

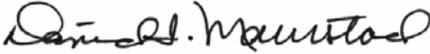


FEMA

W-06039

June 9, 2006

MEMORANDUM FOR: Write Your Own Principal Coordinators  
NFIP Servicing Agent

FROM: David I. Maurstad   
Director  
Mitigation Division

SUBJECT: October 1, 2006, Program Changes and Clarifications

The purpose of this memorandum is to provide notification of the National Flood Insurance Program changes that are to be implemented effective October 1, 2006. Please refer to the upcoming *Flood Insurance Manual* and *Transaction Record Reporting and Processing Plan* for additional details.

### **Severe Repetitive Loss Program Implementation**

#### *Background*

The Flood Insurance Reform Act of 2004 (FIRA) authorized establishment of a Severe Repetitive Loss (SRL) Pilot Program for mitigation of SRL properties. The primary objective of the SRL properties strategy is to eliminate or reduce the damage to property and the disruption to life caused by repeated flooding. Approximately 8,300 insured properties have been identified with a high frequency of losses or a high value of claims.

The SRL Pilot Program is designed to more effectively accomplish FEMA's mitigation objectives. Based on new criteria, some of the buildings currently identified as Repetitive Loss Target Group properties will be transitioned into the new SRL Program.

#### *SRL Property Loss Characteristics*

The SRL group consists of any NFIP insured property that has met at least one of the following paid flood loss criteria since 1978, regardless of ownership:

- (1) Four or more separate claim payments of more than \$5,000 each (including building and/or contents payments); or
- (2) Two or more separate claims payments (building payments only) where the total of the payments exceeds the current market value of the property.

In either case, two of the claims payments must have occurred within 10 years of each other. Multiple losses at the same location within 10 days of each other are counted as one loss, with the payment amounts added together.

#### Transition Period

For policies renewing on or after January 1, 2007, the NFIP Bureau and Statistical Agent will notify the WYO Companies and NFIP Servicing Agent of their eligibility for the SRL at least 150 days prior to the policy expiration date. The writing company will notify the policyholder, mortgagee, and the agent of record 90 days before the expiration of the policy term. Sample notification letters are attached.

Policies with effective dates on or after October 1, 2006, that are currently written through the Special Direct Facility (SDF) as part of the Repetitive Loss Target Group program, but do not match the loss characteristics of the SRL group, will be identified by the NFIP Bureau and SDF. The SDF will notify the policyholder, mortgagee, and agent at least 90 days prior to the renewal date informing them that their flood insurance must be issued through a participating WYO Company or the NFIP Servicing Agent.

### **Other Significant Program Changes and Clarifications**

#### New Photo Requirements

All new business applications for elevation-rated risks with a policy effective date of January 1, 2007, or later must be submitted with at least two recent photographs that show the front and back of the building and are taken and dated within 90 days of the submission date. The photographs must be submitted on the Building Photographs form that is part of the new Elevation Certificate and must include the date the photographs were taken. In addition, this new requirement applies to all renewal and endorsement transactions adding elevation rating effective on or after January 1, 2007.

#### Preferred Risk Policy (PRP) Eligibility Clarification

In reviewing a building's flood loss history for PRP eligibility, a claim payment (building and/or contents) and a Federal flood disaster relief payment (including loans and grants) for the same loss will be considered a single payment. Federal disaster relief payments are considered only if the building suffered flood damage. The revised NFIP PRP application form is attached, clarifying the eligibility requirement.

#### Pre-FIRM Buildings with Subgrade Crawl Spaces

Pre-FIRM buildings with subgrade crawl spaces may use optional Post-FIRM elevation rating provided that the lowest floor is below the Base Flood Elevation. The building must be reported statistically as a submit-for-rate using Risk Rating Method "2." Follow the procedures provided in the *Specific Rating Guidelines* to process these risks.

#### Cancellation/Voidance Reason Code 01 Clarification

This reason code may be used if the building has been foreclosed or if the building is considered a total loss because the building damage is greater than or equal to the replacement cost of the building.

October 1, 2006, Program Changes and Clarifications

June 9, 2006

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If you have any questions, please contact your WYO Business Analyst.

Attachments

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Data Processing, Underwriting, Marketing



FEMA

## IMPORTANT FLOOD INSURANCE POLICY INFORMATION

Reference Policy Number: \_\_\_\_\_

Dear Agent:

As you may be aware, your client's property, which is covered by flood insurance, has experienced repetitive flood losses under FEMA's National Flood Insurance Program (NFIP). This letter is to inform you that your client's property meets the criteria for a new subset of repetitive loss structures: insured properties with a high frequency of losses or a high value of claims. These properties are designated Severe Repetitive Loss (SRL) properties.

