U.S. Department of Homeland Security
National Flood Insurance Program
P.O. Box 310
Lanham, MD 20703-0310

FEMA

W-04049

August 16, 2004

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

FROM: WYO Clearinghouse

SUBJECT: FloodSmart Retention Mailing -- Update and Opt-Out Form

Thank you for your participation in the Retention and Win-Back program Web casts on August 3 and 12. In follow-up to the calls, please see, attached:

- *Policyholder Retention and Win-back Programs* PowerPoint Presentation
- *Questions and Answers* generated as a result of the meetings
- *NFIP Opt-Out Form* for the FloodSmart Retention & Win-Back Mailings

The deadline for opting out of the programs has been extended to September 30, 2004, to allow WYO companies additional time to review the program elements. If you have additional questions about the programs, please direct them to floodsmart@ogilvypr.com.

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

Suggested Routing: Marketing, Underwriting

FEMA

NATIONAL FLOOD INSURANCE PROGRAM

Policy Holder Retention and Win-Back Programs

Are you FloodSmart?

FloodSmart Retention Program Review

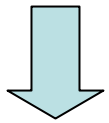
- Monthly direct mail campaign
- Targeted to approx 20% of total policy holders
- Designed to provide marketing messages that remind policy holder to renew policy
- Targeting based on renewal date and predictive model
- Two creative versions, to be tested one against each other

Issues raised by the insurance industry

- In what ways can NFIP use policy holder data?
- What is the call to action?
- Can NFIP target specific groups of customers?
- How does the timing work with companies' renewal notifications?

How can NFIP use policy holder data?

- Broadly, NFIP is able to use policy holder data to communicate with policy holders (according to NFIP attorney), as long as it is for purposes of ensuring flood insurance coverage
- BUT: Companies have their own privacy agreements with their customers plus agreements with their agents that they must comply with



Solution: Mailing to use company name and agent name, rather than just appearing to come only from FEMA and NFIP.

What is the call to action?

- Call to action is to contact the agent
- Not a letter as such, and so no ‘signatory’
- Will show FEMA and NFIP logo
- Company name to be included
- Agent name, agency name and contact info to be included

How are policy holders being targeted?

- Predictive model identifies those most at risk of lapsing
  - *The mailing targets these policies, is clearly from NFIP and does not replace the WYO's renewal notice (e.g. no policy number, effective date, etc.)*
- Renewal dates are used to develop the monthly mailing lists

How do we want policy holders to respond?

- Renew your insurance today: Call your agent, Mr. J Smith, 123-456-7890
- FloodSmart.gov will be included on piece, although not as call to action
- No NFIP 1-800 # as call to action

When will the mailings go out?

- Likely 2-6 weeks prior to renewal date
- 1x per month drop
- Mailing will acknowledge that someone may have already paid their renewal, or mailing may coincide with renewal notices
  - Example: Renewal dates between January 1-31. Mail date December 20.
  - Companies who wish not to participate may opt out from these mailings (form provided)

Model overview

Objective

- Identify current policies that are most likely to lapse at the renewal date
- Generate a score for each policy for which a higher score implies more likely to lapse
- Use score to sort most likely to lapse policies to the top of the list (i.e. top 20% of list)

Model overview

Data Sources:

- Contracts in Force
  - as of Sep 30, 2003
- Expired/Cancelled
  - as of Sep 30, 2003
- Claims
  - Sep 30, 1998 - Sep 30, 2003
- Major Flood Disasters
  - Jan 1, 1996 - Dec 1, 2003

Model application results

- The model was applied to a data sample for testing and validation
- The top 20% of the list contained nearly 60% of the total lapsed policies

Validation Sample Gains Chart			
Decile	**Attrition**	**Attrition Index**	**Cumul % of Lapsed Policies**
1	84%	339	34%
2	66%	265	60%
3	37%	150	75%
4	23%	95	85%
5	17%	69	92%
6	12%	48	97%
7	6%	23	99%
8	2%	7	99%
9	1%	3	100%
10	1%	2	100%
Total	*25%*	*100*	100%

Data Transfer Protocol

Each quarter (firm date TBD), connect@jwt will:

- Establish FTP sites for each vendor
- Request 5-day turn around if possible
- Transmit lists stored as tab delimited text files with column headings in the first row
  - Vendors to match records based on policy number
- Need appended:
  - Agent name, street address and phone number
  - Policy holder's name, mailing address

What Do WYO Companies Need To Do?

