



FEMA

W-21004

April 1, 2021

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

FROM: 
Jeffrey Jackson
Acting Assistant Administrator for Federal Insurance
Federal Insurance and Mitigation Administration

SUBJECT: Legacy Rating Plan Program Changes Effective October 1, 2021

This memorandum provides notification of the changes the National Flood Insurance Program (NFIP) will implement effective October 1, 2021 for policies renewing under the legacy rating plan (rates effective January 1, 2021 and April 1, 2021). Additionally, this memorandum includes the Community Rating System community class changes that will become effective on October 1, 2021.

Program changes effective October 1, 2021 represent changes in the final rule FEMA published in July 2020 “Conforming Changes to Reflect the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), and Additional Clarifications for Plain Language.”

Program changes include revised severe repetitive loss properties sample letters effective October 1, 2021.

Program changes include updated Community Rating System community class changes that will become effective on October 1, 2021 available at <https://www.fema.gov/floodplain-management/community-rating-system>. FEMA is providing this link to updates as early as possible to ensure that NFIP insurers have enough time to process renewal notices for their affected policyholders.

Please see the following attachments for details of these upcoming Program Changes:

- Attachment A – Summary of the NFIP October 1, 2021 Legacy Rating Plan Program Changes
- Attachment B – Severe Repetitive Loss Properties Sample Letters

Legacy Rating Plan Program Changes Effective October 1, 2021

April 1, 2021

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Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

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

ATTACHMENT A

**SUMMARY OF THE NFIP LEGACY RATING PLAN PROGRAM CHANGES
EFFECTIVE OCTOBER 1, 2021**

National Flood Insurance Program

October 1, 2021, Program Changes: A Summary

The changes outlined in this bulletin apply to renewals that will become effective on or after October 1, 2021 and the Community Rating System class changes that will become effective on October 1, 2021.

FEMA may update or modify these Program Changes.

Changes Due to “Conforming Changes To Reflect the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), and Additional Clarifications for Plain Language.”

A. The following terms were changed:

- “Building in the course of construction” is changed to “building under construction.”
- The language “full amount due” is introduced.
- The definition of “deductible” is changed to “the fixed amount of an insured loss that is the responsibility of the policyholder and that is deducted before any amounts are paid for the insured loss under the insurance policy.”

B. Flood in Progress will be updated to reflect the following:

- The SFIP will not pay for a loss caused by a flood that was a continuation of a flood that existed:
 - On or before the date the waiting period for coverage began; or
 - If the coverage became effective as of the time of a loan closing (under the loan exception to the 30-day waiting period), before coverage became effective.
- In other words, the SFIP does not insure damage from a flood that began before a new policy’s waiting period (or coverage, if no waiting period) began, even if the flood did not damage the insured property, until after the waiting period (or coverage) began. If a flood was already in progress before a policyholder requested an increase in coverage on an existing policy, the SFIP will only insure damage that occurred to the insured property from that same flood event after the waiting period (or increased coverage, if no waiting period) began, under the lesser policy limits.

C. Post-Wildfire Exception will be updated to reflect the following:

- Coverage becomes effective after a 1-day waiting period if:
 - The insured property is privately-owned (property not owned by a federal, state, local, territorial, or tribal government) and experiences damage caused by a flood that originated on federal land;

- Post-wildfire conditions on federal lands caused or worsened the flooding; *and*
- The policyholder purchased the new, additional, or increased coverage either:
 - On or before the fire containment date; *or*
 - During the 60-calendar day period following the fire containment date.
- This waiting period exception applies to endorsements as well.

D. Reformation Due to Insufficient Premium or Rating Information was clarified to align with the final rule and will be updated to reflect the following:

- A policy can provide only the amount of coverage that the premium received will purchase for a full policy term (or the applicable portion of the policy term). An NFIP insurer must reform a policy if it discovers at any time (at writing, endorsement, renewal, or before or after a loss) that the:
 - Premium the insurer received for the policy (or endorsement) is insufficient to buy the amount of building or contents coverage requested; *or*
 - Rating information is insufficient and, when complete, indicates that the premium paid is insufficient.

E. FEMA updated the current October 2015 Standard Flood Insurance Policy (SFIP) forms in conformance with the requirements stipulated in the final rule FEMA published in July 2020 “Conforming Changes To Reflect the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) and the Homeowners Flood Insurance Affordability Act of 2014 (HFIAA), and Additional Clarifications for Plain Language.” The forms will be provided under separate cover.

