



Underwriting Guidance Update

Issue Date: April 12, 2022

Update 04-2022-6

Purpose: To provide underwriting guidance updates for the National Flood Insurance Program (NFIP).

This revised guidance is effective immediately and will be included in the October 2022 NFIP Flood Insurance Manual (FIM) release.

Contact: For questions or comments, email NFIPUnderwritingMailbox@fema.dhs.gov.

Section 3 – How to Write

Community Map Information and Flood Zone	
Reference: FIM Section 3, How to Write, II.B.2, Page 3.6–3.7	
FEMA is updating guidance to reflect a recent program change to use the flood zone at the time of loss to determine elevated building coverage limitations.	
CURRENT FIM GUIDANCE	REVISED FIM GUIDANCE
<p>2. Community Map Information and Flood Zone</p> <p>The community in which a property is located can affect certain aspects of both coverage and rating, so it is important to obtain accurate community information. The Application Form requires current community map information including the community number and map panel, current flood zone shown on the map, the map date, and whether the community is in the NFIP's Regular or Emergency Program. See Appendix D: Flood Maps for more detailed information on flood maps and flood zones.</p> <p>FEMA expects insurers to provide map and flood zone information and validate it at the next renewal following a map change. Although flood zones are no longer a rating element for NFIP rates, they remain relevant to NFIP coverage and rating for several reasons:</p> <ul style="list-style-type: none">Federally-regulated lenders enforce the flood insurance mandatory purchase requirement for properties located in SFHAs.¹	<p>2. Community Map Information and Flood Zone</p> <p>The community in which a property is located can affect certain aspects of both coverage and rating, so it is important to obtain accurate community information. The Application Form requires current community map information including the community number and map panel, current flood zone shown on the map, the map date, and whether the community is in the NFIP's Regular or Emergency Program. See Appendix D: Flood Maps for more detailed information on flood maps and flood zones.</p> <p>FEMA expects insurers to provide map and flood zone information and validate it at the next renewal following a map change. Although flood zones are no longer a rating element for NFIP rates, they remain relevant to NFIP coverage and rating for several reasons:</p> <ul style="list-style-type: none">Federally-regulated lenders enforce the flood insurance mandatory purchase requirement for properties located in SFHAs.¹

Community Map Information and Flood Zone	
<ul style="list-style-type: none"> Communities document and enforce compliance with local floodplain management ordinances and laws tied to flood zones.² Eligibility for Newly Mapped discounts is based in part on location inside or outside an SFHA.³ Eligibility for Zone AR and Zone A99 discounts⁴ is based on the process of restoration of non-accredited flood protection systems in those zones. Eligibility for residential and non-residential floodproofing discounts is based in part on flood zone.⁵ When using an EC to provide a First Floor Height value, FEMA's guidance on which data fields to provide on the Application Form varies depending on the flood zone. The NFIP insures an enclosure under a Post-FIRM elevated building if located outside an SFHA but not if located within an SFHA.⁶ While flood zones do not directly affect eligibility for Community Rating System discounts, rules around floodplain management violations tied to location inside or outside an SFHA can make a property ineligible for a CRS discount. 	<ul style="list-style-type: none"> Communities document and enforce compliance with local floodplain management ordinances and laws tied to flood zones.² Eligibility for Newly Mapped discounts is based in part on location inside or outside an SFHA.³ Eligibility for Zone AR and Zone A99 discounts⁴ is based on the process of restoration of non-accredited flood protection systems in those zones. Eligibility for residential and non-residential floodproofing discounts is based in part on flood zone.⁵ When using an EC to provide a First Floor Height value, FEMA's guidance on which data fields to provide on the Application Form varies depending on the flood zone. The NFIP insures an enclosure under a Post-FIRM elevated building if located outside an SFHA but not if located within an SFHA.⁶ The flood zone at the time of loss determines how elevated building coverage limitations are applied. While flood zones do not directly affect eligibility for Community Rating System discounts, rules around floodplain management violations tied to location inside or outside an SFHA can make a property ineligible for a CRS discount.

Note: Footnote references are the same as in the current FIM.

Square Footage	
<p>Reference: <i>FIM Section 3, How to Write, II.C.7.a, Page 3.32</i></p> <p>The following changes update an incorrect reference and revise language to provide clarification.</p>	
CURRENT FIM GUIDANCE	REVISED FIM GUIDANCE
FEMA uses square footage to inform Building Replacement Cost Value. For certain building occupancies (see Section 6.B.ii below), the documentation requirements depend on the building's square footage total.	FEMA uses square footage as one of the variables to determine Building Replacement Cost Value. For certain building occupancies (see Subsection 7.b.ii below), the documentation requirements depend on the building's square footage total.

Square Footage Calculation

Reference: FIM Section 3, How to Write, II.C.7.a, Page 3.32–3.33

FEMA is clarifying guidance on the building square footage calculation.