Action	When By?	Who is Responsible
Return completed opt-out form to FEMA	**30th September**	**WYO Companies**
Determine final print quantities for Nov – March mailings	4th October	JWT
Select data for Nov-March mailings	6th October	JWT
Post data files and data append instructions to secure FTP site for vendor access	7th October	JWT
Retrieve data files from FTP site	**8th October**	**Vendors**
Append agent info, mailing address and lien holder data	**15th October**	**Vendors**
Delete specific records if required	**20th October**	**WYO Companies**
Return data files to JWT via FTP site	**22nd October**	**Vendors**
Prepare mail files and send to letter shop	29th October	JWT
First monthly mail date (monthly thereafter)	29th November	JWT

Retention Creative
(Two Brothers)

Cover

First Reveal

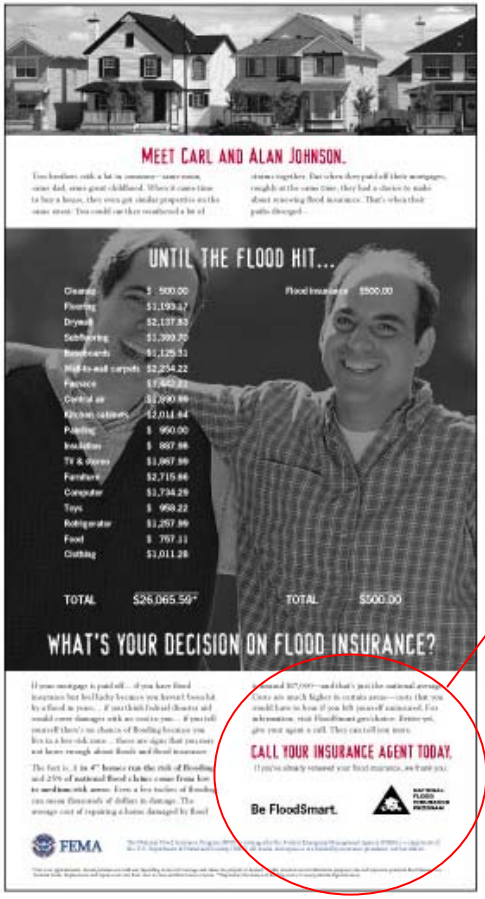
Retention Creative Call-To-Action
(Two Brothers)

Second Reveal

Call To Action

Are you FloodSmart?

Retention Creative Call To Action



Third Reveal

is around $17,000—and that's just the national average. Costs are much higher in certain areas—costs that you would have to bear if you left yourself uninsured. For information, visit FloodSmart.gov/choice. Better yet, give your agent a call. They can tell you more.

CALL YOUR INSURANCE AGENT TODAY.

If you've already renewed your flood insurance, we thank you.

Be FloodSmart.

NATIONAL FLOOD INSURANCE PROGRAM

Are you FloodSmart?

Retention Creative
(Pull Tab)

Cover with tabs closed

Cover with tabs opened

Retention Creative Call To Action

WARNING: No home is safe from flooding. Protect yours with flood insurance.

There's one key reason you have flood insurance.

Only flood insurance can protect your home against America's #1 natural disaster. Your homeowners policy covers you for most things—*but not flooding. No home in America is safe from flooding.*

Why renew your flood insurance?

