

## PROVISIONAL RATING

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### I. GENERAL DESCRIPTION

Provisional rating is available to enable the placement of coverage prior to receipt of the Elevation Certificate. It is expected that an Elevation Certificate will be secured and standard rating completed within 60 days of the policy effective date. Failure to obtain the Elevation Certificate could result in reduced coverage limits at the time of a loss. A sample rate questionnaire and a sample notice to the policyholders informing them of their obligations under a provisionally rated policy are included in this section.

Provisional rates may be used in writing new business whether or not the 30-day waiting period is applicable.

Provisionally rated policies are subject to CRS Premium Discount, Probation Surcharge, and optional deductible factors, as applicable. The Federal Policy Fee and ICC Premium also apply to provisionally rated policies.

### II. ELIGIBILITY REQUIREMENTS

Provisional rating is available only for newly insured risks meeting the following criteria:

- Post-FIRM
- 1-4 family residential buildings
- Property located in either
  - Zones AE, A1-A30, or
  - Zone A where the community provides estimated Base Flood Elevations (BFEs).

Manufactured (mobile) homes are not eligible.

Policies written with provisional rates cannot be renewed or rewritten with provisional rates. In addition, an insured who has purchased a provisionally rated policy on a given property may not purchase another provisionally rated policy on that same property.

### III. REFORMATION

While provisionally rated policies may remain in effect for up to 1 year, standard rating must be accomplished prior to any claim payment, should there be a loss.

#### A. Limitations

A provisionally rated policy has limited reformation rights.

1. Prior to any loss, a policy may be reformed back to the effective date upon receipt

of the Elevation Certificate and the appropriate actuarial rating. If the additional premium that results because of a reformation of the policy is not received from the insured, the coverage will be reduced.

2. If receipt is within 60 days of the effective date, the policy may be reformed back to the effective date even if a loss occurred before receipt.
3. After a loss, reformation is not permitted. A policy must be rated with an Elevation Certificate prior to any claim payment. Coverage will be limited to the amount that would have been purchased using actuarial rating with the amount of premium already submitted. The amount of coverage may not exceed the amount originally requested.

#### B. Endorsement Procedure

The provisionally rated policy may not be endorsed to increase coverage until the policy has been reformed to a standard rated policy. At that time, all standard endorsement rules apply (e.g., 30-day wait). In order to reform the rating method of a provisionally rated policy, the agent should submit a General Change Endorsement form along with the necessary documentation. The reason for change should be listed as "reforming from provisional to standard rating." Any additional premium due should be calculated and submitted at that time.

#### C. Endorsement Alternative

Prior to any loss, in the case where the actuarial premium is higher than the provisional premium, an insured may elect to pay the premium due for the remainder of the policy term. In that case, the coverage will be restored to the originally requested amounts after a 30-day waiting period.

### IV. NOTIFICATION REQUIREMENTS

When a policy is issued using provisional rating, along with the declaration pages, a notice will be provided to the insured, the agent, and the lender (if applicable), that explains the nature of the coverage, the limited reformation rights, and the expectation that actuarial rating will be accomplished.

## **V. COMPLETING THE PROVISIONAL RATING QUESTIONNAIRE**

### **A. General Directions**

The Provisional Rating Questionnaire, shown on page PR 3, is for Post-FIRM properties in Zones A with estimated BFE, A1-30, and AE where there is no Elevation Certificate at the point of sale. Eligibility is restricted to 1-4 family buildings. The form must be completed and attached to the Flood Insurance Application form.

The following are instructions for completing the questionnaire.

1. Enter the name, property address, city, state, and ZIP Code.
2. Enter the policy number, if known.
3. Enter the policy effective date and policy expiration date (month-day-year). The effective date of the policy is determined by adding the appropriate waiting period to the date of application listed in the Flood Insurance Application.
4. For questions 1-4 on the Provisional Rating Questionnaire, start with question 1 and proceed until a question is answered affirmatively. That will indicate the foundation type that is to be used in selecting the rate from the table below.
5. To complete the Flood Insurance Application, attach the questionnaire and use the rates in the table indicated by the answers to the questions 1-4. Then complete the premium calculation section on the Flood Insurance Application. Note that optional deductibles, ICC Premium, CRS Premium Discount, Probation Surcharge, and Federal Policy Fee affect the Total Prepaid Amount calculation for provisional rates.

