

Overview: April 2015 NFIP Changes



April 2015 Changes – What to Expect

- New surcharges
- Primary residence verification
- New maximum deductible for residential policies
- Premium increases
- Federal policy fee increases
- Reserve fund increases
- Rollovers/transfers
- Duplicate policies
- Map changes



New Surcharges

In accordance with the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), the NFIP is introducing new surcharges:

- Primary residential: \$25
 - Single family and individual condominium units, including Preferred Risk Policies (PRP)
- Non-primary residential: \$250
 - Single family and individual condominium units
- Multi-family residential: \$250
 - Condominium and other buildings
- Non-residential: \$250

Primary Residence Verification

- Definition
 - Previously defined: when a customer occupied residence at least 80% of the prior year
 - April 2015 revised definition: when a customer will occupy their residence **more than 50% of the policy term**
- To verify residence status, FEMA requires one of the following:
 - Current driver's license
 - Automobile registration
 - Proof of automobile insurance
 - Voter's registration
 - Documentation of children's school attendance
 - Homestead tax credit form for primary residence
 - A completed [Primary Residence Status form](#)

NFIP Approved Primary Residence Form

- In lieu of providing separate documentation, the NFIP approved the Primary Residence Status form
- Customers with properties identified as “primary” can use this form to verify their residence status
- A copy of this form is being mailed to impacted customers, but can also be found [here](#)



VERIFICATION OF PRIMARY RESIDENCE STATUS FOR
NFIP POLICY RATING AND HFIAA SURCHARGE

[Customer Name]
Policy # [Enter Here]

[Property Address]
[Street, City, State, Zip]

The above address is my primary residence, defined by the NFIP as a residence that will be lived in by me and/or my spouse for more than 50% of the 365 days following the policy effective date.

Date: _____

Customer Signature: _____

Customer Name (Printed): _____

PURSUANT TO 28 U.S.C. § 1746 I CERTIFY UNDER PENALTY OF PERJURY UNDER THE LAWS OF THE UNITED STATES OF AMERICA THAT THE FOREGOING IS TRUE AND CORRECT. I UNDERSTAND THAT ANY FALSE STATEMENTS MAY CAUSE MY POLICY TO BE VOID, AND MAY BE PUNISHABLE BY FINE OR IMPRISONMENT UNDER APPLICABLE FEDERAL LAW.

New Maximum Deductible for Residential Policies

- HFIAA introduced a new \$10,000 maximum deductible
 - Single family and two-to four-family dwellings
 - Must apply to both building and contents
- Single family dwellings could see a 40% premium discount
- It is the customer's responsibility to verify that the mortgage lender will approve this deductible option
- The below notice will be included on bills for dwelling policies, therefore please be sure to educate your customers on the pros/cons of this deductible option

New Deductible Options Available

Effective April 1, 2015, a new \$10,000 deductible option will be available for policies covering 1-4 family residential properties. A higher deductible may lower your premium, however it may also reduce your claim payment(s) in the event of a covered loss, therefore mortgage lender approval may be required. In addition, the deductible option chosen will apply separately to your building and contents coverage. To learn more, please contact your agent for details.

Premium Increases

- Average annual flood premium increases will be **limited to 15%** for each class of risk
- Average Pre-FIRM subsidized policy increase **will be at least 5%**
- **18% maximum increase** for any individual premium:
 - Exception applies to mis-rated policies or any increase to coverage limits
 - Exception applies to subsidized policies subject to the annual 25% increase, including:
 - Non-primary residences
 - Severe Repetitive Loss (SRL) properties
 - Substantially damaged or improved properties

Federal Policy Fee Increases

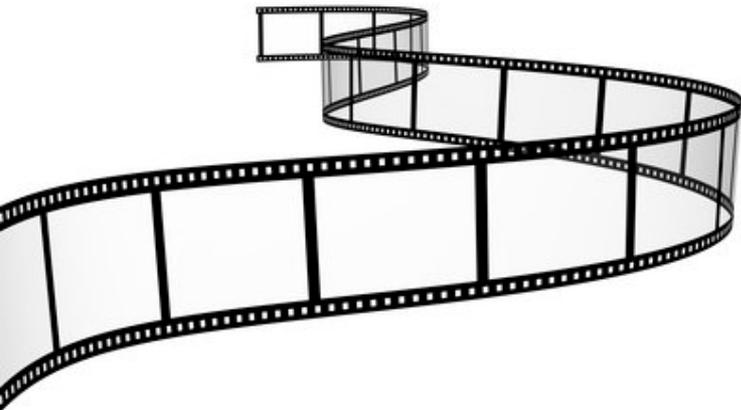
- Preferred Risk Policy (PRP): \$22
- All other policies: \$45
- Preferred Risk Policy Eligibility Extension (PRPEE) or policies newly mapped into a Special Flood Hazard Area (SFHA): \$45
 - Applies to policies issued on or after 4/1/15 covering properties newly mapped with a map revision date of 3/21/15 or later
- RCBAP's
 - 1 unit: \$45
 - 2-4 units: \$135
 - 5-10 units: \$360
 - 11-20 units: \$720
 - 21 units or more: \$1,800

Reserve Fund Increases

Policy Type	2014 Fee (as a % of premium)	2015 Fee (as a % of premium)
Preferred Risk Policies (PRPs)	0%	10%
Property Newly Mapped into SFHA (previously PRPEE)	0%	15%
All Other Policies	5%	15%

Rollovers/Transfers

- The term “transfer” will now replace the formerly used term “rollover”
- Effective 4/1/15, photographs are required on all transferred policies
- Photographs from previous carrier will be permitted, as long as there have been **no structural changes** affecting the building’s rating
- Primary residence documentation is also required



Duplicate Policies

- The NFIP will soon require agents and policyholders to clarify whether duplicate coverage exists on a building
 - This requirement will not apply to individual units within residential condominium buildings
 - For policies identified as duplicates, one policy must be cancelled in order to maintain coverage benefits and to prevent delay in payment of claims
- [Letters](#) are being sent to customers determined to have duplicate policies
- Reports have been developed to identify properties impacted and are available on your agency dashboard at selectiveflood.com
 - Please review this list and work with your underwriting team to clear all non-duplicate policies

Map Changes

When a map change occurs:

- PRPEE and properties newly mapped into high risk zones
 - Will receive PRP rates for one year after the map effective date or until the rates meet or exceed the standard rates
- Federal Policy fee will increase to \$45
- Rates will not increase more than 18% each year
- Grandfathering remains a cost savings option



Additional Resources

- [Verification of Primary Residence Status Form](#)
- [Sample letter to customers determined to have duplicate policies](#)
- [FEMA's April 2015 Changes Fact Sheet](#)
- [Selective's HFIAA Q&A handout](#)

To keep current as FEMA implements these and other changes to the National Flood Insurance Program, visit:

[www.fema.gov/national-flood-insurance-program/flood-insurance-reform.](http://www.fema.gov/national-flood-insurance-program/flood-insurance-reform)

Additional Questions?

This presentation was meant to provide a high level overview of NFIP changes taking place in April 2015.

Should you have any specific questions, please contact your Selective [Underwriting Team](#), [Flood Territory Manager](#) or our Customer Service Department at (877) 348-0552.



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