

# 6. How to Cancel

Under certain circumstances, NFIP insurers may cancel flood insurance policies through the remainder of a policy's term or for the entire term. NFIP insurers may also nullify or void a policy through the policy's entire term, where eligible. This section describes the procedures for canceling, nullifying, or voiding a policy and whether the policyholder is entitled to a full, partial, or no refund.

## I. General Information

- To cancel or nullify (void) a policy, a completed cancellation/nullification or similar request with proper documentation must be submitted to the insurer.
- The receipt date of the cancellation or nullification request is the date the insurer receives the request with the proper documentation. If additional documentation is required by the insurer, it must be received within 60 days of the insurer's notification in order to retain the original receipt date. If received more than 60 days after the notification, then the receipt date will be the date the additional documentation was received.
- Unless otherwise specified within the reason code description, a policy may be canceled for up to 5 years prior to the receipt date of the cancellation request, if applicable. Insurers must include any lapse in coverage when determining the number of years allowed for a refund as a lapse in coverage does not extend the number of policy terms allowed.
- If there is an open claim on a policy, then the policy cannot be canceled.
- If there is a closed paid claim on a policy term, then that policy term cannot be canceled, except under reason codes 1, 2, 3, 4, 10, and 21 which allow cancellation after the loss date.
- If there is a claim closed without payment on a policy term, the policy term can be canceled.
- After processing a cancellation or nullification request, the insurer must provide the policyholder and all interested parties with a notice advising of the cancellation or nullification. Interested parties include any additional policyholders, additional lenders, loss payees, trustees, or disaster assistance agencies.

**Note:** A copy of the Flood Insurance Cancellation/Nullification Request Form is in Appendix B: Forms.

## II. Valid Cancellation Reason Codes

The tables that follow provide the valid reason codes for canceling or nullifying an NFIP policy, with specific conditions applicable to each. **Table 1** shows how the valid reason codes are grouped by topic rather than numerical order.

**Table 1: Valid Cancellation Reason Codes**

TOPIC	REASON CODES
A. No Insurable Interest	<b>01</b> – Building sold, removed, or destroyed <b>02</b> – Contents sold, removed, or destroyed <b>07</b> – Property closing did not occur

**Table 1: Valid Cancellation Reason Codes** *continued*

TOPIC	REASON CODES
<b>B. Establish a Common Expiration Date</b>	<b>03</b> – Policy canceled and rewritten to establish a common expiration date with other insurance coverage for the same building
<b>C. Duplicate Coverage</b>	<b>04</b> – Duplicate NFIP policies <b>10</b> – Condominium unit or association policy converting to RCBAP <b>26</b> – Duplicate policy from a source other than NFIP
<b>D. Not Eligible for Coverage</b>	<b>06</b> – Property not eligible for coverage at time of application <b>27</b> – Property becomes ineligible for coverage during policy term <b>29</b> – Building physically altered and no longer eligible for NFIP coverage
<b>E. Lender No Longer Requires Insurance</b>	<b>28</b> – Insurance no longer required by lender
<b>F. Invalid Payment or Fraud</b>	<b>05</b> – Invalid payment <b>23</b> – Fraud or Misrepresentation <b>30</b> – Insufficient premium to retain coverage
<b>G. Other Reason Codes</b>	<b>13</b> – Nullification prior to policy effective date <b>20</b> – SRL written with incorrect insurer <b>21</b> – Continuous lake flooding or closed basin lakes <b>22</b> – Cancel and rewrite due to administrative error

For specific guidance on each reason code please see the tables below.

**Note:** Over time FEMA has retired some reason codes.

### A. No Insurable Interest

Reason Code 01	Building sold, removed, or destroyed <sup>1</sup>
<b>Conditions</b>	<p>The insurer may cancel the policy if the policyholder had an insurable interest in the insured property during the policy term, but no longer has an insurable interest. For example:</p> <ul style="list-style-type: none"> <li>• The policyholder sold or transferred ownership of the insured building and no longer has an insurable interest in the insured building.</li> <li>• Relocation or destruction of the insured building.</li> <li>• The builder or developer requests to cancel a policy mid-term because ownership transferred to a newly-created condominium association and the association purchased a policy under its name.</li> <li>• The lienholder foreclosed on the building.</li> </ul>

1. 44 CFR Part 61, Appendix A(1)-(3), VIII.D.2; 44 CFR § 62.5(b)

