Flood Insurance Agent Manual October 1, 2016 Edition

Policy Cancellation and Refund Rules

http://www.fema.gov/flood-insurance-manual

Cancellation Section Page 5-6: **Reason Code #9**

Insurance no Longer required by Mortgagee because Property Is no Longer Located in a Special Flood Hazard area because of a Physical Map Revision (PMR) or LOMR

Insurance No Longer Required by Mortgagee Because Property Is No Longer Located in a Special Flood Hazard Area Because of a Physical Map Revision or LOMR (TRRP Reason 09)
This reason can be used when flood insurance was initially required by the mortgagee or other lender because the building was determined to be in an SFHA but was removed from the SFHA following:

• The physical revision of a map;
• The issuance of a Letter of Map Revision (LOMR)
• The lender's determination that coverage is no longer required for a structure on a residential property that is detached from the primary residential structure and does not serve as a residence.

This cancellation reason may be used even if the policy was rated in a non-SFHA due to grandfathering, if the property was newly mapped, or was eligible for the PRP extension.

• Cancellation Effective Date: The date the cancellation request, including all supporting documentation, is received by the insurer.
• Type of Refund: Pro rate premium refund, including ICC premium and Reserve Fund Assessment, will apply to the policy term in which the cancellation became effective. The refund does not include the Federal Policy Fee, Probation Surcharge, or HFIAA Surcharge.

• Cancellation Request: Must be received within the policy year.
• Required Documentation: A copy of the revised map or LOMR; or, in the case of multi-property LOMR's that do not list the property's specific building, street address, lot number, or rural address, any of the following and a copy of the LOMR:

o A letter that an insured received from their community official stating that their building was removed from the SFHA by a multi-property LOMR.
o A letter from the applicable community official, on official letterhead, stating that the building was included in the area removed from the SFHA by the multi-property LOMR, which listed only boundaries/intersections of streets, lot numbers, or rural addresses.

o In cases, and only in cases, where (1) a community official could not or would not provide a letter, or (2) the building has a rural address, the following set of 2 documents may be submitted:

– A copy of a legal notice, such as a real estate assessment notice or a water/sewer notice, that shows the lot number, street or rural address, or other legal designation of the location of the building; and
– A letter from the mortgage lender that

(1) shows the lot number, street or rural address, or other legal designation of the location of the building, and (2) states that the building was within the boundaries of the area removed from the SFHA by the LOMR. Letters from community officials must match the street address and lot number with a specific multi-property LOMR, stating that the individual building street address, lot number, or rural address (e.g., RR, Box #, Hwy) was included in the area covered by the LOMR. The insurer may accept zone determinations in lieu of the documentation cited above for these situations.

o A signed statement from the insured that the policy is no longer required by mortgagee because property is no longer in an SFHA due to physical map revision or coverage is no longer required by mortgagee for a detached structure.
o If a condominium association seeks to cancel an RCBAP, the condominium association must provide a signed letter that lists the number of units and specifies the owner of each unit. Every unit owner must provide a lender release or sign a statement that there is no lender. See sample verification letter regarding no requirement to maintain flood insurance coverage, found near the end of this section of the manual.

• Years Eligible for Refund: Current year.

MAP CHANGES AND FLOOD INSURANCE:
WHAT PROPERTY OWNERS NEED TO KNOW

FEMA

NATIONAL FLOOD INSURANCE PROGRAM

WHAT IS A FLOOD MAP?

The maps that show the flood risks for U.S. communities are officially called Flood Insurance Rate Maps—or FIRMs. Created by the Federal Emergency Management Agency (FEMA) for floodplain management and insurance rating purposes, FIRMs generally show a community's flood zones, Base Flood Elevations (BFEs), and floodplain boundaries, all of which provide an indication of the risk of flooding. FIRMs designate high-risk areas—those with a 1 percent or higher annual risk of experiencing a flood—and moderate- to low-risk areas—where the risk of flooding is less than 1 percent per year. Remember, there is no such thing as a no-risk flood zone. No matter where you live or work, there is always some risk of flooding. Flood insurance premiums are based on the degree of flood risk.

WHY DO FIRMS CHANGE?

Flood risks change over time. Water flow and drainage patterns can alter dramatically because of land use and community development or because of natural forces such as changing weather patterns, surface erosion, subsidence, wildfires or sea-level rise. Likewise, the ability of levees and dams to provide the necessary protection can change as infrastructure ages, thus increasing the risk. To reflect the most current flood risks, FEMA is using the latest data-gathering and mapping technology to update and issue new FIRMs nationwide.

HOW ARE FIRMS USED?

Communities use FIRMs to manage floodplains and develop sound building ordinances. Mortgage lenders use FIRMs to help determine a property's flood risk and decide whether flood insurance will be required as a condition for a loan. Insurance professionals use FIRMs in the rating process that determines a property's flood insurance premium.

HOW DO FIRMS SHOW FLOOD RISK?

Areas of moderate to low risk are shown as zones labeled B, C, or X on a FIRM. High-risk areas are shown as zones beginning with the letters A or V. Areas of undetermined risk are shown with the letter D.

HOW IS THE RISK SHOWN ON THE FIRMS REFLECTED IN INSURANCE PREMIUMS?

If your building is in a high-risk area—also called a Special Flood Hazard Area, or SFHA—you will likely pay a higher flood insurance premium than someone in a moderate- to low-risk area. The exact amount you pay depends on a number of factors, including the elevation of the building itself.

In a high-risk area, your insurance premium will also depend on when your building was constructed in relation to the date of the FIRM. Some buildings constructed before the community's first FIRM, called pre-FIRM, are eligible for subsidized premium rates that are determined with limited underwriting information.

http://www.fema.gov/media-library/assets/documents/104196

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