

Amendment 1 Applicable to the SRL Program only:

The following amends the Fiscal Year 2009, Hazard Mitigation Assistance Program Guidance. In particular, Sections 2.1.3.3.4, 2.3.9, 2.5.3.1, 2.5.3.2, 2.7.4.3, 2.7.8.2, and 3.4.8.25 are amended. This change is applicable *only* to the Severe Repetitive Loss (SRL) Program.

In compliance with statutory directive, FEMA has developed a cost effectiveness approach that compares the benefit and cost of mitigating properties from the perspective of the National Flood Insurance Fund (NFIF). This approach measures the expected benefits and costs of a mitigation activity over a specified time period, such as 30 years.

This methodology is based on the actual loss experience of these SRL Properties, and uses a standard actuarial approach of credibility weighting the actual loss experience with the losses expected from an "average" non-compliant Pre-FIRM structure. Under credibility weighting, the longer a property has been covered by the NFIP, the more weight is given to the actual loss experience when determining expected future losses. Conversely, for properties that have a short history with the NFIP, more weight is given to the losses from the "average" Pre-FIRM structure when determining expected future losses.

In this approach, the total expected future insurance claims and claim adjustment expenses (expected dollars paid out of the NFIF, assuming the property is not mitigated) are reduced by the total expected future insurance premiums available for paying claims (expected dollars paid into the NFIF, assuming the property is not mitigated) to derive the savings to the fund from the proposed mitigation. In this approach, cost of mitigation is the NFIF's cost-share portion of the mitigation activity plus a pro-rata share in the cost of administering the SRL mitigation program. Similar to the more traditional methods of benefit-cost analysis, the savings to the fund benefit and cost are then compared to determine the cost effectiveness of the mitigation activity.

This approach does not require additional information to be submitted by the applicant other than what is to be submitted for a traditional cost effectiveness determination. This approach will be considered for all applications in FY09. Applicants must continue to submit a benefit-cost analysis and resulting BCR as required by program guidance. Projects submitted to FEMA under the SRL program will be evaluated based on the submitted Benefit Cost Analysis, and/or FEMA's calculation of expected savings to the NFIF. Projects with an aggregate BCR equal to or greater than one, or projects demonstrating an expected savings to the NFIF, may be selected for further review if all other eligibility requirements are met.