



# NATIONAL FLOOD INSURANCE PROGRAM

## Bureau and Statistical Agent

W-02043

**MEMORANDUM TO:** Write Your Own (WYO) Principal Coordinators  
and NFIP Servicing Agent

**FROM:** WYO Clearinghouse

**DATE:** July 2, 2002

**SUBJECT:** Press Releases about Tropical Storm Allison "Anniversary Effect"

Attached are two FEMA press releases about the Anniversary of Tropical Storm Allison, urging NFIP policyholders to keep their coverage in force. These press releases are part of a continuing effort by FEMA to remind the public about the wisdom of buying and renewing flood insurance.

Please distribute this information as appropriate to others in your organization.

Attachments

cc: Vendors, IBHS, FIPNC, WYO Marketing Committee, Government Technical Representative

Suggested Routing: Marketing, Underwriting

7700 HUBBLE DRIVE • LANHAM, MD 20706 • (301) 731-5300

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is the Bureau and Statistical Agent for the National Flood Insurance Program



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## Federal Emergency Management Agency NEWS

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Office of Public Affairs, Washington, D.C. 20472  
[www.fema.gov/media](http://www.fema.gov/media)

(202) 646-4600

Media Contact:  
Mark Stevens  
(202) 646-3969

Release No.: 02-070  
Release Date:  
June 5, 2002

### FEMA WARNS FLOOD INSURANCE POLICYHOLDERS AGAINST “ANNIVERSARY EFFECT” COMPLACENCY

WASHINGTON -- Officials of the Federal Emergency Management Agency (FEMA) who administer the National Flood Insurance Program (NFIP) today urged Texas property owners who purchased flood insurance in the wake of Tropical Storm Allison to be sure to renew their policies and not be fooled into thinking such a devastating disaster can't happen again.

“We don't know where or when the next big flood will hit the United States,” FEMA Director Joe M. Allbaugh said. “All we know is that it will, sometime and somewhere. Residents of at-risk communities cannot afford to fall victim to ‘hazard amnesia’ just because it's been a while since the last emergency.”

This concern was echoed by Howard Leikin, deputy administrator for insurance in FEMA's Federal Insurance and Mitigation Administration, who said, “As often happens immediately following a major flood event, the number of flood insurance policies in force increased significantly after Allison swamped the Houston area with nearly 37 inches of rain a year ago.”

Leikin said the Texas policy count jumped 25 percent as a result of the media attention focused on the widespread flooding and the requirement that victims in high flood-risk areas who receive federal disaster loans and grants must purchase flood insurance.

“But our experience in other areas has shown many of those new policies are not renewed after the first year or two if no new floods occur,” he said. “People tend to forget how bad it was or think that something that bad couldn't possibly occur in the same place again. But they are sadly mistaken. These big flood events *will* happen again.”

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## FLOOD INSURANCE COMPLACENCY – Add ONE

NFIP studies have documented the drop-off in policy counts when these policies reach their first or second anniversary of purchase, a phenomenon that has been termed the “anniversary effect.” In many cases, the policy count returns to its pre-disaster level or below. For example, flood insurance policies in force in the upper Midwest increased by an astounding 60.7 percent within a few months after the Upper Midwest Flood of April 1997, but a year later dropped dramatically to less than the number of policies in force the month *before* the flood.

Tropical Storm Allison, which caused widespread flooding in Texas, Louisiana and several other Gulf and Atlantic coast states, was the single most costly event in NFIP history, resulting in \$1.1 billion in flood insurance claims paid to policyholders.

“All of us--federal, state and community officials--need to remind those who purchased new policies after Tropical Storm Allison that they should not fail to renew those policies. If the policies were purchased in connection with receiving a disaster loan or grant, they should be advised that they will not be eligible for such assistance in the future unless they maintain their coverage,” Leikin said.

“And even more important,” he added, “having flood insurance coverage will enable victims to recover more quickly and completely than those who must depend on government disaster assistance, which is limited--usually in the form of a loan that must be repaid, with interest--and is only available following a Presidential disaster declaration.”

The NFIP makes federally backed flood insurance available to homeowners, renters and business owners in communities that adopt and enforce floodplain management ordinances to reduce future flood losses by regulating new construction. Claims and operating expenses are funded by policyholder premiums, not taxpayer dollars. Currently, nearly 4.4 million flood insurance policies are in force in nearly 20,000 participating communities, representing more than \$605 billion worth of coverage.

Information about flood insurance is available at [www.fema.gov/nfip](http://www.fema.gov/nfip) or by calling 1-800-427-9662.



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(202) 646-4600

Media Contact:  
Mark Stevens  
(202) 646-3969

Release No.: 02-077  
Release Date:  
June 11, 2002

### FEMA WARNS FLOOD INSURANCE POLICYHOLDERS AGAINST “ANNIVERSARY EFFECT” COMPLACENCY

WASHINGTON -- Officials of the Federal Emergency Management Agency (FEMA) who administer the National Flood Insurance Program (NFIP) are urging Louisiana property owners who purchased flood insurance in the wake of Tropical Storm Allison to be sure to renew their policies and not be fooled into thinking such a devastating disaster can't happen again.

“We don't know where or when the next big flood will hit the United States,” FEMA Director Joe M. Allbaugh said. “All we know is that it will, sometime and somewhere. Residents of at-risk communities cannot afford to fall victim to ‘hazard amnesia’ just because it's been a while since the last emergency.”

This concern was echoed by Howard Leikin, deputy administrator for insurance in FEMA's Federal Insurance and Mitigation Administration, who said, “As often happens immediately following a major flood event, the number of flood insurance policies in force increased significantly after Allison swamped parts of Louisiana and Texas with extremely heavy rains a year ago.”

Leikin said the policy count in those two states combined jumped 14 percent as a result of the media attention focused on the widespread flooding and the requirement that victims in high flood-risk areas who receive federal disaster loans and grants must purchase flood insurance.

“But our experience in other areas has shown many of those new policies are not renewed after the first year or two if no new floods occur,” he said. “People tend to forget how bad it was or think that something that bad couldn't possibly occur in the same place again. But they are sadly mistaken. These big flood events *will* happen again.”

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## FLOOD INSURANCE COMPLACENCY – Add ONE

NFIP studies have documented the drop-off in policy counts when these policies reach their first or second anniversary of purchase, a phenomenon that has been termed the “anniversary effect.” In many cases, the policy count returns to its pre-disaster level or below. For example, flood insurance policies in force in the upper Midwest increased by an astounding 60.7 percent within a few months after the Upper Midwest Flood of April 1997, but a year later dropped dramatically to less than the number of policies in force the month *before* the flood.

Tropical Storm Allison, which caused widespread flooding in Texas, Louisiana and several other Gulf and Atlantic coast states, was the single most costly event in NFIP history, resulting in \$1.1 billion in flood insurance claims paid to policyholders---\$90 million in Louisiana alone.

“All of us--federal, state and community officials--need to remind those who purchased new policies after Tropical Storm Allison that they should not fail to renew those policies. If the policies were purchased in connection with receiving a disaster loan or grant, they should be advised that, by law, they will not be eligible for such assistance in the future unless they maintain their coverage,” Leikin said.

“And even more important,” he added, “having flood insurance coverage will enable people to recover more quickly and completely than those who must depend on government disaster assistance, which is limited--usually in the form of a loan that must be repaid, with interest--and is only available following a Presidential disaster declaration.”

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