U.S. Department of Homeland Security
Washington, D.C. 20472

FEMA

W-16047

July 21, 2016

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators, Vendors, and the National Flood Insurance Program (NFIP) Direct Servicing Agent

FROM: David I. Maurstad
Assistant Administrator for Federal Insurance
Federal Insurance and Mitigation Administration

SUBJECT: HFIAA Section 28 Prior-Term Refund Procedures and Updated Accounting Procedures

ARCHIVED APRIL 2018

This bulletin describes procedures to insurers for submitting prior-term refunds to FEMA NFIP-IT S&S (iService), as part of implementing the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) Section 28, Clear Communication of Risk.

Effective August 1, 2016, if the insurer decides not to distribute the prior-term refund disbursement, the insurer will then be responsible for calculating the prior-term refund amount and forwarding the required documentation to the FEMA NFIP-IT S&S (iService). In these instances, iService will disburse the prior-term refund amount directly to the insured.

In addition, this bulletin provides updated accounting procedures related to Section 28. Bulletin W-16036, issued June 2, 2016, provided comprehensive guidance and accounting procedures for reporting HFIAA Section 28 reunderwriting transactions. It also included specific accounting procedures for endorsement transactions and the related retained Expense Allowance and Agent Commissions.

The attached guidance and accounting procedures have been updated to include reporting for HFIAA Section 28 Rewritten Policy Premium and the related Expense Allowance and Agents Commission, not retained. The procedure update is effective July 1, 2016. All other guidance remains as presented in Bulletin W-16036.

Please see the following attachments regarding these updated procedures:

- Attachment A – HFIAA Section 28 Prior-Term Refund Procedures
- Attachment B – HFIAA Section 28 Excel Refund Expense Worksheet
- Attachment C – HFIAA Section 28 PDF Refund Expense Worksheet
- Attachment D – Accounting Procedure Update

If you have any questions regarding the submission of prior-term refund requests to iService, please contact the NFIP Bureau and Statistical Agent's Underwriting Department at underwriting@nfipiservice.com.

For questions regarding the Accounting Procedures update, please contact Jacqueline Burks at JHughes@nfipstat.fema.gov or Saritha Pilli at spilli@nfipstat.fema.gov.

Attachments

cc: IBHS, FIPNC, Government Technical Representative

Required Routing: Accounting, Data Processing, Marketing, IT, Underwriting

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ATTACHMENT A

HFIAA SECTION 28 PRIOR-TERM REFUND PROCEDURES
EFFECTIVE AUGUST 1, 2016

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HFIAA Section 28 Prior-Term Refund Procedures

NOTE: The Write Your Own (WYO) Companies expense allowance and the Direct Servicing Agent (DSA) agent commissions previously earned will be retained when premium refunds are issued subject to the Homeowner Flood Insurance Affordability Act (HFIAA) Section 28 reunderwriting.

The WYO Companies will not receive additional expense allowance and the Direct Servicing Agent will not receive additional agent commission for the implementation of HFIAA Section 28, including the rewritten policy premium.

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Prior-Term Refunds (PTRs) Processed by FEMA NFIP-IT S&S (iService)

If the insurer decides to submit the PTR request to iService, the insurer will be required to determine the amount of the HFIAA Section 28 premium refund due in order for iService to issue the refund.

iService will provide the revised monthly PTR report to include a separate schedule that discloses a listing of the HFIAA Section 28 premium refunds issued and the retained expense allowance/commission. The schedule will show monthly and Year-to-Date (YTD) refunds. The monthly report will also include the retained expense allowance or retained agent commission.

1. In order to submit HFIAA Section 28 PTRs to iService, the insurer must complete one the following based on the refund amount:

   For HFIAA Section 28 PTRs less than $10,000

   a) The insurer must complete a monthly Excel Refund Expense Worksheet and submit it through the iService Secure File Transfer Protocol (SFTP) site. HFIAA Section 28 PTRs less than $10,000 do not require supporting documentation.

   b) Insurers must submit Refund Expense Worksheets through the iService SFTP no later than the 5th day of each month. If the 5th day falls on a weekend, then submission day will be the following Monday. This will allow processing of PTRs throughout the month and timely reporting on the monthly PTR report.

   c) When transferring the Excel Refund Expense Worksheet to the SFTP, please use the following naming convention: HFIAA SEC 28 REFUND EXPENSE WORKSHEET_NAIC_INSURER NAME_REPORT DATE. The report date (mmddyyyy) is the date the file is transferred to the SFTP site. Transfer the file to the wyocompanies\(Company Name)\HFIAA Sec 28 PTR\to iservice folder for each insurer.