## E. Lender No Longer Requires Insurance

Reason Code 28	Insurance no longer required by lender <sup>11</sup>
<p><b>Conditions</b></p>	<p>The policyholder was subject to a requirement by a lender, loss payee, or other federal agency to obtain and maintain flood insurance pursuant to statute, regulation, or contract, but there is no longer such a requirement.</p> <p>Examples of such situations include but are not limited to:</p> <ul style="list-style-type: none"> <li>• Required for a loan closing, but it was later discovered that the building was not located in an SFHA at the time of closing.</li> <li>• Required because a building was located in an SFHA but FEMA issued a map revision, Letter of Determination Review (LODR), Letter of Map Revision (LOMR), or Letter of Map Amendment (LOMA) that removed the building from the SFHA.</li> <li>• Required because a building was located in an SFHA but FEMA issued a LODR indicating the building is not located in an SFHA.</li> <li>• Determined that flood insurance is no longer required for a structure on a residential property that is detached from the primary residential structure and not itself a residence.</li> <li>• Required as part of a loan closing and the borrower has paid off the mortgage loan.</li> </ul> <p><b>Note:</b> Lenders have discretion to impose flood insurance requirements beyond the mandatory purchase requirement. For example, they may require flood insurance outside of SFHAs. Therefore, insurers may use this cancellation reason even for properties not located in SFHAs, if the lender no longer requires the policy.</p>
<p><b>Cancellation Effective Date</b></p>	<p>The date the insurer receives the request.</p>
<p><b>Policy Terms Eligible for Refund</b></p>	<p>Current policy term.</p>
<p><b>Type of Refund</b></p>	<p>A pro-rata premium refund excluding the HFIAA Surcharge, Federal Policy Fee and Probation Surcharge applies to the policy term canceled. For any subsequent renewed terms eligible for refund, full premium refunds including surcharges and fees apply.</p>
<p><b>Required Documentation</b></p>	<p>In lieu of a signed cancellation request, a signed statement from the policyholder that the lender no longer requires a flood policy. See the sample verification letter regarding the requirement to maintain flood insurance coverage in Appendix I: Policyholder Communications.</p>

## F. Invalid Payment or Fraud

Reason Code 05	Invalid payment <sup>12</sup>
<p><b>Conditions</b></p>	<p>Valid reasons to nullify (void) the policy for an invalid payment include:</p> <ul style="list-style-type: none"> <li>• A policyholder's check payment to the agent or insurer is returned for non-sufficient funds or rejected.</li> <li>• A policyholder's electronic payment to the agent or insurer is rejected or disputed.</li> </ul> <p><b>Note:</b> Reason Code 05 is not valid if an agent advances insurance agency funds without first receiving payment from the policyholder.</p>

11. 44 CFR Part 61, Appendix A(1)-(3), VIII.C; 44 CFR § 62.5(c)

12. 44 CFR Part 61, Appendix A(1)-(3), VIII.B.1.d

### III. Processing a Cancellation or Nullification Request

#### A. Signatures

The insurer may accept electronic submissions if their business process includes signature authentication and records receipt dates. Please see the Electronic Signatures heading in Section 2: Before You Start for more information.

##### 1. Policyholder's Signature

In general, all policyholders must sign and date a cancellation or nullification request, except:

- All requests using reason codes 5, 6, 21, 22, 23, 27 and 30.
- Requests using reason code 1, if the building was foreclosed on and the lender is entitled to the refund.
- Requests using reason code 29, if the covered building that was eligible for coverage became ineligible midterm due to physical alteration of the building.
- Request using reason code 4, where the insurer created a duplicate policy.

##### 2. Agent Signature

Agents must sign and date the cancellation or nullification request for all cancellation reason codes, except 6, 21, 22, 23, 27 and 30.

#### B. Premium Refunds

Insurers must process the return premium on policy terms for which they are the insurer of record.

If the premium refund is for more than two policy terms and the insurer is unable to process the additional terms within their system, then the insurer may submit the request and documentation for the additional terms to FEMA for processing. The documentation must include:

- A policy cancellation request and the premium refund calculation for each policy term.
- The insurer's statistical records or declarations pages for each policy term and evidence of premium payments.
- A completed Prior Term Refund (PTR) Worksheet.

Insurers may send requests and documentation to FEMA by email to: [NFIPUnderwritingMailbox@fema.dhs.gov](mailto:NFIPUnderwritingMailbox@fema.dhs.gov).

FEMA notifies the insurers of the premium refunded and the Expense Allowance due to the NFIP. The insurers must maintain this documentation as part of their underwriting files. FEMA will return rejected refund requests.

## C. Cancellation Processing Outcomes

Reason Code	Signature Required Policyholder Agent, or Both	Premium Refund (Including ICC and Reserve Fund Assessment)		HFIAA Surcharge			Probation Surcharge		Federal Policy Fee		Producer Commission (Direct Business Only)		
		Full Refund	Pro Rated	Full Refund	Pro Rated	No Refund	Full Refund	No Refund	Full Refund	No Refund	Full Deduction	Pro Rated	Retained
<b>A. No Insurable Interest</b>													
1	*		×		×			×		×		×	
2	Both		×		×			×		×		×	
7	Both	×		×			×		×		×		
<b>B. Establish Common Expiration Date</b>													
3	Both		×			×		×		×		×	
<b>C. Duplicate Coverage</b>													
4	*		×*		×*			×*		×*		×*	
10	Both		×		×			×		×		×	
26	Both	×		×			×		×		×		
<b>D. Not Eligible for Coverage</b>													
6	*	×		×			×		×		×		
27	*	×		×			×		×		×		
29	*		×			×		×		×		×	
<b>E. Lender No Longer Requires Insurance</b>													
28	Both		×			×		×		×		×	
<b>F. Insufficient Premium or Fraud</b>													
5	Agent	×		×			×		×		×		
23	*	NO REFUND OF PREMIUM, FEDERAL POLICY FEE, RESERVE FUND ASSESSMENT, OR HFIAA SURCHARGE ALLOWED										×	
30	*	×		×			×		×		×		
<b>G. Other Reason Codes</b>													
13	Both	×		×			×		×		×		
20	Both	×		×			×		×		×		
21	*	NO REFUND OF PREMIUM, FEDERAL POLICY FEE, RESERVE FUND ASSESSMENT, OR HFIAA SURCHARGE ALLOWED										×	
22	*	×		×			×		×		×		

\* See the Signatures heading above.

×\* See Reason Code 04 description for when a full refund may apply.