



**FEMA**

W-15006

February 11, 2015

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

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

FROM: Jordan S. Fried  
Acting Division Director  
Risk Insurance Division

SUBJECT: Homeowner Flood Insurance Affordability Act (HFIAA)  
Surcharge Reporting Guidance for the National Flood Insurance Program  
New Business and Renewals

The Federal Insurance and Mitigation Administration provided advanced notice of financial reporting guidance for the new Homeowner Flood Insurance Affordability Act ("HFIAA") surcharges in a December 22, 2014, memorandum. The surcharges are effective on April 1, 2015. This memorandum details the monthly financial reporting guidance.

The effective date for reporting activity related to the HFIAA Surcharge has been advanced to February 1, 2015, in anticipation of early reporting of new business and renewals with an effective date of April 1, 2015.

#### **BASIS OF THE HFIAA SURCHARGE**

FEMA is developing procedures, documents, and schedules to accommodate the new annual premium surcharge for NFIP flood insurance policies of \$25 on all primary residences and \$250 for policies on non-residential properties and non-primary residences. The surcharges will be collected by WYO companies and by the NFIP Direct Servicing Agent.

The HFIAA Surcharge is not subject to the WYO Company Expense Allowance or the WYO Company Unallocated Loss Adjustment Expenses. Also, the WYO Company Growth Bonus calculation will only apply to premium and not to the HFIAA Surcharge or the Reserve Fund Assessment.

## **TRANSACTION RECORD REPORTING PROCESSING (TRRP) SUBMISSIONS**

Statistical transactions for the HFIAA Surcharge cannot be submitted until the April 2015 processing cycle. Variances resulting from financial/statistical timing difference will not be monitored until the April 2015 processing cycle.

## **FINANCIAL REPORTING GUIDANCE**

### **Write Your Own Companies**

- 1) Write Your Own Company representatives must use the attached exhibits to report monthly financial results beginning February 1, 2015.
- 2) The attached spreadsheet format includes additions to the monthly reporting package that are required to capture and report HFIAA Surcharge activity as follows:
  - Exhibit I Income Statement includes a new Line 174 Net HFIAA Surcharge
  - Monthly Reconciliation includes a new Net HFIAA Surcharge Reconciliation

### **The NFIP Direct Servicing Agent**

- 1) The NFIP Direct Servicing Agent should modify the financial statement formats and related schedules as detailed below to report HFIAA Surcharge for monthly financial results beginning February 1, 2015.
  - Exhibit I BS – Liabilities/Reserves: Add Line Unearned HFIAA Surcharge
  - Exhibit II IS – Other Income: Add Line HFIAA Surcharge
  - Exhibit II IS – Other Income Add Line Change in Unearned HFIAA Surcharge
  - Exhibit III CF – Premium Deposits/Other Receipts - Add Line HFIAA Surcharge
  - Exhibit III CF – Reserves: Add Line Unearned HFIAA Surcharge
  - Exhibit IV Chg FP CM – Liabilities/Reserves: Add Line Unearned HFIAA Surcharge
  - Exhibit V Chg FP YTD – Liabilities/Reserves: Add Line Unearned HFIAA Surcharge
  - Exhibit VI Chg in Res – Add Line Unearned HFIAA Surcharge
  - Add Monthly Reconciliation Net HFIAA Surcharge

If you have questions or need additional information, please contact Rene Hill at (301) 918-1407.

cc: Vendors, IBHS, FIPNC, Government Technical Representative

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