Congress recognized that SRL properties represent the greatest risk of sustaining repeated flood losses and, through the Flood Insurance Reform Act of 2004 (FIRA 2004), made it a top priority to reduce the number of SRL properties nationwide. As of March 2006, FEMA has identified approximately 8,300 properties that meet the standard for SRL. The loss characteristics of an SRL property must meet one of the following criteria based on paid flood losses since 1978, regardless of ownership:

- (1) Four or more separate claim payments of more than \$5,000 each (building and/or contents payments); or
- (2) Two or more separate claim payments (building payments only) where the total of the payments exceeds the current market value of the property.

In either case, two of the claim payments must have occurred within 10 years of each other. If there are multiple losses at the same location within 10 *days* of each other, they are counted as one loss, with the payment amounts added collectively.

The strategy for reducing the number of SRL properties is twofold: First, the NFIP has centralized the processing of all flood insurance policies of SRL properties in order for FEMA to obtain additional underwriting information, verify loss information, and collect information about the flood risk to the SRL properties. Second, FEMA is implementing a new mitigation grant program authorized by FIRA 2004 to mitigate SRL properties. You need to be aware of the following:

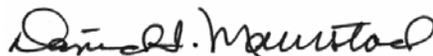
- The Write Your Own (WYO) Insurance Companies that sell and service flood insurance under the NFIP will assign flood insurance policies for SRL properties, upon renewal, to a centralized processing center operated by the NFIP's Servicing Agent. This center is the Special Direct Facility (SDF).

- As a result, your client's policy will not be processed by the chosen WYO Company or by the traditional NFIP Direct Program. You will, however, continue to be the agent of record throughout the process. While the policy remains in the SDF, you will receive the same 15 percent commission that the NFIP Direct agents are given.
- Approximately 45 days prior to the renewal date of the policy, your client will receive a premium bill from the NFIP Servicing Agent. **This bill is the only bill that should be paid by your client.**
- For the time being, the SDF will be the only source for NFIP flood insurance coverage for your client's property. As always, the full premium amount and any related fees should be paid by the date indicated. The policy sent to your client will meet all the requirements of any mortgage company to the same extent as the current policy.
- You should encourage your client to continue to contact you directly for any service needs on the policy because you will remain the agent of record.
- The NFIP provides a procedure for your client to follow if he or she believes that FEMA has incorrectly included his or her insured property on its list of SRL properties.

The new mitigation grant program authorized by FIRA 2004 may provide Federal grant funds to pay for up to 75 percent (up to 90 percent if certain state mitigation floodplain requirements are met) of the cost of eligible mitigation activities, such as elevating your client's NFIP-insured structure. Mitigated properties may qualify for reduced flood insurance rates. You should encourage your client to obtain additional information and refer them to the appropriate local floodplain manager or state hazard mitigation official.

FEMA's goal is to reduce the devastating effects of repetitive flood losses. If you have questions about this letter and the SRL procedures, please contact the NFIP Help Center by telephone at the toll-free number 1-866-395-7496.

Sincerely,



David I. Maurstad  
Director  
Mitigation Division



FEMA

## IMPORTANT FLOOD INSURANCE POLICY INFORMATION

Reference Policy Number: \_\_\_\_\_

Dear Lender:

As you may be aware, your client's property, which is covered by flood insurance, has experienced repetitive flood losses under FEMA's National Flood Insurance Program (NFIP). This letter is to inform you that your client's property meets the criteria for a new subset of repetitive loss structures: insured properties with a high frequency of losses or a high value of claims. These properties are designated Severe Repetitive Loss (SRL) properties.

Congress recognized that SRL properties represent the greatest risk of sustaining repeated flood losses and, through the Flood Insurance Reform Act of 2004 (FIRA 2004), made it a top priority to reduce the number of SRL properties nationwide. As of March 2006, FEMA has identified approximately 8,300 properties that meet the standard for SRL. The loss characteristics of an SRL property must meet one of the following criteria based on paid flood losses since 1978, regardless of ownership:

- (1) Four or more separate claim payments of more than \$5,000 each (building and/or contents payments); or
- (2) Two or more separate claim payments (building payments only) where the total of the payments exceeds the current market value of the property.