It's simple. Without flood insurance, if your home is flooded, you will *pay* ALL the flood costs yourself. Can you afford to see your hopes and dreams washed *away* in a torrent of bills?

Flood insurance is your home's only protection against flooding.

Maybe you think letting your flood insurance policy lapse will save you some money. And *maybe* that's right… *if you never experience a flood.* When it comes to your home, is *maybe* good enough?

FEMA

The National Flood Insurance Program (NFIP) is managed by the Federal Emergency Management Agency (FEMA), a component of the U.S. Department of Homeland Security (DHS). All claims and expenses are funded by insurance premiums, not tax dollars.

*Represents the chance of flooding over a 30-year period in high-risk areas.

KNOW THE TRUTH ABOUT FLOODING.

Every year, thousands of people in America experience flooding. Those without flood insurance are faced with thousands of dollars in repair bills. For these people, a flood is not just a natural disaster—*it can also be a financial disaster.* Be flood smart and know the truth about flooding.

- **Floods happen in all 50 states.** Even if you live in a low-risk flood zone, your home isn't safe from flooding.
- **It's not just waterways, like rivers, that cause flooding.** Floods can result from heavy rains, surging tides, mudflows, snowmelts and nearby construction that alters drainage patterns.
- **Only a couple of inches of flood water** in your home can cause thousands of dollars in damage.
- **Up to 90% of all floods are not declared natural disasters.** And when they are, federal disaster assistance is usually a loan that must be paid back with interest.
- **No homeowners policy protects you against flooding.** Only flood insurance, available from your insurance agent or company, can protect your home.

Don't let myths about flooding lead you to the wrong decision. Renew your flood insurance.

CALL YOUR AGENT TODAY.

If you've already renewed your flood insurance, we thank you.

Be FloodSmart.

Flooding is America's #1 natural disaster.

For more information about flood insurance speak to your agent or go to FloodSmart.gov/myths

Inside Panels

Don't let myths about flooding lead you to the wrong decision. Renew your flood insurance.

CALL YOUR AGENT TODAY.

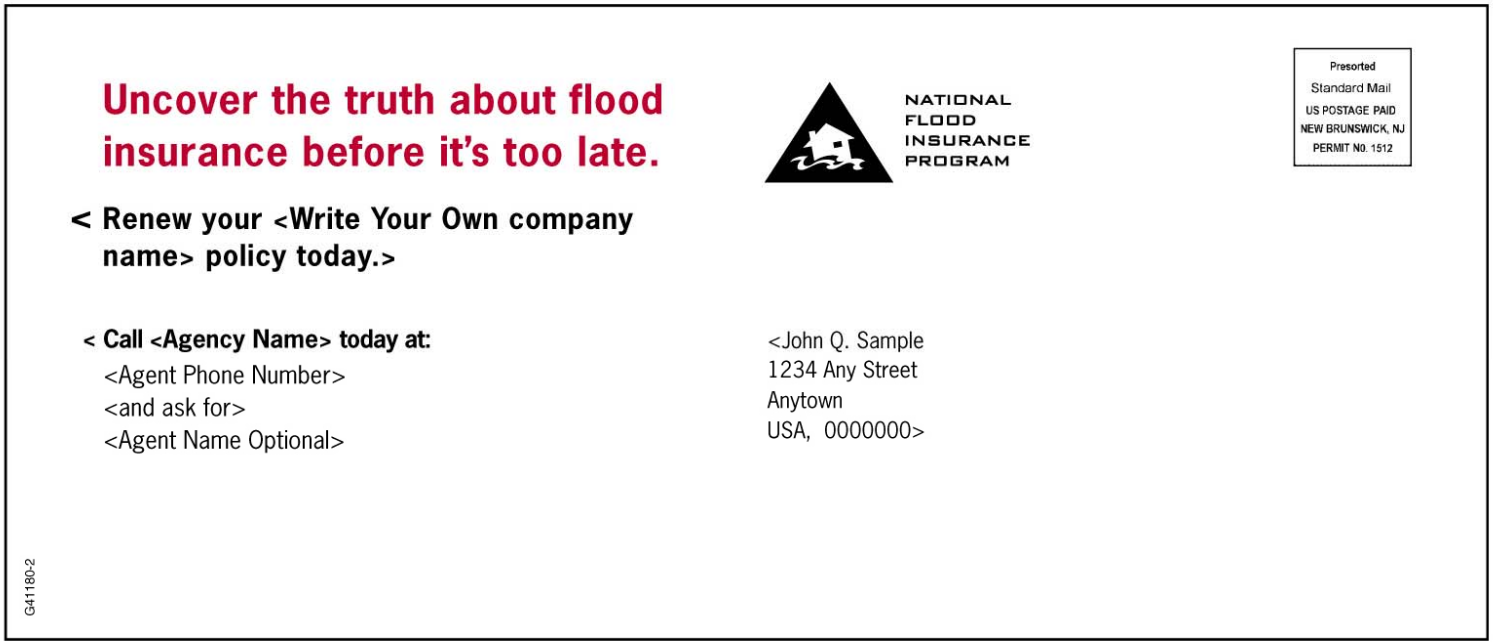
If you've already renewed your flood insurance, we thank you.