### **B. Guidance for Determining Building Elevated on Fill**

It is often difficult to recognize when a building has been elevated on fill. The following questions are provided to help in correctly determining this for the questionnaire.

1. Is the building built on a mound of earth? An indication could be that the land slopes significantly down away from the building in the front and rear, or the driveway slopes significantly down towards the street.
2. Is the front door threshold at least 3 feet above the crown of the street?
3. Do steps up from the street to the house result in at least a 3-foot rise?
4. Is the lower floor of the house at least 2 feet above the floor of the garage?

If the answer is "yes" to one of the above, then there is reasonable confidence that the building is built on fill.

**NATIONAL FLOOD INSURANCE PROGRAM**  
**PROVISIONAL RATING QUESTIONNAIRE**  
1-4 Family Post-FIRM Zones A<sup>1</sup>, A1-A30, AE  
(To be attached to the Flood Insurance Application)

NAME \_\_\_\_\_  
PROPERTY ADDRESS \_\_\_\_\_  
\_\_\_\_\_

POLICY NUMBER \_\_\_\_\_  
Policy Period is from \_\_\_\_\_ to \_\_\_\_\_

Answer the questions below. Use the rates associated with the first "yes" response. These rates are to be used on the Flood Insurance Application.

Yes   No

- ☐   ☐   1. Is there a basement?
- ☐   ☐   2. Is the house built on fill<sup>2</sup> or with a crawl space?
- ☐   ☐   3. Is the house elevated on pilings, piers, or columns?  
If yes, determine if there is an enclosed area underneath the building.
- ☐   ☐   4. Were the answers to the previous three questions all no?  
Then the house is assumed to be slab on natural grade.

FOUNDATION TYPE	BUILDING TYPE*		CONTENTS LOCATION			
	One Floor No Basement	More Than One Floor (Basement or No Basement)	Basement and Above	Lowest Floor Only - Above Ground Level (Not in Basement)	Lowest Floor Above Ground Level and Higher (Not in Basement)	Above <sup>3</sup> Ground Level - More Than One Full Floor
<b>Basement</b>		1.23/.66	1.29/.13	.96/.13	.68/.13	.35/.12
<b>Fill or Crawl Space</b>	.88/.34	.88/.34		1.49/.62	.95/.45	.35/.12
<b>Piles, Piers, or Columns</b>						
With Enclosure	.88/.08	.88/.08		1.40/.14	1.09/.13	.35/.12
No Enclosure	.53/.08	.46/.08		1.04/.14	.73/.13	.35/.12
<b>On Grade</b>	3.58/2.15	3.58/2.15		6.77/4.07	6.77/4.07	.35/.12

\* Add \$6 ICC Premium and \$50.00 Probation Surcharge, if applicable, for all provisionally rated policies.

<sup>1</sup> Provisional Rates are restricted to Unnumbered A Zones where communities provide estimated BFEs.

<sup>2</sup> For information on how to determine if a house is built on fill, see the guidelines on PR 2.

<sup>3</sup> The "Above Ground Level - More Than One Full Floor" rates are applicable to 2-4 family structures only.

## VI. PROVISIONAL RATING EXAMPLE

### REGULAR PROGRAM, POST-FIRM CONSTRUCTION

#### Data Essential To Determine Appropriate Rates and Premium:

##### • Regular Program

- Flood Zone: A with estimated BFE, AE, or A1-A30
- Occupancy: Single Family Dwelling
- # of Floors: 3 Floors
- Basement/Enclosure: Basement
- Deductible: \$3,000/\$2,000
- Deductible Factor: .850
- Contents Location: Basement and Above
- Date of Construction: Post-FIRM
- Elevation Difference: N/A
- Flood Proofed Yes/No: No
- Building Coverage: \$250,000
- Contents Coverage: \$100,000
- ICC Premium: \$6
- CRS Rating: N/A
- CRS Discount: N/A
- Probation Surcharge: \$50

