



FEMA

W-09011

March 6, 2009

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators

A handwritten signature in black ink that reads "Edward L. Connor".

FROM: Edward L. Connor
Acting Federal Insurance Administrator
National Flood Insurance Program

SUBJECT: Lapse of Statutory Authority for the NFIP – Update

The Congress passed a Continuing Resolution which extends NFIP authority through March 11, 2009. In the event that the Congress does not take action by midnight Wednesday, March 11, 2009, to extend the statutory authority to issue flood insurance policies pursuant to the NFIP, there will be a hiatus during which time the Program will not be able to issue new policies, increase coverage on existing policies, or issue renewal policies. The length of the hiatus is expected to be brief.

Attached is a memorandum instructing the NFIP Servicing Agent how to proceed during this hiatus. FEMA recommends you consider taking similar action to avoid costly, confusing, and inconvenient return of premium payments to your policyholders. Since the actions planned include holding premiums, normal cash handling will be affected. If WYO companies decide to hold premiums, they should plan to pay refunds, claims, and claim-related expenses from letter of credit drawdowns, rather than from any premium receipts deposited in their restricted accounts during the hiatus.

We will inform you when Congress has extended the NFIP statutory authority.

Attachment

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: All Departments



FEMA

March 6, 2009

MEMORANDUM FOR: Kirk S. Carlson
CSC Covansys Corp.
Project Director
National Flood Insurance Program (NFIP) Servicing Agent

FROM: Roland Holland, COTR, NFIP Direct Servicing Agent
Management Program Analyst
DHS/FEMA/Mitigation Directorate

SUBJECT: Lapse of Statutory Authority for the NFIP – Update

The Congress passed a Continuing Resolution which extends NFIP authority through March 11, 2009. In the event that the Congress does not take action by midnight Wednesday, March 11, 2009, to extend the statutory authority to issue flood insurance policies pursuant to the NFIP, there will be a hiatus during which time the Program will not be able to issue new policies, increase coverage on existing policies, or issue renewal policies. The length of the hiatus is expected to be brief. Nevertheless, the procedures described below must be followed.

If the premium payments for renewals, or new applications or endorsements with accompanying premium payments are received on or before March 11, 2009, coverage can be made effective after that date under existing statutory authority. Please instruct the NFIP Servicing Agent to hold all premium payments for renewals, new applications, and endorsements increasing coverage that are received on or after March 12, 2009. The issuance of coverage should be delayed until the statutory authority has been extended. This is in anticipation that the hiatus will be relatively brief. Notice 1 (attached) should be sent with renewal notices for policies expiring on and after March 11, 2009. Notice 2 (attached) should be sent to all policyholders who have already been sent renewal notices for policies expiring on and after March 12, 2009, if the renewal premium has not already been received.

Please note that claims on policies issued or renewed on or prior to March 11, 2009, can be adjusted and paid even if the claim and/or payment occurs during the hiatus.

We will inform you when Congress has extended the NFIP statutory authority.

Attachments

Kirk S. Carlson

Attachment 1

Notice 1

The statutory authority of the National Flood Insurance Program (NFIP) to issue or renew policies will expire at midnight on March 11, 2009. If you mail your renewal premium and it is received by the NFIP on or prior to March 11, 2009, your policy can be renewed.

If the renewal payment is received after March 11, 2009, your renewal policy will go into effect at the earliest date consistent with both the terms of your expiring policy and the extension of authority for the NFIP. Please note that such renewal policies will only become effective if a new authorization of the NFIP becomes law, which is expected. If this does not occur, your premium will be refunded.

ARCHIVED APRIL 2018

Kirk S. Carlson

Attachment 2

Notice 2

The statutory authority of the National Flood Insurance Program (NFIP) to issue or renew policies will expire at midnight on March 11, 2009. Your renewal notice was sent before we knew that this was going to occur.

There will be no interruption in your coverage if you mail your premium and we receive it on or prior to March 11, 2009.

If the renewal premium is received on or after March 12, 2009, your renewal policy will go into effect at the earliest date consistent with both the terms of your expiring policy and the extension of authority for the NFIP. Please note that such renewal policies will only become effective if a new authorization of the NFIP becomes law, which is expected. If this does not occur, your premium will be refunded.