Be FloodSmart.

NATIONAL FLOOD INSURANCE PROGRAM

Are you FloodSmart?

Retention Creative Call To Action (Pull Tab)



Back

Win-Back Program

ACQUISITION → RETENTION → WINBACK

- Direct mail targeted to previous policy holders who have let their policies lapse
- Objective is to convince these people to that they should still be covered by flood insurance
- 2 creative executions have been developed and will be tested against each other
- First mail date 29th November, second drop 1st March 2005
- Call to action: Call your agent today, or call 1-800 123 4567 or visit FloodSmart.gov for more information
- Minimum of 90 days allowed after policy lapsed prior to mailing
- Cancelled policies excluded from mailings

Win-Back Creative
(Funny Thing)

Front

Back

Are you FloodSmart?

Win-Back Creative
(Funny Thing)

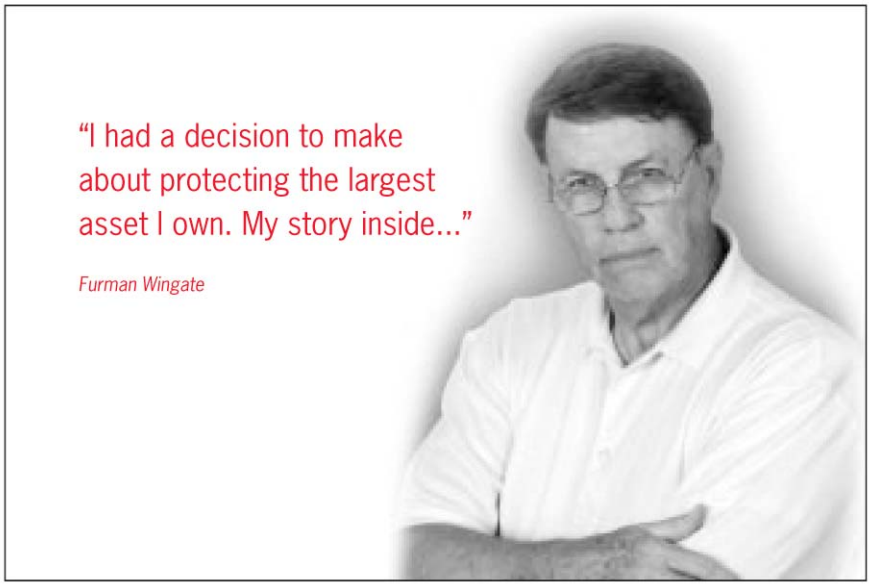
First Reveal

Win-Back Creative
(Funny Thing)

Second Reveal

Are you FloodSmart?