In either case, two of the claim payments must have occurred within 10 years of each other. If there are multiple losses at the same location within 10 *days* of each other, they are counted as one loss, with the payment amounts added collectively.

The strategy for reducing the number of SRL properties is twofold: First, the NFIP has centralized the processing of all flood insurance policies of SRL properties in order for FEMA to obtain additional underwriting information, verify loss information, and collect information about the flood risk to the SRL properties. Second, FEMA is implementing a new mitigation grant program authorized by FIRA 2004 to mitigate SRL properties. You need to be aware of the following:

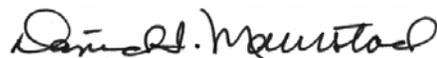
- The Write Your Own (WYO) Insurance Companies that sell and service flood insurance under the NFIP will assign flood insurance policies for SRL properties, upon renewal, to a centralized processing center operated by the NFIP's Servicing Agent. This center is the Special Direct Facility (SDF).

- As a result, your client's policy will not be processed by the chosen WYO Company or by the traditional NFIP Direct Program.
- Approximately 45 days prior to the renewal date of the policy, your client will receive a premium bill from the NFIP Servicing Agent. **This bill is the only bill that should be paid by your client.**
- For the time being, the SDF will be the only source for NFIP flood insurance coverage for your client's property. As always, the full premium amount and any related fees should be paid by the date indicated. The policy sent to your client will meet all the requirements of any mortgage company to the same extent as the current policy.
- The NFIP provides a procedure for your client to follow if he or she believes that FEMA has incorrectly included his or her insured property on its list of SRL properties.

The new mitigation grant program authorized by FIRA 2004 may provide Federal grant funds to pay for up to 75 percent (up to 90 percent if certain state mitigation floodplain requirements are met) of the cost of eligible mitigation activities, such as elevating your client's NFIP-insured structure. Mitigated properties may qualify for reduced flood insurance rates. You should encourage your client to obtain additional information and refer them to the appropriate local floodplain manager or state hazard mitigation official.

FEMA's goal is to reduce the devastating effects of repetitive flood losses. If you have questions about this letter and the SRL procedures, please contact the NFIP Help Center by telephone at the toll-free number 1-866-395-7496.

Sincerely,



David I. Maurstad  
Director  
Mitigation Division



**FEMA**

## **IMPORTANT FLOOD INSURANCE POLICY INFORMATION**

Reference Policy Number: \_\_\_\_\_

Dear Policyholder:

As you may be aware, your property, which is covered by flood insurance, has experienced repetitive flood losses under FEMA's National Flood Insurance Program (NFIP). This letter is to inform you that your property meets the criteria for a new subset of repetitive loss structures: insured properties with a high frequency of losses or a high value of claims. These properties are designated Severe Repetitive Loss (SRL) properties.

Congress recognized that SRL properties represent the greatest risk of sustaining repeated flood losses and, through the Flood Insurance Reform Act of 2004 (FIRA 2004), made it a top priority to reduce the number of SRL properties nationwide. As of March 2006, FEMA has identified approximately 8,300 properties that meet the standard for SRL. The loss characteristics of an SRL property must meet one of the following criteria based on paid flood losses since 1978, regardless of ownership:

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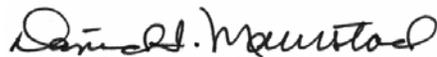
- The "Write Your Own" (WYO) Insurance Companies that sell and service flood insurance under the NFIP will assign flood insurance policies for SRL properties, upon renewal, to a centralized processing center operated by the NFIP's Servicing Agent. This center is the Special Direct Facility (SDF).

- As a result, your policy will not be processed by your chosen WYO Company or by the traditional NFIP Direct Program. Your agent, however, will continue to be the agent of record throughout the process.
- Approximately 45 days prior to the renewal date of your policy, you will receive a premium bill from the NFIP Servicing Agent. **This bill is the only bill that you should pay.**
- For the time being, the SDF will be the only source for NFIP flood insurance coverage for your property. As always, the full premium amount and any related fees should be paid by the date indicated. The policy sent to you will meet all the requirements of any mortgage company to the same extent as your current policy.
- You may continue to contact your agent directly for any service needs on the policy because he or she will remain the agent of record.
- The NFIP provides a procedure for you to follow if you believe that FEMA has incorrectly included your insured property on its list of SRL properties.

The new mitigation grant program authorized by FIRA 2004 may provide Federal grant funds to pay for up to 75 percent (up to 90 percent if certain state mitigation floodplain requirements are met) of the cost of eligible mitigation activities, such as elevating your NFIP-insured structure. Mitigated properties may qualify for reduced flood insurance rates. To obtain additional information, please contact your local floodplain manager or state hazard mitigation official.