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Notice 3
New Business or Coverage Increase Endorsement

You are applying for flood insurance or an increase in coverage from the National Flood Insurance Program (NFIP), a government insurance program that is administered by the Federal Emergency Management Agency (FEMA).

The NFIP operates under authority from Congress that has to be renewed periodically. As of March 11, 2009, that authority has expired and is awaiting Congressional renewal. Until such renewal is granted, the premium you are paying will be held by FEMA.

FEMA will hold your premium in order that your policy or coverage increase can go into effect at the earliest date, consistent with the receipt of premium and waiting period rules of the NFIP and the extension of authority for the NFIP. For applications made in connection with a mortgage loan, if, as FEMA has requested, renewal of the authority to issue flood insurance policies under the NFIP is granted retroactively, your policy will be issued effective as of the date of the closing of your loan. If Congressional renewal is granted retroactively, any claim for insurable losses you suffer from that effective date onward will be honored by the NFIP, even if the authority is granted after the date of such losses.

If Congressional renewal is not granted within a reasonable period, FEMA will refund your premium. In such an event, and provided that you do not purchase alternative flood coverage, you will not have had the protection of flood insurance during this period and will be at risk for any damage to the property caused by the flood.

Please note, you are under no obligation to purchase your flood insurance from the NFIP. You may choose to purchase flood insurance elsewhere if other providers are available in your area. If your purchase of insurance is due to your lender's requirement, then any other provider is subject to your lender's approval

Frequently Asked Questions (FAQ) Concerning NFIP Re-Authorization
FAQ – Consumers

1. Why can't my insurance company just issue me a flood policy? Why do we need an act of Congress?

Your insurance company issues flood policies as part of the National Flood Insurance Program (NFIP) under an arrangement with the Federal Government. The NFIP operates under authority from Congress that has to be renewed periodically. That authority to issue new policies expires at midnight on March 11, 2009 and is awaiting Congressional renewal. Thus the NFIP will experience a hiatus – a period without authority to issue new policies, issue increased coverage on existing policies, or issue renewal policies until Congress reauthorizes it.

2. How does the "hiatus" in authority for the NFIP affect me and how long will it last?

Most of the 5.6 million flood insurance policyholders nationwide will not be affected. Policies that are in force will remain in force, and claims under those policies can continue to be paid after March 12, 2009. However, during the hiatus we will not be able to issue new policies, issue increased coverage on existing policies, or issue renewal policies. Therefore, the limited interruption is of concern to property owners who need to renew policies in March, home-buyers who must purchase flood insurance as a condition for obtaining mortgages from federally regulated lenders, and property owners refinancing existing mortgages, who must purchase or renew such coverage.

That said, the hiatus is expected to be brief and we are doing everything we can to resolve the issue with as little disruption of insurance operations as possible. We are also working with our insurance and lending industry partners to prepare for this situation.

3. Has this lapse in Congressional authority for the NFIP ever happened before and for how long? Did Congress make the reauthorization retroactive before?

Yes, there have been several lapses in authority for the NFIP in the past, and, in each of those lapses, which ranged from days to several weeks, Congress has reauthorized the NFIP retroactively.

4. If I get my premium payment and application for a new policy in to my insurance company on or before March 11, 2009, when will I have flood insurance protection?

The starting date of such coverage depends on the applicable flood insurance waiting period. (Check with your insurance agent for the exact date when the 30-day waiting period starts. Also see Question 15 for details about the 30-day waiting period.)

Even with the lapse in authority, new policies for which premium payment is received by the insurance company on or before March 11, 2009, will still be issued for coverage and will become effective after March 11, 2009. Claims for existing policies and policies issued based on premiums received prior to the hiatus, will be processed without delay.

5. What happens if my premium for a new policy or an endorsement for added coverage is received by the company on or after March 12, 2009 and I suffer a flood loss before Congress reauthorizes the Program?

We've suggested that the insurance companies hold premium payments for new or increased policies received during the hiatus. Claim payments for losses suffered during that time cannot be made until Congress retroactively extends the NFIP authority. However, your insurance company can proceed with investigating your claim under a "non-waiver" agreement, up to the point of payment. Under the "non-waiver" agreement, the company would reserve the right not to pay the claim if Congress does not reauthorize the NFIP.