F. Procedures concerning How to Cancel will be updated to reflect the following:

General Information:

1. The receipt date of the cancellation or nullification request is the date the insurer receives the request with the proper documentation. If additional documentation is required by the insurer, it must be received within 60 days of the insurer’s notification to retain the original receipt date. If received more than 60 days after the notification, then the receipt date will be the date the additional documentation was received.
2. Unless otherwise specified within the reason code description, a policy may be canceled for up to a maximum of 5 years prior to the receipt date of the cancellation request, if applicable. Insurers must include any lapse in coverage when determining the number of years allowed for a refund as a lapse in coverage does not extend the number of policy terms allowed.
3. Claims on policy terms—
 - a. If there is an open claim on a policy, then the policy cannot be canceled.
 - b. If there is a closed paid claim on a policy term, then that policy term cannot be canceled, except under reason codes 1, 2, 3, 4, 10, and 21 which allow cancellation after the loss date.
 - c. If there is a claim closed without payment on a policy term, the policy term can be canceled.

4. The refunding of the HFIAA Surcharge has changed per rulemaking. Please see the updated table below for information.
5. Within Section 6: How to Cancel within the Flood Insurance Manual, the valid cancellation reason codes are now grouped by topic rather than numerical order.
6. A cancellation/nullification request should be received timely. However, the requirement around specific timing of the receipt of the request has been removed.

Cancellation Reason Codes:

The following changes will be made as a result of the published final rule.

Reason Codes Removed	
25	HFIAA Section 28 Refund

Reason Codes Modified	
01	Physically altered has been removed from this reason code. A new code (29) has been established for this scenario.
03	Updated to reflect that there will be no waiting period on the new application.
06	The scenario of a building becoming ineligible during the term has been removed from this reason code. A new code (27) has been established for this scenario.
08, 09, 12, 15, 18, 19	These reason codes have been bundled into a single reason code. A new reason code (28) has been established for this scenario.
13	The requirement that the property is not subject to a requirement to obtain and maintain flood insurance pursuant to any statute, regulation, or contract has been added back in per rulemaking.
21	A clarification on the effective date has been made.
22	Renamed from Cancel/Rewrite Due to Misrating to Cancel/Rewrite Due to Administrative Error
23	A change to the effective date has been applied.
26	The requirement that the request must be submitted within 30 days of the NFIP policy becoming effective has been changed to within 60 days.

New Reason Codes		
New Code	Title	Description
27	Property becomes ineligible for coverage during policy term	A property eligible for coverage at time of application becomes ineligible during the policy term. See the Standard Flood Insurance Policy (SFIP) and Eligibility for NFIP Coverage heading in Section 2: Before

		You Start for guidance on properties not eligible for coverage.
28	Insurance No Longer Required by Lender	The policyholder was subject to a requirement by a lender, loss payee, or other federal agency to obtain and maintain flood insurance pursuant to statute, regulation, or contract, but there is no longer such a requirement. (This replaces reason codes 8, 9, 12, 15, 18 and 19)
29	Building physically altered and no longer eligible for NFIP coverage	A policy insuring a building or its contents, or both, where the building has been physically altered in such a manner that the building and its contents are no longer eligible for flood insurance coverage.
30	Insufficient Premium to Retain Coverage	Consistent with the reformation procedures described under the Reformation Due to Insufficient Premium or Rating Information heading in Section 2: Before You Start, an insurer may cancel a policy if: <ul style="list-style-type: none"> •The premium the insurer received for the policy, after deducting the costs of all applicable fees and surcharges, is insufficient to buy any amount of coverage; and •The policyholder does not pay the additional amount of premium owed to increase coverage to the originally requested amount or to a lesser amount within 30 days of the underpayment notice.