Win-Back Creative (Testimonial)



Outer Envelope - Front

Outer Envelope - Back

Win-Back Creative (Testimonial)

A foot of water remained on our main floor for just 24 hours, but the damage lasted for weeks!

"Looking back, I can hardly believe how close I came to letting my flood insurance go!"

<John Q. Sample
1234 Any Street
Anytown
USA, 0000000>

<Dear Mr. Sample,>

I've been asked to write to you today to tell you about what happened when our home was hit by a flood some years back. Like you, I once had flood insurance. And like you, I thought about letting my policy lapse.

I had plenty of good reasons for wanting to let it go. I noted that the records for our area never once indicated a flood. I thought to myself, if it hasn't happened in 100 years, what's the chance of it happening now?

Even as I boarded up our windows the night before the storm was predicted to hit, I only anticipated wind damage. After all, our home is three feet off the ground… I considered it was pretty well "flood-proof".

No one was more surprised than me when our home was hit by a 16-foot storm surge. Since our house was also 15 feet above sea level I thought, even if some water got through, how much harm could it do? If it got in—I'd get it out!

I now know from experience that 12 inches of water can do a lot of damage. Flood waters can be murky concoctions of animal waste, fuel and sewage that invade every nook and cranny of your home, leaving behind a foul-smelling muck.

Floors buckle, carpets are ruined, walls act like a sponge sopping up every ounce of water and may need to be replaced entirely. Sea water corrodes every appliance it touches—and even some it doesn't. Our fridge, stove, air conditioning unit and three heat pumps all rusted out.

Everything that could absorb water did—our furniture, mattresses, family photos—even my pool table. I didn't realize that almost everything I owned would be jeopardized by a flood.

And we were among the lucky ones. **Although we suffered over $50,000 in damages, all of it was covered by insurance—and only because I decided against letting my flood insurance lapse.**

I'm amazed at just how little we really know about the risk of flooding. Some people imagine floods occur only during dramatic storms, when riverbeds

over please…

**Before it's too late…
re-insure your home against flooding.**

Be FloodSmart.

Call your insurance agent today.

For more information about flood insurance,
call **1-888-724-6789**
or go to **FloodSmart.gov/story**

Floods don't only occur during dramatic storms.

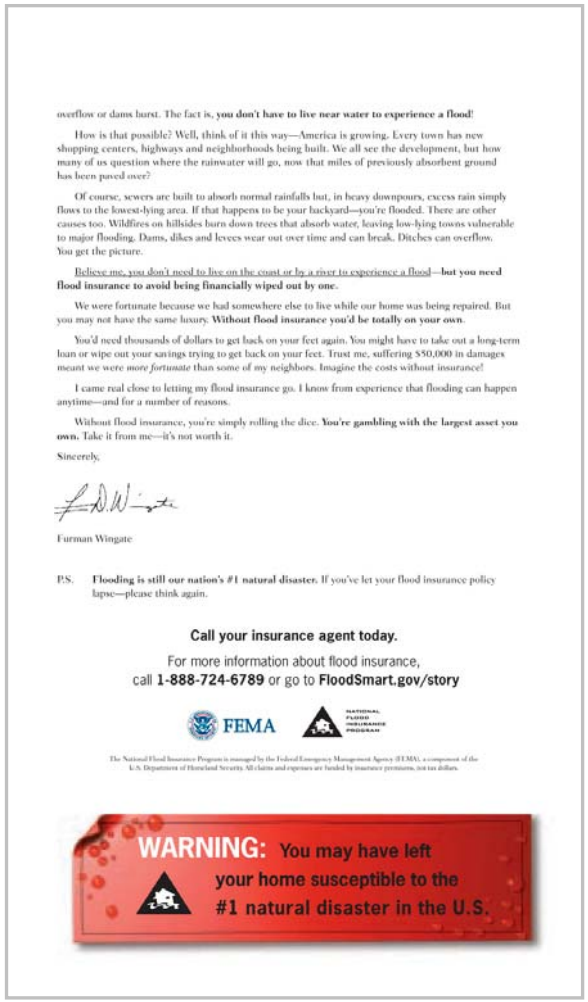
There are many causes of flooding. Water drainage patterns can change due to an increase in asphalt surfaces in new subdivisions, shopping centers or highway improvement. Inform yourself about the risk of flooding.