   All PTR submissions are subject to a verification process. In addition all required information must be completed on the worksheet as specified in the reporting requirements and instructions on the Excel spreadsheet. Submissions that do not pass the verification process or are not completed as specified will be returned to the insurer for resubmission. WYO Support will notify the insurer of the details regarding the rejected submission. For all rejected

submissions, the insurer must make the necessary corrections and resubmit the submission with the following month's submission.

2. **For HFIAA Section 28 PTRs $10,000 and over**

   a) The insurer must complete a PDF Refund Expense Worksheet for each individual PTR and submit it through the iService Secure File Transfer Protocol (SFTP) site. The Refund Expense Worksheet and supporting documentation must be submitted as one PDF.

   b) Insurers must submit Refund Expense Worksheets through the iService SFTP no later than the 5th day of each month. If the 5th day falls on a weekend, then the submission day will be the following Monday. This will allow processing of PTRs throughout the month and timely reporting on the monthly PTR report.

   c) When transferring the PDF Refund Expense Worksheet to the SFTP, please use the following naming convention: HFIAA SEC 28 REFUND EXPENSE WORKSHEET_INSURER NAME_POLICY NUMBER_INSURED NAME_DATE. The file date (mmddyyyy) is the date the file is transferred to the SFTP site. Transfer the file to the wyocompanies\(Company Name)\HFIAA Sec 28 PTR\to iservice folder for each insurer. The Refund Expense Worksheet and supporting documentation must be submitted as one PDF.

   d) Along with the PDF Refund Expense Worksheet, insurers must submit documentation supporting the PTR request (e.g., flood zone determination, Declarations pages). As mentioned, the Refund Expense Worksheet and supporting documentation must be submitted as one PDF. After the Underwriting verification is complete, iService will notify the insurer via email of any issues or concerns. If there are no issues, iService will process the PTR and notify the insurer of the refund details on the monthly report noted below.

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In order to access the FEMA NFIP-IT S&S (iService) SFTP site, each WYO Company, Vendor, and the NFIP DSA will need their user name and password. If you need assistance in obtaining a user name and password, please contact WYO Program Support at WYO@nfipiservice.com. If you need assistance with your user name and password, please send an email request to Helpdesk@nfip-iservice.com and copy WYO Program Support at WYO@nfipiservice.com. We are requesting that the company point of contact (POC) send an email for these requests. For WYO Companies and the NFIP DSA, the POC is the Principal Coordinator (PC). For the Vendors, the POC is the IT POC.

iService will issue all HFIAA Section 28 PTRs directly to the insured using the mailing address provided by the insurer. An explanation of the refund will accompany the refund check. iService will notify the insurer of all undeliverable refund checks in order to obtain the correct mailing address. On a monthly basis, iService will notify all insurers of processed PTRs. This information will include the insured's name, check number, check date, and total refund amount.

ATTACHMENT B

HFIAA SECTION 28 EXCEL REFUND EXPENSE WORKSHEET

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WYO/DSA H28 Prior Term Refund Report

WYO/DSA SENDER CONTACT INFORMATION: JOHN.DOE@ABCOMPANY.COM

Report Date:	8/5/2016
Report Frequency:	Monthly

Reporting requirements and instructions for the fields below:

(1) Use "Drop Down" options to select WYO Company / NAIC #
(2) Enter Policy Number. Must be text. Must be 10 characters. Leading zeroes must be included.
(3) Enter policyholder last name. Name should be entered as it appears on the policy
(4) Enter policyholder firtst name. Name should be entered as it appears on the policy
(5) Enter property address number and street
(6) Enter property apt, unit, or suite #, if applicable
(7) Enter property address City
(8) Use "Drop Down" options to select property address State
(9) Enter 5 digit zip code for property address
(10) Enter mailing address number and street name
(11) Enter mailing address apt, unit, or suite #, if applicable
(12) Enter mailing address City
(13) Use "Drop Down" options to select mailing address State
(14) Enter 5 digit zip code for mailing address
(15) Use "Drop Down" options to select Prior Term Refund reason
(16) Enter policy effective date dd/mm/yyyy (Note: One annual policy period per row is allowed. Additional annual policy periods require additional row entries).
(17) Enter policy expiration date dd/mm/yyyy (Note: One annual policy period per row is allowed. Additional annual policy periods require additional row entries).
(18) Enter the amount ($000.00) of the prior term refund

		Policyholder Name		Property Address					Mailing Address								
WYO Company/NAIC #	Policy Number	Last Name	First Name	Address #1	Address #2	City	State	Zip	Address #1	Address #2	City	State	Zip	Prior Term Refund Reason	Policy Effective Date	Policy Expiration Date	Refund Amt
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
	1234567890	Brown	Ryan	542 Commonwealth Lane	apt #214	Sarasota	FL	34242	542 Commonwealth Lane	Apt #214	Sarasota	FL	34242	A: Incorrect Flood Zone	11/05/2013	11/4/2014	254.00

