



September 30, 2013

NFIP Changes Beginning October 1: Part 2 Removal of Pre-FIRM Subsidies for New, Assigned, or Lapsed Policies

In this part of our [alert](#) on the NFIP changes becoming effective on October 1, we will discuss certain flood insurance subsidies that FEMA will be removing pursuant to requirements of Section 100205 of BW 12. While some of the NFIP changes focus on non-residential or secondary residential buildings, the changes discussed below have the potential to impact owners of primary residences. Given concerns over the possible impacts, efforts continue among some members of Congress to delay the changes which are set to become effective tomorrow.

Beginning October 1, policies newly issued, assigned or reinstated after a lapse on Pre-FIRM properties in the Special Flood Hazard Area (SFHA) are subject to full-risk rating requiring an Elevation Certificate. In addition, policies newly issued or assigned on Pre-FIRM properties using the subsidized rate on or after July 6, 2012 (the date BW 12 became law) will face full-risk rating upon renewal on or after October 1. Further, policies that were allowed to lapse after July 6, 2012 and were reinstated after October 4, 2012 will face full-risk rating upon renewal after October 1.

As a reminder, existing policies (issued originally prior to July 6, 2012) on Pre-FIRM properties which are primary residences may continue to be renewed using the subsidized rate until the property is sold to a new owner or the policy lapses. It is important, therefore, that agents, companies, lenders, and the policyholders themselves maintain an awareness of the timely renewal of these existing policies to avoid a lapse which may then trigger full-risk rating and the need for an Elevation Certificate. According to [FEMA](#), over half of a million current policyholders face eventual full-risk rating under these changes related to a sale or a lapse.

At this time the NFIP's grandfathering and its extension of eligibility of the Preferred Risk Policy (PRPEE) procedures will continue as usual subsequent to October 1, however, the grandfathering of subsidized rates (Pre-FIRM properties in the SFHA or ZONE D and rated without an Elevation Certificate) will not be allowed to continue upon sale of a property or the lapse and subsequent reinstatement of a subsidized policy. We expect further guidance from FEMA on the possible impact to grandfathering and PRPEE from the future implementation of section 100207 of BW 12.

We encourage you to access and review the *CoreLogic® Guide to BW 12*, which is available through our Flood Services [website](#), as you consider the impact of Section 100205. The Guide contains the relevant FEMA bulletins and related resources to assist you in determining the impact to your business and your customers, including guidance, instructions, customer communications, and Q&A issued by FEMA applicable to these October 1 changes.

Finally, according to the White House's [Office of Management and Budget](#) the activities of the National Flood Insurance Program are expected to continue in the event of a government shutdown. Certain Risk MAP activities may apparently be impacted.

Feel free to forward this alert to colleagues who may be interested in receiving this information, or who would like to [sign up](#) for future *Industry Alerts*.

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