80 percent or more of its full replacement cost or the maximum amount of insurance available under the NFIP. If the dwelling only meets the definition of a "primary residence," and not the definition of "principal residence" in the SFIP, then any claim for building damages will be paid using Actual Cash Value. References to "Principal Residence" will be removed from the Flood Insurance Application, Preferred Risk Policy Application, and General Change Endorsement forms. See Attachment C for the revised forms.

At least 90 days prior to the policy renewal date, insurers must send the attached notice (see Attachment C) to all Pre-FIRM subsidized residential single-family dwelling policyholders (including condominium unit owners) to inform them of the revised definition of primary residence and the acceptable documentation needed to verify eligibility for the primary residence Pre-FIRM subsidy. Acceptable documentation of primary residence status includes the following:

- Driver’s license
- Automobile registration
- Proof of insurance for a vehicle
- Voter’s registration
- Documents showing where children attend school
- Homestead Tax Credit Form for Primary Residence

If the insurer does not receive the required documentation, the policy must be renewed as a non-primary residence and will receive the phased-in rate increase required by BW-12.

This change is for new business and renewal Pre-FIRM subsidized residential single-family dwelling (including condominium unit) policies that are effective on or after June 1, 2014. Mid-term endorsements are permitted if the policy effective date is on or after June 1, 2014.

3. Deductible Changes (Section 100210)

In accordance with Section 100210 of BW-12, FEMA is revising the minimum deductibles for the NFIP. The changes to the minimum deductibles are available only for new business and renewal policies that are effective on or after June 1, 2014. Insurers must advise affected policyholders of the new minimum deductible option as part of the renewal process, as all deductibles must comply with the new minimums. See Attachment D for the revised deductible tables. The revised minimum deductibles are as follows:

Full-Risk Rated Policies
- Policies rated with full-risk rates (Post-FIRM, Pre-FIRM elevation-rated, and all X-zone rated policies) or in AR, AR dual, or A99 zones will have a minimum deductible of $1,000 for building coverage and $1,000 for contents coverage if the building coverage does not exceed $100,000.
- Policies rated with full-risk rates or in AR, AR dual or A99 zones will have a minimum deductible of $1,250 for building coverage and $1,250 for contents coverage if the building coverage exceeds $100,000.

Pre-FIRM Subsidized Policies
- Policies rated with Pre-FIRM subsidized rates will have a minimum deductible of $1,500 for building or contents coverage if the building coverage does not exceed $100,000.
- Policies rated with Pre-FIRM subsidized rates will have a minimum deductible of $2,000 for building or contents coverage if the building coverage exceeds $100,000.

Contents-Only Policies
- Contents-only policies will use the same minimum deductibles that apply to building coverage that does not exceed $100,000.

4. Maximum Coverage Availability for Non-Residential and Residential Coverage and Only One Policy Per Building (Excluding Residential Condominium Buildings) (Section 10228)

Excluding residential condominium buildings, NFIP-insured buildings can have only one policy with building coverage. Section 100228 of BW-12 clarifies that the total and aggregate liability for a non-residential building or non-condominium building designed for 5 or more families is $500,000 per structure to be paid to the building owner. The law also reiterates that the maximum coverage available for a residential 1-4 family building or condominium unit is $250,000 per policy. The NFIP Application forms included in the October 1, 2013, Flood Insurance Manual were updated to collect data specifying when a policy is held by a tenant. If building coverage is purchased by a tenant, regardless of occupancy, the landlord must be named on the policy. The SFIP prohibits duplicate building coverage by the same insured. If building coverage is purchased by an owner, tenants may be named as an additional insureds on the policy. The Application includes a disclaimer stating that "building coverage benefits – except for a residential condominium building – are not available if other building coverage has been purchased by the applicant or any other party for the same building" identified on the Application. This means that the NFIP will only pay for a building loss under one policy where the owner is named on the policy.

For all policies with a policy expiration date on or after June 1, 2014, at least 90 days prior to the policy expiration date, insurers must send a notice (see Attachment C for sample) to the insured and agent for all policies covering residential and non-residential buildings where duplicate coverage is indicated. The insurer must obtain the data added to the October 1, 2013, Application forms pertaining to tenant coverage and building coverage purchased. The information collected must be reported through the Transaction Record Reporting and Processing (TRRP) Plan.