#### Determined Rates:

Building: 1.23/.66

Contents: 1.29/.13

COVERAGE	BASIC LIMITS			ADDITIONAL LIMITS (REGULAR PROGRAM ONLY)			DEDUCTIBLE PREM. REDUCTION/ INCREASE	BASIC AND ADDITIONAL TOTAL AMOUNT OF INSURANCE	TOTAL PREMIUM	
	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM				
BUILDING	50,000	1.23	615	200,000	.66	1,320	290	250,000	1,645	
CONTENTS	20,000	1.29	258	80,000	.13	104	54	100,000	308	
RATE TYPE: (ONE BUILDING PER POLICY—BLANKET COVERAGE NOT PERMITTED)						PAYMENT OPTION:  <input type="checkbox"/> CREDIT CARD  <input type="checkbox"/> OTHER:		ANNUAL SUBTOTAL		1,953
<input type="checkbox"/> MANUAL <input type="checkbox"/> SUBMIT FOR RATING								ICC PREMIUM		6
<input type="checkbox"/> ALTERNATIVE <input type="checkbox"/> V-ZONE RISK RATING FORM								SUBTOTAL		1,959
<input type="checkbox"/> MORTGAGE PORTFOLIO PROTECTION PROGRAM								CRS PREMIUM DISCOUNT ____%		—
<input type="checkbox"/> PROVISIONAL RATING								SUBTOTAL		1,959
THE ABOVE STATEMENTS ARE CORRECT TO THE BEST OF MY KNOWLEDGE. I UNDERSTAND THAT ANY FALSE STATEMENTS MAY BE PUNISHABLE BY FINE OR IMPRISONMENT UNDER APPLICABLE FEDERAL LAW.  SIGNATURE OF INSURANCE AGENT/BROKER _____ DATE (MM/DD/YY) _____						PROBATION SURCHARGE		50		
						FEDERAL POLICY FEE		30		
						TOTAL PREPAID AMOUNT		2,039		

#### Premium Calculation:

1. Multiply Rate x \$100 of Coverage: Building: \$1,935 / Contents: \$362
2. Apply Deductible Factor: Building: .850 x \$1,935 = \$1,645 / Contents: .850 x \$362 = \$308
3. Premium Reduction: Building: \$290 / Contents: \$54
4. Subtotal: \$1,953
5. Add ICC Premium: \$6
6. Subtract CRS Discount: N/A
7. Subtotal: \$1,959
8. Probation Surcharge: \$50
9. Add Federal Policy Fee: \$30
10. Total Prepaid Amount: \$2,039

## **SAMPLE NOTICE TO ACCOMPANY PROVISIONALLY RATED POLICIES**

At the request of you and your agent, the enclosed Standard Flood Insurance Policy has been issued using provisional rates because an Elevation Certificate was not available at the time of application. An Elevation Certificate is necessary to determine a premium that accurately reflects the flood risk (i.e., actuarial rates). By accepting this provisionally rated policy, you agree to submit an Elevation Certificate within 60 days of your policy becoming effective. Your agent can assist you in obtaining a certificate. Failure to comply with this requirement may result in lower coverage limits than those shown on the enclosed declarations page and may affect other aspects of your coverage. This policy is issued for a 1-year term and cannot be renewed using provisional rates.

It is likely that after you submit a valid Elevation Certificate, the resulting actuarial premium will be determined to be lower than the provisional premium. In that case, you will receive a refund of the difference for the policy term.

If the actuarial premium is determined to be higher, the following rules apply:

- (1) If within 60 days of the policy effective date, we receive from you a valid Elevation Certificate with any additional premium due as a result of using actuarial rates, the coverage limits on the enclosed declarations page will be in force from the effective date. Those coverage limits will apply even to a loss occurring before we receive the Elevation Certificate and additional premium. Actuarial rating will be completed before the loss payment is made.
- (2) If we receive from you a valid Elevation Certificate and any additional premium due as a result of using actuarial rates more than 60 days after the policy effective date but before a loss occurs, you have two options. You may submit the additional premium for the entire policy term, in which case the coverage limits on the enclosed declarations page will be in force from the effective date. Alternatively, you may submit the additional premium, computed for the remainder of the policy term with a 30-day waiting period. In this latter case, the originally requested coverage limits will only apply to any loss occurring after the waiting period. Reduced coverage limits as described in number (3) below will apply to any loss occurring within the waiting period.
- (3) If neither (1) nor (2) above applies, actuarial rates must be determined before any loss payment will be made. If the actuarial premium is more than the provisional premium, the coverage limits will be less than those shown on the enclosed declarations page. In that case, the loss payment will be subject to the reduced coverage limits, which will be the coverage limits that the provisional premium would buy using the actuarial rates. If you want to increase your reduced coverage limits, a 30-day waiting period will apply to the additional coverage.

If you have any questions, please contact your insurance agent for assistance.