6. I have a mortgage loan closing in March, and the lender has told me I have to have flood insurance at closing. What will happen if my premium and application aren't received by my insurance company by March 11, 2009?

It is expected that your premium will be held by your insurance company in order that your policy can go into effect at the earliest date. If reauthorization to issue flood insurance policies under the NFIP is granted retroactively, your policy will be issued effective as of the date of the closing of your loan.

7. Can my premium be in the mail, with a postmark before March 11, 2009 in order to beat the deadline?

The controlling factor is receipt of the premium by the insurance company, not the postmark.

8. If I suffer a loss during the hiatus, even though I beat the March 11, 2009 deadline, will I be covered for the loss?

If, based on the waiting period rules of the NFIP, your coverage was in effect at the time of the date of loss, you would be covered.

9. My policy is up for renewal in mid-March. How can I make sure that my premium payment gets in by the deadline?

If your renewal premium payment is received by your insurance company on or before March 11, 2009, your policy can be renewed.

10. What happens if my premium payment for a policy renewal is received by the company on or before March 11, 2009 and I suffer a flood loss before Congress reauthorizes the NFIP? Will I be covered?

Yes. Even during the hiatus, claims for losses occurring during the hiatus, on existing policies and on policies issued based on premiums that were received prior to the hiatus, are to be processed and paid without delay.

Attachment 6

11. What happens if my premium payment for a policy renewal is received by the company on or after March 12, 2009 and I suffer a flood loss before Congress reauthorizes the NFIP? Will I be covered?

We've suggested that the insurance companies hold in abeyance renewal premium payments received during the hiatus. Claim payments for losses suffered during that time cannot be made until Congress retroactively extends the NFIP authority. However, your insurance company can proceed with investigating your claim under a "non-waiver" agreement, up to the point of payment. Under the "non-waiver" agreement, the company would reserve the right to pay the claim if Congress does not reauthorize the NFIP.

12. How will I be notified when the NFIP is reauthorized?

We will announce it through the media and to all the NFIP's stakeholders – insurance companies, insurance agents, lenders and realtors, so they can pass the information on to their customers. We will also use the FEMA website to announce the authorization.

13. What happens if Congress does not make reauthorization retroactive to March 12, 2009?

Policies without a 30-day waiting period would become effective on the date the reauthorization is effective.

Policies with a 30 day waiting period would become effective when both the 30-day waiting period has ended and Congress has reauthorized the NFIP. See Question 15 for details about the 30-day waiting period.

14. What happens if the hiatus is lengthy?

If authorization is not granted within a reasonable period of time after Congress reconvenes, premium payments will have to be refunded and we will not be able to issue the policies paid by premiums held in abeyance.

15. Is there a waiting period for flood insurance to become effective?

There is normally a 30-day waiting period before flood insurance goes into effect. There are two exceptions:

- If the initial purchase of flood insurance is in connection with the making, increasing, extending, or renewing of a loan, there is no waiting period. The coverage becomes effective at the time of the loan, provided the application and presentment of premium are made at or prior to loan closing.

Attachment 7

- If the initial purchase of flood insurance is made during the 13-month period following the revision or update of a Flood Insurance Rate Map for the community, there is a 1-day waiting period.

In addition to the two basic exceptions, FEMA's Mitigation Directorate has issued a policy decision specifying the following four exceptions:

1. The 30-day waiting period will not apply when there is an existing insurance policy and an additional amount of flood insurance is required in connection with the making, increasing, extending, or renewing of a loan, such as a second mortgage, home equity loan, or refinancing. The increased amount of flood coverage will be effective as of the time of the loan closing, provided the increased amount of coverage is applied for and the presentment of additional premium is made at or prior to the loan closing.
2. The 30-day waiting period will not apply when an additional amount of insurance is required as a result of a map revision. The increased amount of coverage will be effective at 12:01 a.m. on the first calendar day after the date the increased amount of coverage is applied for and the presentment of additional premium is made.
3. The 30-day waiting period will not apply when flood insurance is required as a result of a lender's determining a loan that does not have flood insurance coverage should be protected by flood insurance. The coverage will be effective upon the completion of an application and the presentment of payment of premium.
4. The 30-day waiting period will not apply when an additional amount of insurance offered in the renewal bill is being obtained in connection with the renewal of a policy.