PROVISIONAL RATING

I. GENERAL DESCRIPTION

Provisional rating is available to enable the placement of coverage prior to receipt of the Elevation Certificate (EC). It is expected that an EC will be secured and actuarial rating completed within 60 days of the policy effective date. Failure to obtain the EC 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 Community Rating System (CRS) Premium Discount, Probation Surcharge, and optional deductible factors, as applicable. The Federal Policy Fee and Increased Cost of Compliance (ICC) Premium also apply to provisionally rated policies.

II. ELIGIBILITY REQUIREMENTS

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

- Post-FIRM;
- 1–4 family residential buildings; *and*
- Property located in either
  - Zones AE, A1–A30, AO, or AH, *or*
  - Zone A where the community provides 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, actuarial 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. If the insurer receives a valid EC and the required photographs within 60 days of the policy effective date, the coverage limits on the declarations page will be revised as of the policy effective date. If any additional premium is due because the actuarial premium is more than the provisional premium, the insured will then have 30 days to pay the additional premium for the entire term to restore the originally requested limits without a waiting period. Those coverage limits will apply even to a loss occurring before the EC and additional premium are received. Actuarial rating will be completed before the loss payment is made.

2. If the insurer receives a valid EC 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, the insured has 2 options. The insured may submit the additional premium for the entire policy term, in which case the coverage limits on the declarations page will be in force from the effective date. Alternatively, the insured 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 apply only 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 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 the insured wants to increase the reduced coverage limits, a 30-day waiting period will apply to the additional coverage.

   In all instances, if the actuarial premium is less than the provisional premium, the amount of coverage may not exceed the amount originally requested.

B. Endorsement Procedure

A provisionally rated policy may not be endorsed to increase coverage until the policy has been reformed to an actuarially 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/producer should submit a general change request along with the necessary documentation. Any additional premium due must be calculated and submitted at that time. The reason for change should be listed as “reforming from provisional to actuarial rating.”

IV. NOTIFICATION REQUIREMENTS

When a policy is issued using provisional rating, along with the declarations page, a notice will be provided to the insured, the agent/producer, 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. See the sample notice at the end of this section.

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 BFE, AE, A1–A30, AO, and AH where there is no EC at the point of sale. Eligibility is restricted to 1–4 family buildings. The questionnaire must be completed and submitted with the Flood Insurance Application.

The following are instructions for completing the questionnaire.

1. Enter the applicant's name and the 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 on 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.
5. Complete the Flood Insurance Application and attach the questionnaire. Use the rates in the table indicated by the answers to questions 1–4 to 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

For the purposes of this questionnaire, the following questions are provided to help correctly determine whether a building has been elevated on fill.

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 toward 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 to any of the above is "yes," indicate "yes" for question 2 on the questionnaire.

NATIONAL FLOOD INSURANCE PROGRAM
PROVISIONAL RATING QUESTIONNAIRE

1–4 Family Post-FIRM Zones A with BFE[1], AE, A1–A30, AO, and AH

(To be attached to the Flood Insurance Application)

NAME _____ POLICY NUMBER _____

PROPERTY ADDRESS _____ POLICY PERIOD IS FROM _____ TO _____

CITY _____ STATE _____ ZIP CODE _____

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 or subgrade crawlspace?
☐	☐	2. Is the house built on fill[2] or with a crawlspace or solid perimeter foundation walls?
☐	☐	3. Is the house elevated on pilings, piers, columns, or parallel shear walls? If yes, determine whether there is an enclosed area underneath the building.
☐	☐	4. Were the answers to the previous questions all no? Then the house is assumed to be slab on natural grade.

FOUNDATION TYPE	BUILDING TYPE		CONTENTS LOCATION			
	1 Floor (No Basement)	More Than 1 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[3] Ground Level – More Than 1 Full Floor
Basement or Subgrade Crawlspace		2.40 / .66	1.29 / .13	.96 / .13	.68 / .13	.35 / .12
Slab on Fill, Crawlspace, or Solid Perimeter Foundation Walls	1.78 / .13	1.34 / .12		1.49 / .62	.95 / .45	.35 / .12
Piles, Piers, Columns, or Parallel Shear Walls						
With Enclosure	1.27 / .12	.96 / .11		1.40 / .14	1.09 / .13	.35 / .12
No Enclosure	.75 / .10	.57 / .09		1.04 / .14	.73 / .13	.35 / .12
Slab on Natural Grade	4.00 / 2.15	4.00 / 2.15		6.77 / 4.07	6.77 / 4.07	.35 / .12

1 Provisional rates can be used in Unnumbered A Zones only where communities provide BFEs.
2 For information on how to determine whether a house is built on fill, see the guidelines on page PR 2.
3 The "Above Ground Level – More Than 1 Full Floor" rates are applicable to 2–4 family buildings only.