There are many ways water can get into your home.

Often the things we associate with directing flood water away from our homes—like drains and sewers—are what can bring water into your house during periods of heavy rain. Dams break, levees can fail, drains will overflow. Water simply follows the path of least resistance, flowing into homeowners' basements and ground floors.

Flooding is America's #1 natural disaster.
Learn more at:
FloodSmart.gov/story

Letter - Front



overflow or dams burst. The fact is, **you don't have to live near water to experience a flood!**

How is that possible? Well, think of it this way—America is growing. Every town has new shopping centers, highways and neighborhoods being built. We all see the development, but how many of us question where the rainwater will go, now that miles of previously absorbent ground has been paved over?

Of course, sewers are built to absorb normal rainfalls but, in heavy downpours, excess rain simply flows to the lowest-lying area. If that happens to be your backyard—you're flooded. There are other causes too. Wildfires on hillsides burn down trees that absorb water, leaving low-lying towns vulnerable to major flooding. Dams, dikes and levees wear out over time and can break. Ditches can overflow. You get the picture.

Believe me, you don't need to live on the coast or by a river to experience a flood—**but you need flood insurance to avoid being financially wiped out by one.**

We were fortunate because we had somewhere else to live while our home was being repaired. But you may not have the same luxury. **Without flood insurance you'd be totally on your own.**

You'd need thousands of dollars to get back on your feet again. You might have to take out a long-term loan or wipe out your savings trying to get back on your feet. Trust me, suffering $50,000 in damages meant we were *more fortunate* than some of my neighbors. Imagine the costs without insurance!

I came real close to letting my flood insurance go. I know from experience that flooding can happen anytime—and for a number of reasons.

Without flood insurance, you're simply rolling the dice. **You're gambling with the largest asset you own.** Take it from me—it's not worth it.

Sincerely,

Furman Wingate

P.S. **Flooding is still our nation's #1 natural disaster.** If you've let your flood insurance policy lapse—please think again.

Call your insurance agent today.

For more information about flood insurance,
call **1-888-724-6789** or go to **FloodSmart.gov/story**

FEMA

The National Flood Insurance Program is managed by the Federal Emergency Management Agency (FEMA), a component of the U.S. Department of Homeland Security. All claims and expenses are funded by insurance premiums, not tax dollars.

WARNING: You may have left your home susceptible to the #1 natural disaster in the U.S.

Letter - Back

Are you FloodSmart?

Summary

- Retention program is part of a larger campaign to drive increased policies in 2004/2005.
- Combined with WYO company permission to use mailing address and agent name, NFIP will help to reduce policy lapse rate.
- Win Back program complete the loop of targeting non policy holders (acquisition) current policy holders (retention) and lapsed policy holders.
- All programs aimed at driving flood insurance business to insurance agents – and therefore WYO Companies.

Next Steps

- Receive back opt-out forms by September 30 from WYO companies that don't plan to participate in the NFIP retention program or the win-back program.
- Establish data transfer protocols with WYO company vendors (in progress).
- Begin data transfer and appending in October.
- Drop first monthly mailing third week of November and monthly thereafter.

Questions/Answers from Retention Conference Calls With WYO Companies

1. **Question**
   Can we have a written copy of the meeting presentation?
   Answer
   The presentation is now posted on the BureauNet.