(CURRENT) Table 19. Square Footage Calculation

BUILDING OCCUPANCY	GUIDANCE
Single-Family Home, Residential Manufactured/Mobile Home, Residential Unit, and Two-to-Four Family Building	<p>Provide the total finished living area. Do not include the following areas in the square footage calculation:</p> <ul style="list-style-type: none"> Any garage area; Basement or enclosure area; or Porches or decks.
Other Residential Building, Residential Condominium Building, Non-Residential Building, Non-Residential Manufactured/Mobile Building, Non-Residential Unit	<p>Provide the square footage of the building:</p> <ul style="list-style-type: none"> Include stairwells and elevator shafts. Do not include areas such as basements and mezzanines. If all of the floors are the same size, first calculate the ground floor area; then compute gross floor area by multiplying the ground floor area by the total number of floors. If the floor sizes vary, calculate each floor's area, then provide the sum of all floors.

(REVISED) Table 19. Square Footage Calculation

BUILDING OCCUPANCY	GUIDANCE
Single-Family Home, Residential Manufactured/Mobile Home, Residential Unit, and Two-to-Four Family Building	<p>Provide the total finished living area. An attached garage converted to a living space or an attic converted to living space should be included in the square footage calculation.</p> <p>Do not include the following areas in the square footage calculation:</p> <ul style="list-style-type: none"> Any garage area solely used for parking, storage or access; Finished or unfinished basement; Finished or unfinished enclosure area; or Porches or decks.
Other Residential Building, Residential Condominium Building, Non-Residential Building, Non-Residential Manufactured/Mobile Building, Non-Residential Unit	<p>Provide the square footage of the building:</p> <ul style="list-style-type: none"> Include stairwells and elevator shafts. Do not include areas such as basements, enclosures and mezzanines, finished or unfinished. If all of the floors are the same size, first calculate the ground floor area; then compute gross floor area by multiplying the ground floor area by the total number of floors. If the floor sizes vary, calculate each floor's area, then provide the sum of all floors. Do not include any garage area solely used for parking, storage or access.

Number of Floors in Building	
Reference: <i>FIM Section 3, How to Write, II.C.9.d, Page 3.38</i> FEMA is clarifying guidance to determine the number of floors in the building.	
CURRENT FIM GUIDANCE	REVISED FIM GUIDANCE
d. Number of Floors in Building Determine the building's number of floors based on the number of floors above the ground, excluding enclosures, crawlspaces (on grade or subgrade), basements, and certain attics (if used only for storage). For example, a building with a basement and one floor above the ground is rated as having one floor. Likewise, an elevated building with an enclosure (either compliant or non-compliant) and one additional floor above that is rated as having one floor. Indicate the total number of floors in the building even if the policy covers only an individual unit.	d. Number of Floors in Building Determine the building's number of floors based on the number of floors above the ground, excluding enclosures, crawlspaces (on grade or subgrade), basements (finished or unfinished), and attics (if not used for living space). For example, a building with a basement and one floor above the ground is rated as having one floor. Likewise, an elevated building with an enclosure (either compliant or non-compliant) and one additional floor above that is rated as having one floor. Indicate the total number of floors in the building even if the policy covers only an individual unit.

Maximum Coverage Limits	
Reference: <i>FIM Section 3, How to Write, II.D.1, Page 3.40</i> FEMA is adding that the premium is based on the cost per \$1,000 of coverage.	
CURRENT FIM GUIDANCE	REVISED FIM GUIDANCE
1. Maximum Coverage Limits Table 22 and Table 23 show the maximum amounts of building and contents coverage available for each Building Occupancy, under the Regular Program and the Emergency Program respectively. Policies may carry building coverage not to exceed the lesser of: <ul style="list-style-type: none"> The building's replacement cost value; <i>or</i> The maximum amount of coverage established by statute and regulation for each Building Occupancy as shown in Tables 22 and 23.⁹ 	1. Maximum Coverage Limits Table 22 and Table 23 show the maximum amounts of building and contents coverage available for each Building Occupancy, under the Regular Program and the Emergency Program respectively. Policies may carry building coverage not to exceed the lesser of: <ul style="list-style-type: none"> The building's replacement cost value; <i>or</i> The maximum amount of coverage established by statute and regulation for each Building Occupancy as shown in Tables 22 and 23.⁹ <p>Note: The premium is based on the cost per \$1,000 of coverage.</p>

Note: Footnote references are the same as in the current FIM.