NOTE: Add $5 ICC Premium and $50 Probation Surcharge, if applicable, for all provisionally rated policies.

VI. PROVISIONAL RATING EXAMPLE

REGULAR PROGRAM, POST-FIRM CONSTRUCTION

Data Essential to Determine Appropriate Rates and Premium:

REGULAR PROGRAM:

- Flood Zone: A with BFE, AE, A1–A30, AO, or AH
- Occupancy: Single-Family Dwelling
- Number of Floors: 3
- Basement/Enclosure: Basement
- Deductible: $3,000/$2,000
- Deductible Factor: .875
- Contents Location: Basement and Above
- Date of Construction: Post-FIRM
- Elevation Difference: N/A
- Floodproofed (Yes/No): No
- Building Coverage: $250,000
- Contents Coverage: $100,000
- ICC Premium: $5
- CRS Rating: N/A
- CRS Discount: N/A
- Probation Surcharge: $50

DETERMINED RATES:

Building: 2.40/.66 Contents: 1.29/.13

COVERAGE	BASIC LIMITS			ADDITIONAL LIMITS (REGULAR PROGRAM ONLY)			DEDUCTIBLE	BASIC AND ADDITIONAL	TOTAL PREMIUM
	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	AMOUNT OF INSURANCE	RATE	ANNUAL PREMIUM	PREM. REDUCTION/ INCREASE	TOTAL AMOUNT OF INSURANCE	
BUILDING	**$60,000**	**2.40**	**$1,440**	**$190,000**	**.66**	**$1,254**	**$337**	**$250,000**	**$2,357**
CONTENTS	**$25,000**	**1.29**	**$323**	**$75,000**	**.13**	**$98**	**$53**	**$100,000**	**$368**

RATE TYPE: (ONE BUILDING PER POLICY — BLANKET COVERAGE **NOT** PERMITTED)

☐ MANUAL ☐ SUBMIT FOR RATING
☐ ALTERNATIVE ☐ V-ZONE RISK RATING FORM
☐ PROVISIONAL RATING ☐ LEASED FEDERAL PROPERTY
☐ MORTGAGE PORTFOLIO PROTECTION PROGRAM

PAYMENT OPTION:

☐ CREDIT CARD
☐ OTHER:

ANNUAL SUBTOTAL	**$2,725**
ICC PREMIUM	**$5**
SUBTOTAL	$2,730
CRS PREMIUM DISCOUNT ____ %	—
SUBTOTAL	$2,730
PROBATION SURCHARGE	**$50**
FEDERAL POLICY FEE	**$40**
TOTAL PREPAID AMOUNT	$2,820

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)

PREMIUM CALCULATION:

1. Multiply Rate × $100 of Coverage: Building: $2,694 / Contents: $421
2. Apply Deductible Factor: Building: .875 × $2,694 = $2,357 / Contents: .875 × $421 = $368
3. Premium Reduction: Building: $337 / Contents: $53
4. Subtotal: $2,725
5. Add ICC Premium: $5
6. Subtract CRS Discount: N/A
7. Subtotal: $2,730
8. Add Probation Surcharge: $50
9. Add Federal Policy Fee: $40
10. Total Prepaid Amount: $2,820

SAMPLE NOTICE TO ACCOMPANY PROVISIONALLY RATED POLICIES

At the request of you and your agent/producer, 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 and the required photographs within 60 days of your policy becoming effective. 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 we receive from you a valid Elevation Certificate and the required photographs within 60 days of the policy effective date, the coverage limits on the declarations page will be revised as of the policy effective date. If any additional premium is due because the actuarial premium is more than the provisional premium, you will then have 30 days to pay the additional premium for the entire term to restore the originally requested limits without a waiting period. 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 2 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.

In all instances, if the actuarial premium is less than the provisional premium, the amount of coverage may not exceed the amount originally requested.

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