2. **Question**
   Can we see what the direct mail creative looks like?
   Answer
   The creative for all four direct mail pieces (two for retention and two for the win-back program) are shown inside the presentation posted on the BureauNet.

3. **Question**
   Where are the agent phone numbers coming from?
   Answer
   JWT will send predictive modeling data to the appropriate source of agent phone numbers and contact information for each participating WYO company and/or vendor. Once received, each WYO company and/or vendor is asked to provide the agent's name, address, and phone number to JWT for use in the pieces.

4. **Question**
   Can we put the company logo on the mailing?
   Answer
   At one time, that was going to be the solution to the question of "who is this reminder coming from?" However, too many WYO companies were concerned with redlining (sending only to a select few). Because of this, the company name can be included, but the only logos included in the pieces will be the FEMA and NFIP logos.

5. **Question**
   What if we need more than 2 weeks to make a decision?
   Answer
   Originally, the due date for the Opt Out form was going to be two weeks. Because of everyone's concern with that amount of time, it will now be necessary to opt out within a six-week period. The new opt out date is Thursday, September 30.

6. **Question**
   What's the process if we have to get permission to use each agent's name?
   Answer
   You will notice that there is a six-week waiting period between today and the date you have to turn in your Opt-Out Form for nonparticipation. During that time, if you feel it's necessary to allow each agent to Opt In to the program, each WYO company should take this time to do it. If your agents need notification of this upcoming program, the deadline gives you six weeks to inform them.

7. **Question**
Can the program be an opt-in program rather than an opt-out program?
Answers
The program is utilizing an opt-out option for several reasons. Many WYOs are ready to participate at this time while others have expressed the need for additional time to review the program prior to participating. Rather than delay the program, the decision was made to conduct the initial mailing with the opt-out form to allow WYOs who need more time to postpone their participation, if needed. WYOs who initially elect to opt-out can contact Jim Caponigro (JWT) at 404-365-7309 to discuss participating in future mailings.

8. **Question**
Has JWT or FEMA contacted the PIA and IIABA to solicit their input?
Answer
Both PIA and IIABA have been presented with the retention and win-back programs, and have provided ongoing feedback.

9. **Question**
Why is the FloodSmart.gov website address included in the direct mail pieces?
Answer
The call-to-action in each direct mail piece tells the policyholder to renew their policy today, and contact their agent (with questions or for more information). To help reinforce the customer/agent relationship, the retention mailing also lists each agent's name, company, address, and phone number.

FloodSmart.gov is included in the copy where information about flood insurance is mentioned. It provides the customer a place to go if they want more information about flooding. Nowhere in any piece does it talk about looking for another agent at FloodSmart.gov.

10. **Question**
Can the win-back mailing go to the mailing address instead of the property address?
Answer
Sure. We'll just have to use the same process of sending details to the vendors to make sure the addresses are current.

NATIONAL FLOOD INSURANCE PROGRAM

NFIP Opt-Out Form

Name:
Title:
WYO Company Name:
Phone:
Email Address:

RETENTION PROGRAM

- **Direct mail designed to provide marketing messages to policyholders to remind them to contact their agents to renew their policies**
- **Targeting based on renewal date and predictive modeling**
- **Current policyholders will receive the reminder close to their renewal date to act as a final reminder**

❑ **I would like to OPT OUT of the NFIP monthly Retention Program**

WIN-BACK PROGRAM

- **Direct mail targeted to previous policyholders who have let their policies lapse**
- **Objective is to convince these people that they should still be covered by flood insurance**
- **Minimum of 90 days allowed after policy lapsed prior to mailing**

❑ **I would like to OPT OUT of the NFIP monthly Win-Back Program**

Please fax/email form by Thursday, September 30. If we don't hear from you, we will assume your participation.
Email: floodsmart@ogilvypr.com
Fax: (202) 466-7598, attention Meg Bartow at Ogilvy PR

If you have any additional questions, contact floodsmart@ogilvypr.com