



FEMA

W-08047

July 16, 2008

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators
and the NFIP Servicing Agent

FROM: Dennis L. Kuhns 
Director
Risk Insurance Division
Mitigation Directorate

SUBJECT: Severe Repetitive Loss Pilot Grant Program Overview

The Flood Insurance Reform Act of 2004 (FIRA 2004) provides funding to reduce or eliminate the long-term risk of flood damage to severe repetitive loss structures insured under the National Flood Insurance Program (NFIP). This memorandum provides an overview of the Severe Repetitive Loss (SRL) Program and the process that FEMA will use for the program's implementation. It also discusses the role of the Special Direct Facility (SDF) in notifying property owners of increased insurance premium rates if they refuse a mitigation offer under the SRL Program.

What Is the SRL Program?

The SRL Program was authorized by Congress with the goal of reducing flood claims from a subset of repetitive loss structures insured by the NFIP. An SRL property is a residential property that is covered under an NFIP flood insurance policy and:

- (a) That has at least four NFIP claim payments (including building and contents) over \$5,000 each, and the cumulative amount of such claim payments exceeds \$20,000; or
- (b) For which at least two separate claim payments (building payments only) have been made, and the cumulative amount of the building portion of such claim payments exceeds the market value of the building.

For both (a) and (b) above, at least two of the referenced claims must have occurred within any 10-year period and must be greater than 10 days apart. The loss history includes all ownership of the property since 1978 or since the building's construction if built after 1978.

Congress authorized \$40 million for the SRL Pilot Grant Program in both Fiscal Year (FY) 2006 and FY 2007, and \$80 million for FY 2008. The pilot program is set to end on September 30, 2009, although it may be extended through additional legislation. The current application period is open through December 19, 2008.

How Does the SRL Program Work?

Eligible applicants may apply for funding under the SRL Program via FEMA's electronic grants (eGrants) management system. Eligible applicants include States, the District of Columbia, the U.S. Virgin Islands, Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and federally recognized Indian tribal governments. Applicants must have a FEMA-approved State Mitigation Plan by the application deadline. Eligible subapplicants are State-level agencies, federally recognized tribal governments participating in the NFIP, and NFIP-participating communities. Subapplicants must have a FEMA-approved local mitigation plan by the application deadline that, at a minimum, addresses flood hazards. Property owners must have an active flood insurance policy on the building.

Subapplicants interested in pursuing funding under the SRL Program must consult with property owners prior to application submittal. The consultation process is a required notification and information gathering process. The subapplicant will consult with property owners prior to submitting the subgrant application on project activity types, estimated costs, and insurance implications, as well as the right to appeal a notification of insurance rate increase. Following the consultation process with SRL property owners, the local participating community (subapplicant) will advise property owners of their inclusion in an SRL grant application. Eligible mitigation activities are:

- Acquisition or relocation of at-risk structures and conversion of the property to open space;
- Elevation of existing structures and mitigation reconstruction (when traditional elevation cannot be implemented);
- Minor physical localized flood reduction projects; or
- Dry floodproofing of historic properties only.

The applicant selects and prioritizes applications developed and submitted to them by local jurisdictions to submit to FEMA for funding. FEMA Regional Offices work with State and community officials to review the applications and award grants on the basis of the greatest savings to the National Flood Insurance Fund. After subapplication selection, SRL mitigation grants are awarded to applicants that, in turn, award subgrants to local governments or communities; local governments extend a formal mitigation offer to each selected property owner.

Property owners have 45 days in which to respond to an offer of mitigation. If the property owner accepts the mitigation offer, then normal flood insurance policy processing will continue until completion of mitigation activities. SRL property owners who refuse an offer of mitigation will be subject to an increase in their flood insurance premium rate equal to 150 percent of the chargeable rate for the property at the time the offer was made as adjusted by any other premium adjustments otherwise applicable to the property. Upon notification from FEMA of an SRL property owner's declining an offer of mitigation under this program, the SDF will prepare a "Premium Increase Letter" (Attachment 1) to notify all holders of recorded interest for the property.

