

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



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

- 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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