Updated Cancellation Processing Outcomes Table

Reason Code	Signature Required	PREMIUM REFUND (Including ICC, and Reserve Fund Assessment)		HFIAA Surcharge			Probation Surcharge		Federal Policy Fee		PRODUCER COMMISSION (Direct Business Only)		
	Policyholder Agent, or Both	Full Refund	Pro Rated	Full Refund	Pro Rated	No Refund	Full Refund	No Refund	Full Refund	No Refund	Full Deduction	Pro Rated	Retained
A. No Insurable Interest													
1	*		x		x			x		x		x	

2	Both		x		x			x		x		x	
7	Both	x		x			x		x		x		
B. Establish Common Expiration Date													
3	Both		x			x		x		x		x	
C. Duplicate Coverage													
4	*		x*		x*			x*		x*		x*	
10	Both		x		x			x		x		x	
26	Both	x		x			x		x		x		
D. Not Eligible for Coverage													
6	*	x		x			x		x		x		
27	*	x		x			x		x		x		
29	*		x			x		x		x		x	
E. Lender No Longer Requires Insurance													
28	Both		x			x		x		x		x	
F. Payment Issue or Fraud													
5	Agent	x		x			x		x		x		
23	*	NO REFUND OF PREMIUM, FEDERAL POLICY FEE, RESERVE FUND ASSESSMENT, OR HFIAA SURCHARGE ALLOWED											x
30	*	x		x			x		x		x		
G. Other Reason Codes													
13	Both	x		x			x		x		x		
20	Both	x		x			x		x		x		
21	*	NO REFUND OF PREMIUM, FEDERAL POLICY FEE, RESERVE FUND ASSESSMENT, OR HFIAA SURCHARGE ALLOWED											x
22	*	x		x			x		x		x		
24	Both	x		x			x		x				x

* See the Signatures heading above.

x* See Reason Code 04 description for when a full refund may apply.

Updated Cancellation Verification Letter

SAMPLE VERIFICATION LETTER VERIFICATION THAT THERE IS NO REQUIREMENT TO MAINTAIN FLOOD INSURANCE COVERAGE

<Insured Property Address>

I, _____, am not required by a lender, loss payee, landlord, or any Federal agency to maintain flood insurance through the National Flood Insurance Program for the above-referenced property pursuant to any statute, regulation, or contract, and I am aware that by canceling my coverage, I may lose eligibility for any subsidized premium rates made available through the National Flood Insurance Program.

Check the reason that best applies:

- Property Closing Did Not Occur
- Insurance No Longer Required by Mortgagee Because Property is No Longer in a Special Flood Hazard Area
- Coverage No Longer Required by Mortgagee for a Detached Structure
- Mortgage Paid Off
- Nullification Prior to Effective Date

Policyholder Name (Printed)

Policyholder Signature

Date

ATTACHMENT B

SEVERE REPETITIVE LOSS PROPERTIES SAMPLE LETTERS

EFFECTIVE OCTOBER 1, 2021

Policyholder Notice

IMPORTANT FLOOD INSURANCE POLICY INFORMATION

Property Address:

Policy Number:

Dear *<Insert Policyholder's Name>*,

Thank you for purchasing flood insurance through the National Flood Insurance Program (NFIP). Due to your property's flood insurance claim history, federal law requires us to identify it as a Severe Repetitive Loss (SRL) property. The NFIP will continue to offer flood insurance for your property, but how we service your policy will change and the cost of your policy may increase. You will also be eligible for enhanced mitigation assistance through FEMA's Flood Mitigation Assistance program. This letter will give you more information about what your property's SRL status means to you.

What is a Severe Repetitive Loss Property?

A Severe Repetitive Loss property is an NFIP-insured building:

- That has incurred flood-related damage for which four or more separate claim payments have been made, with the amount of each claim (including building and contents payments) exceeding \$5,000, and with the cumulative amount of such claim payments exceeding \$20,000; or
- For which at least two separate claim payments (building payments only) have been made under such coverage, with the cumulative amount of such claims exceeding the market value of the building.

In both instances, at least two of the claims must be within 10 years of each other, and claims made within 10 days of each other will be counted as one claim. In determining SRL status, FEMA considers the loss history since 1978, or from the building's construction if it was built after 1978, regardless of any changes in the ownership of the building.

What if I Do Not Think My Property Qualifies as a Severe Repetitive Loss Property?

We do everything we can to make sure that our claims and SRL records are complete and accurate. If you think your property's SRL status is in error, your agent can help you work with the NFIP to correct your property's status.

How Will the Servicing of My Flood Insurance Policy Change?

NFIP Direct, FEMA's direct servicing agent, services all flood insurance policies of SRL properties. That means you will keep your current agent, but we will move your policy from your current flood insurer to NFIP Direct at your next renewal. Transferring your policy to NFIP Direct ensures that FEMA can more closely monitor your property and proactively identify mitigation assistance opportunities to help reduce your property's flood risk. Your flood insurance policy's coverages, terms, and conditions will not change.