FEMA's goal is to reduce the devastating effects of repetitive flood losses. If you have questions about this letter and the SRL procedures, please contact the NFIP Help Center by telephone at the toll-free number 1-866-395-7496.

Sincerely,



David I. Maurstad  
Director  
Mitigation Division

**U.S. DEPARTMENT OF HOMELAND SECURITY  
FEDERAL EMERGENCY MANAGEMENT AGENCY**  
National Flood Insurance Program  
**FLOOD INSURANCE PREFERRED RISK POLICY APPLICATION**  
IMPORTANT - PLEASE PRINT OR TYPE

O.M.B. No. 1660-0006 Expires July 31, 2006

<input type="checkbox"/> NEW	CURRENT POLICY NUMBER
<input type="checkbox"/> RENEWAL	FL _____
	IF NEW, LEAVE BLANK

<b>POLICY TERM</b>	DIRECT BILL INSTRUCTIONS: <input type="checkbox"/> BILL INSURED <input type="checkbox"/> BILL FIRST MORTGAGEE <input type="checkbox"/> BILL SECOND MORTGAGEE <input type="checkbox"/> BILL LOSS PAYEE <input type="checkbox"/> BILL OTHER		WAITING PERIOD: <input type="checkbox"/> STANDARD 90-DAY <input type="checkbox"/> LOAN-NO WAITING	
	ADDRESS, TELEPHONE NO., AND FAX NO. OF LICENSED PROPERTY OR CASUALTY INSURANCE AGENT OR BROKER: _____ _____ AGENCY NO.: _____ AGENT'S TAX ID <input type="checkbox"/> T OR SSN <input type="checkbox"/> S _____		POLICY PERIOD IS FROM _____ TO _____ 12:01 A.M. LOCAL TIME AT THE INSURED PROPERTY LOCATION	
<b>AGENT INFORMATION</b>	IS INSURANCE REQUIRED FOR DISASTER ASSISTANCE? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO IF YES, CHECK THE GOVERNMENT AGENCY: <input type="checkbox"/> SBA <input type="checkbox"/> FHA <input type="checkbox"/> OTHER (PLEASE SPECIFY) _____ <input type="checkbox"/> FEMA <input type="checkbox"/> HHS _____ CASE FILE NUMBER _____		NAME, TELEPHONE NUMBER AND MAILING ADDRESS OF INSURED: _____ _____ INSURED'S SOCIAL SECURITY NUMBER _____	
	NAME, TELEPHONE NO., FAX NO., AND ADDRESS OF FIRST MORTGAGEE INCLUDING LOAN NUMBER: _____ _____ LOAN NUMBER _____		IF SECOND MORTGAGEE, LOSS PAYEE OR OTHER IS TO BE BILLED, THE FOLLOWING MUST BE COMPLETED, INCLUDING THE NAME, TELEPHONE NO., FAX NO., AND ADDRESS: <input type="checkbox"/> 2ND MORTGAGEE <input type="checkbox"/> DISASTER AGENCY, SPECIFY _____ <input type="checkbox"/> LOSS PAYEE <input type="checkbox"/> IF OTHER, PLEASE SPECIFY _____	
<b>DISASTER ASSISTANCE</b>	NAME, TELEPHONE NO., FAX NO., AND ADDRESS OF FIRST MORTGAGEE INCLUDING LOAN NUMBER: _____ _____ LOAN NUMBER _____		SECOND MORTGAGEE OR OTHER _____ _____ LOAN NUMBER _____	
	IS INSURED LOCATION SAME AS INSURED MAILING ADDRESS? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO    IF NO, ENTER PROPERTY ADDRESS. IF RURAL, DESCRIBE PROPERTY LOCATION. (DO NOT USE P.O. BOX) _____ _____		NAME OF COUNTY/PARISH _____ LOCATED IN AN UNINCORPORATED AREA OF THE COUNTY? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO COMMUNITY NUMBER AND SUFFIX FOR LOCATION OF PROPERTY INSURED _____ FLOOD INSURANCE RATE MAP ZONE _____ INFORMATION SOURCE: <input type="checkbox"/> COMMUNITY OFFICIAL <input type="checkbox"/> FLOOD MAP <input type="checkbox"/> MORTGAGEE <input type="checkbox"/> OTHER, SPECIFY _____	