The NFIP will provide insurers with a list of policies that indicate more than one policy for building coverage may have been issued for the same address. The lists are available on the insurers' FTP site under the FTP folder ftpind/coxxxxx/duppol with the file name of W2RPDUP1 and W2RPDUP2. These lists are not exhaustive. Insurers are responsible for ensuring duplicate building policies are not issued for the same building. Insurers must also include the building owner on the policy and report the appropriate tenant information through the TRRP Plan. If there is more than one building at the same property location, each building must be uniquely identified. If there is more than one policy with building coverage covering the same building, all but one of the policies must be cancelled or endorsed to remove building coverage. If a duplicate policy is inadvertently issued for the same building, the NFIP will pay the building owner and any tenant(s) named on only one policy.

5. Policy Disclosure (Section 100234)

Section 100234 of BW-12 requires each NFIP policy to state the conditions, exclusions, and coverage limitations in plain English, in boldface type, and in a font size that is twice the size of the text of the body of the policy. This provision authorizes the Administrator to impose a civil penalty of not more than $50,000 on any person who fails to comply with this requirement.

Copies of the three revised SFIP forms for use only by the NFIP Direct Servicing Agent are attached to this bulletin (Attachment E). These policy forms use 9-point Arial and 18-point Arial Narrow fonts to comply with this provision of the law.

Compliant policies must be sent to policyholders for all new policies effective on or after June 1, 2014, and upon the first renewal for existing policies on or after June 1, 2014. Under a separate cover, FEMA will provide generic versions of the three SFIP forms for WYO company use. All policies must be issued under each WYO company's own name and be signed by a WYO company authorized representative.

The previously printed versions of the SFIP forms contained minor variations from the forms promulgated in the Code of Federal Regulations (CFR), 44 CFR 61, Appendices (1), (2), and (3). Additional details on the variations between the old forms and the CFR will be provided under separate cover with the generic forms.

6. Changes to Declarations Page Requirements

For all applicable policies effective on or after June 1, 2014, the Declarations Pages must display the following:

- The Declarations Pages for Pre-FIRM subsidized policies must state "Pre-FIRM Subsidized." This includes:
  - All policies covering Pre-FIRM buildings rated without elevation data from an Elevation Certificate and rated using zones Unnumbered A, AE, A1-A30, AH, AO, VE, and V1-V30, and
  - All policies effective prior to October 1, 2013, covering Pre-FIRM buildings in zones Unnumbered V and D with original new business dates prior to July 6, 2012, and no lapse on or after October 4, 2012.

- The Declarations Pages for policies covering primary residences must state "Y" when the policy covers a building that will be lived in by the insured or the insured's spouse for more than 50 percent of the 365 days following the policy effective date. The name of the data element field is changed from "Principal/Primary Residence" to "Primary Residence."

7. Clarifications Regarding Subsidy Elimination

When transitioning a subsidized Pre-FIRM policy to a full-risk rate, insurers can use tentative rates to rate a policy for one year only. The policy must then be renewed using the information contained in an Elevation Certificate. When applying the tentative rate procedure for an elevated Pre-FIRM building with enclosure, always use "non-elevated/no-basement" building rates.

Tentative rates can be used for one year to transition subsidized Pre-FIRM Residential Condominium Building Association Policies (RCBAPs) to full-risk rates.

Use full-risk (Post-FIRM) Increased Cost of Compliance premiums and deductible factors when applying full-risk, tentative, or provisional rates to a Pre-FIRM building.

8. Clarification of Grandfather Rating Procedures

For rating purposes, an SFIP issued for a condominium unit under the Dwelling Form is independent of the RCBAP. An SFIP issued for a condominium unit under the Dwelling Form may not use the Declarations Page of an RCBAP to demonstrate eligibility for Pre-FIRM subsidized premium rates or grandfather procedures.

9. Renewal Notice Instructions

FEMA is requiring companies to include a message on the back of the Renewal Notice about the advantage of using certified mail to submit premium payments.