



FEMA

W-05020

May 19, 2005

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

FROM: David I. Maurstad *David I. Maurstad*
Acting Director
Mitigation Division
Emergency Preparedness
and Response Directorate

SUBJECT: Flood Insurance Reform Act of 2004

I greatly appreciate the input received from the insurance industry and others regarding ways to implement the Title II requirements of the Flood Insurance Reform Act (FIRA) of 2004 by October 1, 2005. Numerous companies and agents provided constructive recommendations, detailed cost estimates for various implementation options, flow charts, and other data. FEMA conducted a comprehensive review and considered all the information. I am pleased to inform you of the following decisions.

Applicable Policies

The FIRA requirements apply to the owners of the following National Flood Insurance Program (NFIP) policy forms: Dwelling, General Property, and Residential Condominium Building Association Policy.

Responsibilities

WYO Companies

On and after October 1, 2005, when WYO companies or the NFIP Servicing Agent mail to the policyholders a new or renewal declarations page, the following information must also be enclosed: (a) a copy of the flood insurance policy; (b) the summary of coverage as required by Section 202 (a)(1), (2), (3), (5); and (c) a cover letter to reference these enclosures and inform the policyholders that subsequent information will be sent to them from the Federal Emergency Management Agency (FEMA). The text of the cover letter and summary of coverage will be prescribed by FEMA. The procedures for subsequent renewals, i.e., those on or after October 1, 2006, are described on Page 2 of this letter.

At the time of a claim, WYO companies will furnish the claims handbook to its policyholders, as required by the FIRA, Section 204.

FEMA

FEMA, through the NFIP Bureau and Statistical Agent, will send to the policyholders: (a) the property's loss history information, as required by FIRA, Section 202 (a)(4); (b) the claims handbook, as required by FIRA, Section 204; (c) the acknowledgement, as required by FIRA, Section 203; and (d) a cover letter referencing these enclosures.

Work is currently underway to finalize these FIRA-related documents. Electronic versions for printing purposes will be provided to the WYO companies by August 1, 2005.

In addition, under separate cover the WYO companies will receive the related Transaction Record Reporting and Processing (TRRP) Plan instructions. The WYO companies will transmit policyholders' mailing addresses to the NFIP Bureau and Statistical Agent for use in sending the materials described above.

Privacy Concern

FEMA analyzed the privacy issues raised with regard to requiring WYO companies to release policyholders' mailing addresses to FEMA and the disclosure of the property's loss history information to policyholders. These disclosures are essential only to transactions relating to the Standard Flood Insurance Policy and compliance with the FIRA. These activities are consistent with Gramm-Leach-Bliley and all other privacy provisions. In addition, FEMA has taken the appropriate precautions to prevent disclosure of such information for unauthorized or illegitimate purposes. Therefore, in order to fully effect and administer the Standard Flood Insurance Policy and the mandates of the FIRA, FEMA requires all WYO companies to provide the requested mailing addresses in accordance with the forthcoming TRRP Plan instructions.

Renewals

Some WYO companies asked how to interpret the FIRA requirements with respect to subsequent renewals, i.e., those on and after October 1, 2006. Because policies under the NFIP are issued for a 1-year term and renewed annually, FEMA interprets the Congressional intent to apply each year the policy is in force. Therefore, WYO companies must include the summary of coverage and cover letter with the declarations page for every subsequent renewal.

Acknowledgement

FEMA was asked if there would be any consequence if the policyholder does not return a signed acknowledgement. The FIRA does not prescribe a consequence. However, FEMA is implementing record-keeping procedures to enable the NFIP Bureau and Statistical Agent to show proof of mailing, and receipt or lack of receipt of a policyholder's signed acknowledgement.

Flood Insurance Reform Act of 2004
Page 3

Thank you for your continued support in implementing these statutory provisions. If you have any questions, please contact your Program Coordinator.

cc: Vendors, IBHS, FIPNC, and Government Technical Monitor

Suggested Routing: Claims, Data Processing, Marketing, Underwriting

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