<b>FIRST MORTGAGEE</b>	BUILDING OCCUPANCY: <input type="checkbox"/> SINGLE FAMILY <input type="checkbox"/> 2-4 FAMILY <input type="checkbox"/> OTHER RESIDENTIAL <input type="checkbox"/> NON-RESIDENTIAL (INCL. HOTEL/MOTEL)		BUILDING TYPE (INCLUDING BASEMENT/ENCLOSURE): <input type="checkbox"/> ONE FLOOR <input type="checkbox"/> SPLIT LEVEL <input type="checkbox"/> TWO FLOORS <input type="checkbox"/> THREE OR MORE FLOORS <input type="checkbox"/> MANUFACTURED (MOBILE) HOME/TRAVEL TRAILER ON FOUNDATION	
	CONSTRUCTION DATE _____		IS BUILDING: CONDO UNIT <input checked="" type="checkbox"/> TOWNHOUSE/ROWHOUSE CONDO UNIT <input checked="" type="checkbox"/> N	
<b>PROPERTY LOCATION</b>	CONTENTS LOCATED IN: <input type="checkbox"/> ENCLOSURE ONLY (BASEMENT ONLY NOT ELIGIBLE) <input type="checkbox"/> BASEMENT/ENCLOSURE AND ABOVE <input type="checkbox"/> LOWEST FLOOR ONLY ABOVE GROUND LEVEL <input type="checkbox"/> LOWEST FLOOR ABOVE GROUND LEVEL AND HIGHER FLOORS <input type="checkbox"/> ABOVE GROUND LEVEL MORE THAN ONE FULL FLOOR		INSURED'S PRINCIPAL RESIDENCE? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO ESTIMATED REPLACEMENT COST AMOUNT \$ _____	
	MAKE, MODEL AND SERIAL NUMBER OF MANUFACTURED (MOBILE) HOME/TRAVEL TRAILER _____			
<b>BUILDING AND CONTENTS</b>	THE FOLLOWING CONDITIONS SHOULD BE USED TO DETERMINE A BUILDING'S ELIGIBILITY FOR A PRP. The conditions listed under item B must result from separate occurrences, and federal disaster relief payments are considered only if the building suffered flood damage.			
	A) IS THE BUILDING LOCATED IN A SPECIAL FLOOD HAZARD AREA ON A FLOOD HAZARD BOUNDARY MAP, OR ON A FLOOD INSURANCE RATE MAP ZONE A, AE, A1-A30, AO, AH, A99, V, VE, V1-V30, AR, AR DUAL ZONES AR/AE, AR/AH, AR/AO, AR/A1-A30, AR/A? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO		ENTER SELECTED OPTION FROM THE PREMIUM TABLES ON THE BACK OF THIS FORM. BUILDING AND CONTENTS COVERAGE COMBINATION BUILDING: \$ _____ CONTENTS: \$ _____ PREMIUM: \$ _____ CONTENTS-ONLY COVERAGE AMOUNT: \$ _____ PREMIUM: \$ _____	
<b>NOTICE</b>	B) DO ANY OF THESE CONDITIONS EXIST? 2 LOSS PAYMENTS, EACH MORE THAN \$1,000 <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO 3 OR MORE LOSS PAYMENTS, REGARDLESS OF AMOUNT <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO 2 FEDERAL DISASTER RELIEF PAYMENTS, EACH MORE THAN \$1,000 <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO 3 FEDERAL DISASTER RELIEF PAYMENTS, REGARDLESS OF AMOUNT <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO 1 FLOOD INSURANCE CLAIM PAYMENT AND 1 FLOOD DISASTER RELIEF PAYMENT (INCLUDING LOANS AND GRANTS), EACH MORE THAN \$1,000 <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <b>INSURANCE IS AVAILABLE UNDER THIS APPLICATION ONLY IF THE ANSWERS TO THESE QUESTIONS ARE NO.</b>			
	(ONE BUILDING PER POLICY - BLANKET COVERAGE NOT PERMITTED)			
<b>SIGNATURE</b>	THE ABOVE STATEMENTS ARE CORRECT TO THE BEST OF MY KNOWLEDGE. THE PROPERTY OWNER AND 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) <b>(OVER)</b>	

PLEASE ATTACH TO NFIP COPY OF APPLICATION THE CHECK OR MONEY ORDER FOR THE TOTAL PREPAID PREMIUM MADE PAYABLE TO THE NATIONAL FLOOD INSURANCE PROGRAM

NFIP COPY