Number of Floors In Building (Condominiums)	
<p>Reference: FIM Section 3, How to Write:</p> <p>Table 36 – III.A.2, Page 3.55</p> <p>Table 37 – III.A.3.a, Page 3.59</p> <p>Table 39 – III.A.4, Page 3.63</p> <p>Table 40 – III.A.5, Page 3.65</p> <p>Table 41 – III.A.6, Page 3.69</p> <p>FEMA is clarifying how to determine the number of floors in the building for different condominium scenarios. The same guidance changes that appear in Table 36 (in the row “Number of Floors in Building”) also apply for that same row in Tables 37, 39, 40, and 41.</p>	
(CURRENT) Table 36. Condominium Association Coverage for Residential Condominium Association Building (Scenario #1)	
Topic	Guidance
Number of Floors in Building	Determine a building’s number of floors based on the number of floors above the ground, excluding enclosures, crawlspaces (on grade or subgrade), basements, and certain attics (if used only for storage).
(REVISED) Table 36. Condominium Association Coverage for Residential Condominium Association Building (Scenario #1)	
Topic	Guidance
Number of Floors in Building	Determine a building’s number of floors based on the number of floors above the ground, excluding enclosures, crawlspaces (on grade or subgrade), basements (finished or unfinished), and attics (if not used for living space).

Section 6 – How to Cancel

No Insurable Interest			
<p>Reference: FIM Section 6, How to Cancel, II.A, Page 6.3</p> <p>FEMA is updating the conditions for canceling a contents-only policy to include when the policyholder is deceased.</p>			
CURRENT FIM GUIDANCE		REVISED FIM GUIDANCE	
<p>A. No Insurable Interest</p> <p>Table: Reason Code 02: Contents sold, removed, or destroyed ²</p>		<p>A. No Insurable Interest</p> <p>Table: Reason Code 02: Contents sold, removed, or destroyed ²</p>	
Conditions	The insurer may cancel a contents-only policy if the policyholder had an insurable interest in the insured property during the policy term, but	Conditions	The insurer may cancel a contents-only policy if the policyholder had an insurable interest in the insured property during the policy term, but

No Insurable Interest			
	no longer has an insurable interest. For example:		no longer has an insurable interest. For example:
	<ul style="list-style-type: none"> The policyholder sold or transferred ownership of the insured contents. The contents were completely removed or relocated from the described location. The contents were destroyed by any peril. 		<ul style="list-style-type: none"> The policyholder sold or transferred ownership of the insured contents. The contents were completely removed or relocated from the described location. The contents were destroyed by any peril. The policyholder is deceased.

Appendix C – Quick Start Guide

Square Footage	
<p>Reference: <i>FIM Appendix C, Quick Start Guide, 8.G, Page C.5</i></p> <p>FEMA is clarifying guidance on the building square footage calculation.</p>	
CURRENT FIM GUIDANCE	REVISED FIM GUIDANCE
<p>G. Building Square Footage</p> <p>For Single-Family Home, Residential Manufactured/Mobile Home, Residential Unit, and Two-to-Four Family Building occupancies, enter the total square footage of the building's finished living area; do not include any garage area, basement or enclosure area, or porches or decks.</p> <p>For all other occupancies, enter the total square footage of the building; include stairwells and elevator shafts but do not include areas such as basements and mezzanines.</p>	<p>G. Building Square Footage</p> <p>For Single-Family Home, Residential Manufactured/Mobile Home, Residential Unit, and Two-to-Four Family Building occupancies, enter the total square footage of the building's finished living area. An attached garage converted to a living space or an attic converted to living space should be included in the square footage calculation. Do not include the following areas in the square footage:</p> <ul style="list-style-type: none"> Any garage area solely used for parking, storage or access; Finished or unfinished basement; Finished or unfinished enclosure area; <i>or</i> Porches or decks. <p>For all other occupancies, enter the total square footage of the building; include stairwells and elevator shafts but do not include areas such as basements, enclosures, and mezzanines, finished or unfinished. Do not include any garage area solely used for parking, storage or access.</p>

Number of Floors in Building	
<p>Reference: <i>FIM Appendix C, Quick Start Guide, 8.H, Page C.6</i></p> <p>FEMA is clarifying how to determine the number of floors in the building.</p>	
CURRENT FIM GUIDANCE	REVISED FIM GUIDANCE
<p>H. Number of Floors in Building</p> <p>Determine the building's number of floors based on the number of floors above the ground, excluding enclosures, crawlspaces (on grade or subgrade), basements, and certain attics (if used only for storage). For example, a building with a basement and one floor above the ground is rated as having one floor. Likewise, an elevated building with an enclosure (either compliant or non-compliant) and one additional floor above that is rated as having one floor. Indicate the total number of floors in the building even if the policy covers only an individual unit.</p>	<p>H. Number of Floors in Building</p> <p>Determine the building's number of floors based on the number of floors above the ground, excluding enclosures, crawlspaces (on grade or subgrade), basements (finished or unfinished), and attics (if not used for living space). For example, a building with a basement and one floor above the ground is rated as having one floor. Likewise, an elevated building with an enclosure (either compliant or non-compliant) and one additional floor above that is rated as having one floor. Indicate the total number of floors in the building even if the policy covers only an individual unit.</p>