# Overview: April 2015 NFIP Changes







# April 2015 Changes

- New surcharges
- Primary residence verification
- New deductible for residential policies
- Premium increases
- Federal policy fee increases
- Reserve fund increases
- Elevation rated rollovers require photos
- NFIP duplicate policy clarification
- When a map change occurs



# Surcharges

# In accordance to 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

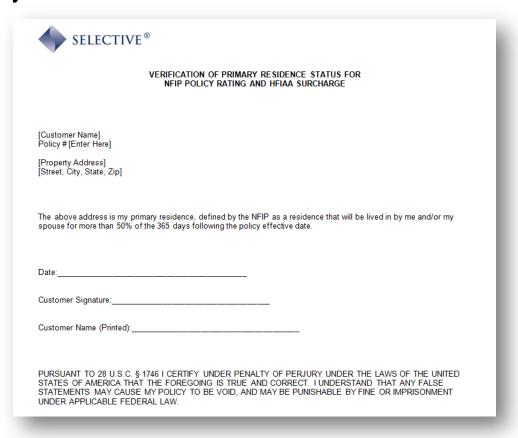
- Previously identified when a customer occupied residence at least 80% of the prior year
- As of April 2015, a primary residence is now considered when a customer will occupy their residence more than 50% of the policy term
- To verify residence status, FEMA requires one of the following:
  - Current 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
  - NFIP verification of Primary Residence Status form





# NFIP Approved Primary Residence Form

- In lieu of providing separate documentation, the NFIP approved the Primary Residence Status form
- Sent to customers with primary residence indication but have not verified status





#### New Maximum Deductible

- HFIAA introduced a new \$10,000 maximum deductible
  - Single family and two-to-four family dwellings
  - Must apply to both building and contents
- An approximate 40% discount applies to single family dwellings
- It is the customer's responsibility to verify the mortgage lender will approve this deductible option



#### Premium Increases

- Average annual flood premium increases have been 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 misrated 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 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 Increase

Policy Type	2014 Fee (as a % of premium)	2015 Fee (as a % of premium)
Preferred Risk Policies (PRP's)	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 on all transferred policies on or after 4/1/15, photographs are required
- Photographs on file 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 now 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 must be cancelled in order to maintain coverage benefits and to prevent delay in payment of claims
- Reports identifying properties impacted are now located on the agency admin's dashboard



# 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 Questions?

This presentation is 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 or Flood Territory Manager.





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