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ATTACHMENT C

HFIAA SECTION 28 PDF REFUND EXPENSE WORKSHEET

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NFIP BUREAU & STATISTICAL AGENT
HFIAA SECTION 28 - REFUND EXPENSE WORKSHEET
(Use for refunds $10,000 and over)

INSURER NAME: _____

INSURER CONTACT (EMAIL): _____

POLICY NUMBER: _____

INSURED/PAYEE NAME: _____

(AS REPORTED AND SHOWN ON THE DECLARATION PAGES)

INSURED MAILING ADDRESS: _____

_____

_____

REASON FOR REFUND: ☐ **Incorrect Flood Zone** ☐ **Incorrect BFE**

☐ **Other: If other, specify reason for refund.**

_____

SUBMIT SUPPORTING DOCUMENTATION WITH WORKSHEET
(e.g. Flood zone determination, Declaration pages)

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POLICY TERM	Original Premium	Refund Amount
1. 10/01/2013 - 10/01/2014	$750	$240
2.		
3.		
TOTAL	$750	$240

For NFIP & Bureau Statistical Agent Use Only

Policy # Y/N	**Insured/Payee Name** Y/N	**Property Address** Y/N
Terms	**Original Premium**	**Refund Amount**
10/01/2013 - 10/01/2014	Y/N	Y/N
	Y/N	Y/N
	Y/N	Y/N
Total	Y/N	Y/N

Comments: _____

Verified By: _____

ATTACHMENT D

HFIAA SECTION 28 ACCOUNTING PROCEDURE UPDATE
EFFECTIVE JULY 1, 2016

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UPDATED ACCOUNTING GUIDELINES FOR HFIAA SECTION 28 REUNDERWRITING PREMIUM REFUND PROCEDURES

Update Note: This update applies specifically to the accounting for rewritten policy premium, the related Expense Allowance, and Agent Commissions not retained by the Write Your Own (WYO) Companies and the National Flood Insurance Program (NFIP) Direct Servicing Agent (DSA).

EFFECTIVE 7/1/16

Homeowner Flood Insurance Affordable Act (HFIAA) Section 28 reunderwriting applies to policies effective from October 1, 2013 through December 31, 2018.

If reunderwriting results in the determination that a policyholder was charged a higher policy premium due to rating or endorsement changes, then the insurer must reform the policy for up to five (5) policy years and issue the HFIAA Section 28 Prior-Term Refund.

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Insurer Prior-Term Refund Processing and Disbursement

The insurer is responsible for determination of the HFIAA Section 28 Prior-Term Refund for up to five (5) policy years and may use an endorsement transaction to process the prior-term refund. This is a change from current practice.

If the insured is eligible to receive up to five (5) policy years of refunds but the current insurer is not able to process all prior years because some were written by another insurer, the current insurer must notify the insured that the insured must contact the previous insurer to determine eligibility for additional prior-term refunds. We recommend that the current insurer provide any assistance needed to the insured in order to obtain the additional prior-term refunds.

NFIP Systems and Services Contractor, iService

If the insurer decides not to distribute the prior-term refund disbursement, the insurer will still be responsible for calculating the prior-term refund amount and for forwarding the required documentation to the NFIP Systems and Services contractor, iService, following the instructions in Attachment A, HFIAA Section 28 Prior-Term Refund Procedures. In these instances, iService will then disburse the prior-term refund on behalf of the insurer.

Retention of WYO Expense Allowance and Agent Commissions

As indicated on page 3 of the Attachment to Bulletin W-16021, the Federal Emergency Management Agency (FEMA) will not charge back the WYO Expense Allowance and Agent Commissions for prior-term refunds related to HFIAA Section 28 reunderwriting.

Financial Reporting

To ensure appropriate retention of the WYO Expense Allowance and the Agent Commissions, insurers must specifically identify the HFIAA Section 28 prior-term refunds with the HFIAA Indicator Y and Endorsement Transaction Code 20.

Also to ensure that the duplicate WYO Expense Allowance and Agent Commission are captured and not retained, insurers must specifically identify the HFIAA Section 28 rewritten policy premium transactions with the HFIAA Indicator Y, Transaction Code 11, Cancellation Code 25, and New/Rollover Indicator of Z.

HFIAA Section 28 Reunderwriting Premium Refund Accounting Procedures

The WYO Companies expense allowance and the DSA agent commissions previously earned will be retained when premium refunds are issued subject to the HFIAA Section 28 re-underwriting.

