

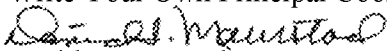


FEMA

W-07065

November 8, 2007

MEMORANDUM TO: Write Your Own Principal Coordinators and the NFIP Servicing Agent

FROM: 
David I. Maurstad
Federal Insurance Administrator
National Flood Insurance Program

SUBJECT: May 1, 2008, Program Changes

The purpose of this memorandum is to provide notification of the changes that the National Flood Insurance Program (NFIP) will implement effective May 1, 2008, as specified below:

- Implement premium increases averaging 8% for all classes, including an 8% increase to Preferred Risk Policies (PRPs).
- Increase the Federal Policy Fee to fund additional mapping efforts.
- Increase ICC premium for PRP policyholders from \$1 to \$6.
- Eliminate the Community Rating System (CRS) discount on NFIP policies for structures where the lowest floor elevation used for rating is at least 1 foot or more below the Base Flood Elevation with the exception of Post-FIRM V-Zone buildings with unfinished enclosures of 300 square feet or more that have breakaway walls. Inclusion of these V-Zone buildings will be considered at a later date following completion of our analysis.
- Add a new Risk Rating Method (FEMA Special Rates).
- Eliminate the Social Security Number on the Flood Insurance Application, Preferred Risk Policy Application, and General Change Endorsement.
- Require the WYO Companies to include a box on their flood application and endorsement to indicate when flood coverage is a lender requirement without a waiting period.
- Require the WYO Companies to obtain eligibility recertification of PRPs at renewal when there has been a map change during the policy term that may affect the insured property.
- Expand PRP eligibility to include more Other Residential and Non-Residential coverage options and residential condominium units.

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Please see the attached Summary for more details of these upcoming Program changes. A revised set of rate pages reflecting the rate modifications and Transaction Record Reporting and Processing (TRRP) Plan changes are included with this memorandum. Rate changes to Submit-for-Rate guidelines will be provided separately.

If you have any questions, please contact your WYO Business Analyst.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Data Processing, Underwriting, Marketing

National Flood Insurance Program
May 1, 2008, Rate and Rule Changes: A Summary

Premiums will increase an average of 8% for policies written or renewed on or after May 1, 2008. This premium increase varies by zone as described below.

V Zones (coastal high-velocity zones)

Larger rate increases are being implemented again this year as a result of the Heinz Center's Erosion Zone Study, which clearly indicates that current rates significantly underestimate the increasing hazard from steadily eroding coastlines.

- **Post-FIRM V Zones:** Premiums will increase 10%.
- **Pre-FIRM V Zones:** Premiums will increase 10%.

A Zones (non-velocity zones, which are primarily riverine zones)

There will be increases that will keep our Post-FIRM rates at actuarial levels and that will slightly decrease the amount of subsidy in our Pre-FIRM rates.

- **Post-FIRM A1-A30 and AE Zones:** Premiums will increase 6% as indicated by our actuarial rate model.
- **Pre-FIRM AE Zones:** Premiums will increase 9%.
- **AO and AH Zones.** Premiums will increase 10%.
- **AOB and AHB Zones (shallow flooding zones):** Premiums will increase 6%.
- **Unnumbered A Zones (remote A Zones where elevations have not been determined):** Premiums will increase 8%.
- **A99 Zones (approved flood mitigation projects, e.g., levees still in the course of construction):** Premiums will increase 10%.
- **AR Zones:** Premiums will increase 10%.

X Zones (zones outside the Special Flood Hazard Area)

- **Standard Risk Policy:** Premiums will increase 10%.
- **Preferred Risk Policy (PRP):** Premiums will increase 8%. More Non-Residential coverage options are available, and building coverage is extended to Other Residential buildings.

Miscellaneous Items

- **CRS Discount:** Eliminated for structures where lowest floor elevation used for rating is at least 1 foot or more below the Base Flood Elevation with the exception of Post-FIRM V-Zone buildings with unfinished enclosures of 300 square feet or more that have breakaway walls. Inclusion of these V-Zone buildings will be considered at a later date following completion of our analysis.
- **Federal Policy Fee:** Increased from \$30 to \$35.
- **Increased Cost of Compliance:** Premium will increase from \$1 to \$6 for PRP policyholders.
- **Mortgage Portfolio Protection Program (MPPP):** Premiums will increase about 15%.

- **Flood Insurance Application, PRP Application, and General Change Endorsement:** Eliminate the Social Security Number and indicate when coverage is a lender requirement without a waiting period.
- **Preferred Risk Policy:** Eligibility recertification required at renewal when there has been a map change during the policy term that may affect the insured property.
- **New Risk Rating Method:** Developed for FEMA Special Rates not provided in the Specific Rating Guidelines.