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A policyholder who declines a mitigation offer may appeal the insurance premium rate increase within 90 days of the notification. The appeal must be made based on one of six provisions for appeal specified in the FIRA 2004. The SDF will postpone all rate increases for which a valid appeal was filed and will monitor the appeal's progress. If the policy renewal falls within the appeal period, the SDF will send the renewal letter shown in Attachment 2. However, if the policy renewal falls after the appeal period, the SDF will send the renewal letter shown in Attachment 3. The law also provides for increased insurance premium rates if an SRL property, whose owner declined an offer of mitigation, incurs any subsequent flood loss with resulting NFIP payments in excess of \$1,500 in the aggregate. In this case, the premiums will be increased an additional 50 percent over the current rate, and the SDF will send the renewal letter shown in Attachment 4. In no case will rate increases exceed the current actuarial rating for the structure.

FEMA has conducted in-depth training sessions on the SRL Grant Program for FEMA Regions, State Hazard Mitigation Officers, and State NFIP Coordinators. More information for implementing the program—including specific FY 2008 details, a list of SRL tools, and application instructions—is available on the FEMA web site at <http://www.fema.gov/government/grant/srl/index.shtm>.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggest Routing: Claims, Data Processing, Marketing, Underwriting



FEMA

DATE

<Name>
 <Address>
 <City, State ZIP>

Re.: Policy Number RL000

Dear <Name>:

In June 2004, Congress passed the Flood Insurance Reform Act of 2004 (FIRA 2004), which contains provisions to develop a Grant Program for the mitigation of Severe Repetitive Loss (SRL) properties. FIRA 2004 requirements dictate that flood insurance premium rates for a policy increase when a property owner declines a qualified mitigation offer.

Previously, we informed you that your building insured under the above-referenced policy number is an SRL property. A qualified mitigation offer was made to you in a letter from your community, < >, dated < >. We have been notified that you declined that qualified mitigation offer by your response dated < >.

Because a qualified mitigation offer was made to you for your insured building, and because you declined that offer, FIRA 2004 requires the premium rate upon renewal of your flood policy to reflect a 50-percent increase over the premium rate in effect at the time that the qualified mitigation offer was made to you. In addition, this rate may be adjusted by other premium adjustments otherwise applicable to the property. Our records show that the premium rates on your flood policy for the last policy term (when the mitigation offer was made to you, and refused) were \$00.83/00.89 for Building Coverage and \$01.62/00.79 for Contents Coverage. The new premium rates for your flood policy will now be \$([00.83/00.89] x 1.5) for Building Coverage and \$([01.62/00.79] x 1.5) for Contents Coverage, before the addition of other applicable flood policy fees. Also, other information may impact the rating of your flood insurance policy.

Below is a summary of your **current** coverages and rates:

COVERAGE AND RATING INFORMATION					
Coverage Type	Coverage Limit	Deductible	Rate	Deductible Adjustment	Premium
Building	42,400	\$ 1,000	00.83/00.89	\$ -	\$ 352
Contents	22,100	\$ 1,000	01.62/00.79	\$ -	\$ 358
				ICC PREMIUM	\$ 75
				ANNUAL SUBTOTAL	\$ 785
				FEDERAL POLICY FEE	\$ 30
				TOTAL PREMIUM	\$ 815

SAMPLE

<Name>
DATE
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Below is a summary of your **estimated** renewal coverages and rates:

COVERAGE AND RATING INFORMATION					
Coverage Type	Coverage Limit	Deductible	Rate	Deductible Adjustment	Premium
Building	42,400	\$ 1,000	01.25/01.34	\$ -	\$ 530
Contents	22,100	\$ 1,000	02.43/01.19	\$ -	\$ 537
				ICC PREMIUM	\$ 75
				ANNUAL SUBTOTAL	\$ 1,142
				FEDERAL POLICY FEE	\$ 30
				TOTAL PREMIUM	\$ 1,172

Please note that this is not a bill; it is only an estimate of premium based on current coverages and underwriting information. You will be billed for the next policy term 45 days prior to the current term expiration.

The offer you received *may* still be an active offer while funding remains available. Please contact FEMA Region < > if you would now like to accept that qualified mitigation offer.

If you do not wish to accept the mitigation offer, your policy will be subject to a rate increase unless you have filed an appeal. See the enclosed document for more information regarding the appeal process. If you choose to appeal, please continue to keep your policy in force so that you may continue to receive protection under the National Flood Insurance Program.

