



FEMA

W-15017

May 1, 2015

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

A handwritten signature in black ink, appearing to read "Jordan Fried".

FROM: Jordan Fried
Acting Division Director
Risk Insurance Division

SUBJECT: Updated Guidance Regarding Primary Residence Status

Effective April 1, 2015, the NFIP will consider the factors described below in the determination of primary residence status. These changes are for rating purposes only and can be applied from the beginning of the current policy year.

Pursuant to 42 U.S.C. 4014 (a)(2)(A), policies covering non-primary residences that receive Pre-Flood Insurance Rate Map subsidized rates are subject to a 25-percent annual increase until full-risk rates are achieved. In addition, all policies covering a building that is not a primary residence, whether subsidized or full-risk, receive an annual \$250 surcharge as required by Section 8 of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA), codified at 42 U.S.C. 4015a.

For rating purposes, a primary residence means a building that will be lived in by the insured or the insured's spouse for more than 50 percent of the 365 calendar days following the current policy effective date unless the policyholder does not establish or acquire another residence or use the residence as a rental or income property any time during the policy term. Examples include but are not limited to:

- (1) Active-duty military personnel who are deployed for 50 percent or more of the policy year in compliance with military orders;
- (2) Policyholders displaced from a primary residence and living in a temporary residence due to a federally declared disaster or a loss event on the primary residence claimed on any line of insurance for 50 percent or more of the policy year; or

- (3) Policyholders who are absent from a primary residence for reasons such as routine business travel, hospitalizations, and/or vacation for 50 percent or more of the policy year.

Only one address per policyholder and only one policy with building coverage at that address may be claimed as a primary residence. When other detached structures at the same address as a primary residence are covered by a separate policy, such as a detached garage or guest house, those structures cannot be classified as primary residences. Additions and extensions to a primary residence that are insured under a separate policy cannot be considered a primary residence.

Insurers are required to send the Notice to Residential Policyholders (see sample attached) at least 90 days prior to expiration. Policyholders must verify their primary residence status through documentation or a signed verification statement. If the insured does not respond to the Notice, the insurer must use non-primary residence rates and surcharges. The policy may be endorsed if the information is submitted later. Subsequent renewals do not need to be revalidated, unless the status changes. It is the policyholder's responsibility to inform the insurer of any change in status. Please see the attachments.

If you have any questions, please contact the iService Underwriting Department at Underwriting@nfipiservice.com.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

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