The WYO Companies will not receive additional expense allowance and the DSA will not fund additional agent commission for the implementation of HFIAA Section 28, including the rewritten policy premium.

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WYO Companies

WYO Companies should process premium refunds required by HFIAA Section 28 as they would normally process premium refunds.

WYO Companies will include HFIAA Section 28 premium refunds on Line 415/Cancellation Premium Refund Adjustment Base on the monthly NFIP financial statement Exhibit IV/Expense Allowance Calculation, along with non-HFIAA Section 28 premium refunds.

To determine the WYO HFIAA Expense Allowance to be recaptured and retained, WYO Companies must submit the attached **HFIAA WYO Retained Expense Allowance: Worksheet A** (see last page of this document for its attachments) with the required monthly financial Exhibit IV submission. The HFIAA required input on the **HFIAA WYO Retained Expense Allowance: Worksheet A** will first determine the Gross HFIAA Retained Expense Allowance for the HFIAA premium refunds issued for the current reporting period and disclose the year-to-date Gross HFIAA retained expense allowance.

The WYO Companies will then determine the **HFIAA Section 28 rewritten premium expense allowance and cancellation commission not retained**.

The resulting Net Retained Expense Allowance will be recorded on **Line 427 of Exhibit IV**/Rating Org. Expense and Retained Expense Allowance.

Direct Servicing Agent

The DSA should process premium refunds required by HFIAA Section 28 as it would normally process premium refunds.

The DSA will report HFIAA Section 28 premium refunds on **Line 2120 Premium Refund**, with non-HFIAA Section 28 premium refunds on the DSA Exhibit II Income Statement.

To determine the DSA HFIAA Section 28 agent commissions to be retained by the agents and not recovered, the DSA will be responsible for programming and editing the respective DSA Agent Commission System and other integrated systems to process HFIAA Section 28 policy premium refund transactions.

The DSA required programming and editing will also disallow payment of an agent commission for HFIAA Section 28 rewritten premium. The HFIAA Section 28 policy premium refund-related agent commissions will not be recovered from the agents, and the DSA will not increase or recapture the agent commission on Line 2231 Commission Expense with non-HFIAA Section 28 premium refunds on the DSA Exhibit II Income Statement.

For financial control and audit compliance, the DSA should develop and submit a monthly activity report, consistent with the attached **DSA HFIAA Section 28 Retained Agent Commission: Worksheet C**, with the monthly DSA financial statements that will disclose the following minimum information for HFIAA Section 28 premium refunds and HFIAA Section 28 rewritten policy premium:

1) The total count of HFIAA Section 28 policy premium refunds and rewritten premium.
2) The total dollar amount of HFIAA Section 28 policy premium refunds and rewritten premium.
3) The total dollar amount of HFIAA Section 28 agent commissions retained and not retained when rewritten.
4) The requested HFIAA Section 28 activity for the current month, year to date.

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Effective Date Revision: HFIAA Section 28 Premium Refunds by Cancel/Rewrite or Endorsement

WYOs and the DSA may begin processing HFIAA Section 28 policy premium refunds by either cancel/rewrite or endorsement subject to this revised guidance beginning July 1, 2016 through December 31, 2018.

1) Endorsement Transactions

To process HFIAA Section 28 qualified premium refunds, insurers must add the HFIAA Section 28 indicator value of **"Y"** to any HFIAA Section 28 Endorsement Transaction Code **"20"** to indicate HFIAA refund endorsement transactions.

2) Cancel/Rewrite Premium Transactions

To process HFIAA Section 28 rewritten policy premium and to determine the Expense Allowance not retained, insurers must add the HFIAA Section 28 indicator value of **"Y"** to any HFIAA Section 28 Transaction Code **"11"**, a Cancellation Reason Code of **"25",** and a New/Rollover indicator of **"Z"**.

The WYO Companies will not receive an additional expense allowance and the DSA will not fund additional agent commission for the implementation of HFIAA Section 28 (or for the rewritten policy premium due to HFIAA Section 28).

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1 Updated Retained Exp Allowance and Commission Worksheets - Sec 28

The Updated Retained Exp Allowance And Commission Worksheets - Section 28 embedded object is inserted below. Double-click the object to open the file.

Updated Retained Exp Allowance and C(

2 Financial Exhibits IV

The Financial Exhibits IV embedded object is inserted below. Double-click the object to open the file.

FINANCIAL EXHIBITS IV.xlsx

3 Direct Servicing Agent Exhibit Inc. Statement

The DSA Exhibit Inc. Statement embedded object is inserted below. Double-click the object to open the file.

DSA Exhibit Inc Stmt.xls

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