Sincerely,

Underwriting Department
800-638-6620

Enclosure



FEMA

DATE

<Name>
<Address>
<City, State ZIP>

YOUR FLOOD INSURANCE RENEWAL BILLING IS ENCLOSED

Re.: Policy Number RL000

Dear <Name>:

As previously communicated to you, your property insured by a National Flood Insurance Program flood insurance policy, was identified as a Severe Repetitive Loss property. You were offered an opportunity to accept mitigation assistance. Because you declined the offer for mitigation assistance, the premium rates on the flood insurance policy renewal will reflect a 50-percent increase over the premium rates in effect at the time that the qualified mitigation offer was made to you, in accordance with the Flood Insurance Reform Act of 2004.

As you were previously informed, you have the right to appeal the increase in premium. Your appeal must be received by the FEMA regional office by < >. We have enclosed a brochure that details the appeal procedure.

We have enclosed two renewal bills for your policy. The total premium due on the \$< > bill reflects the described rate increase. However, if you choose to appeal the rate increase, please pay the \$< > amount.

PLEASE NOTE: If you do choose to appeal, in addition to paying the \$< >, you must also submit an appeal with the FEMA regional office in accordance with the procedure detailed in the attached brochure. If you pay the premium of \$< > AND do not submit an appeal, the amount of coverage on your policy will be reduced to the amount that can be purchased with the premium that we receive.

In addition to your appeal option, the original mitigation offer *may* still be active. Please contact FEMA Region < > if you now would like to accept that qualified mitigation offer. Also remember that this flood insurance policy may be subject to additional increases if additional flood insurance losses occur on the policy.

Because you have an insurable interest in a property that has had multiple flood losses, you are certainly aware of the benefit of keeping your flood insurance policy in force. Please pay your renewal premium promptly, regardless of any appeal status, to keep the flood insurance coverage on your property in force.

Sincerely,

Underwriting Department
800-638-6620

Enclosures

Attachment 2. Sample Billing Letter Within Appeal Period



FEMA

DATE

<Name>
<Address>
<City, State ZIP>

YOUR FLOOD INSURANCE RENEWAL BILLING IS ENCLOSED

Re.: Policy Number RL000

Dear < >:

As previously communicated to you, your property insured by a National Flood Insurance Program flood insurance policy was identified as a Severe Repetitive Loss property. You were offered an opportunity to accept mitigation assistance. Because you declined the offer for mitigation assistance, the premium rates on the flood insurance policy renewal are subject to a 50-percent increase over the premium rates in effect at the time that the qualified mitigation offer was made to you, in accordance with the Flood Insurance Reform Act of 2004.

The enclosed renewal bill reflects this increased premium.

Please note that this policy may be subject to additional premium increases in the future if the property has additional losses.

The original mitigation offer *may* still be active, if the funding remains available. You can contact FEMA Region < > if you now wish to accept that qualified mitigation offer.

Because you have an insurable interest in a property that has had multiple flood losses, you are certainly aware of the benefit of keeping your flood insurance policy in force. Please pay the enclosed bill promptly to continue the flood insurance coverage on your property.

Sincerely,

Underwriting Department
800-638-6620

Enclosure



FEMA

DATE

<Name>
<Address>
<City, State ZIP>

YOUR FLOOD INSURANCE RENEWAL BILLING IS ENCLOSED

Re.: Policy Number RL000

Dear < >:

As previously communicated to you, your property insured by a National Flood Insurance Program flood insurance policy was identified as a Severe Repetitive Loss property. You were offered an opportunity to accept mitigation assistance. Because you declined the offer for mitigation assistance, the premium rates on the flood insurance policy were increased by 50 percent over the premium rates in effect at the time that the qualified mitigation offer was made to you, in accordance with the Flood Insurance Reform Act of 2004.

Your property has had an additional loss and therefore is subject to an additional 50-percent increase over the current rate. The enclosed renewal bill reflects this increased premium.

Please note that this policy may be subject to additional premium increases in the future, if the property continues to have additional losses.

The original mitigation offer *may* still be active, if the funding remains available. You can contact FEMA Region < > if you now wish to accept that qualified mitigation offer.

Since you have an insurable interest in a property that has had multiple flood losses, you are certainly aware of the benefit of keeping your flood insurance policy in force. Please pay the enclosed bill to continue the flood insurance coverage on your property.

Sincerely,

Underwriting Department
800-638-6620

Enclosure