You should receive a renewal premium bill 45 days before your current flood insurance policy expires. You will need to pay the full amount due by the date indicated to renew your policy. This is the only bill that you should pay.

Will My Premium Go Up Because of My Property's SRL Status?

In most cases, federal law and NFIP rating procedures require us to phase out any discounted rates an SRL property may have received and charge premiums that take into account an SRL property's high risk of future flooding. Your agent can explain how your premiums will change and how to make sure that your policy remains affordable.

How Do I Remove My Property's SRL Designation?

To remove your property's SRL designation, you will need to bring your building into compliance with your community's current floodplain management requirements using an available mitigation option. We know this comes with upfront expenses, but you will see an immediate decrease in your flood insurance premiums and will be protected from future flooding.

Will FEMA Help Me Mitigate My Property?

FEMA offers the Flood Mitigation Assistance (FMA) grant program annually to mitigate SRL properties. The FMA program may provide federal grant funds to pay for up to 100 percent of the cost of eligible mitigation activities, such as elevating your NFIP-insured structure. Mitigated properties may qualify for lower flood insurance premiums. To obtain additional information on the FMA program and other mitigation grant programs for residential and non-residential properties, please contact your local floodplain manager or state hazard mitigation officer, or go to the FEMA Hazard Mitigation Assistance webpage at www.fema.gov/hazard-mitigation-assistance.

Who Can I Contact with My Questions?

If you have questions about this letter and the SRL process, please contact your agent. You can also contact the FEMA Mapping and Insurance eXchange (FMIX) by calling 1-877-336-2627 or emailing FEMAMapSpecialist@riskmapcds.com.

Thank you for being a valued NFIP policyholder. We look forward to working with you to manage your flood risk.

Sincerely,

National Flood Insurance Program

Agent's Notice

IMPORTANT FLOOD INSURANCE POLICY INFORMATION

Policyholder's Name:

Property Address:

Policy Number:

Dear Agent,

Thank you for writing your client's flood insurance through the National Flood Insurance Program (NFIP).

Due to the flood insurance claim history for your client's property, federal law requires us to identify it as a Severe Repetitive Loss (SRL) property. The NFIP will continue to offer flood insurance for your client's property, but how we service the policy will change and the cost of the policy may increase. Your client will also be eligible for enhanced mitigation assistance through FEMA's Flood Mitigation Assistance program. This letter will give you more information about what your client's property's SRL status means to you.

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What if I Do Not Think My Client's Property Qualifies as a Severe Repetitive Loss Property?

We do everything we can to make sure that our claims and SRL records are complete and accurate. If you think your client's property's SRL status is in error, you can help your client work with the NFIP to correct the property's status.

How Will the Servicing of My Client's Flood Insurance Policy Change?

NFIP Direct, FEMA's direct servicing agent, services all flood insurance policies of SRL properties. That means you will remain the agent on the policy, but we will move your client's policy from the current flood insurer to NFIP Direct at the next renewal. Transferring the policy

to NFIP Direct ensures that FEMA can more closely monitor your client's property and proactively identify mitigation assistance opportunities to help reduce your client's property's flood risk. The flood insurance policy's coverages, terms, and conditions will not change. Your client should receive a renewal premium bill 45 days before the current flood insurance policy expires. Your client will need to pay the full amount due by the date indicated to renew the policy. This is the only bill that your client should pay.

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To remove your client's property's SRL designation, your client will need to bring the building into compliance with the community's current floodplain management requirements using an available mitigation option. We know this comes with upfront expenses, but your client will see an immediate decrease in the flood insurance premiums and will be protected from future flooding.

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Sincerely,

National Flood Insurance Program

Lender's Notice

IMPORTANT FLOOD INSURANCE POLICY INFORMATION

Policyholder's Name:

Property Address:

Policy Number:

Dear Lender,

Due to the flood insurance claim history for your client's property, federal law requires us to identify it as a Severe Repetitive Loss (SRL) property. The NFIP will continue to offer flood insurance for your client's property, but how we service the policy will change and the cost of the policy may increase. Your client will also be eligible for enhanced mitigation assistance through FEMA's Flood Mitigation Assistance program. This letter will give you more information about what your client's property's SRL status means to you.

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National Flood Insurance Program