Federal Emergency Management Agency

Washington, D.C. 20472

March 28, 2003

MEMORANDUM FOR: Doug Bellomo, P.E., Project Officer
Eastern Studies Team

Bill Blanton, Project Officer
Central Studies Team

Mike Grimm, Project Officer
Western Studies Team

[Original Signed]

FROM: Mike Grimm, Acting Chief
Hazards Study Branch

SUBJECT: Procedure Memorandum No. 31 – Insert Letters Regarding Retention of Flood Insurance Policies for MT-1 & MT-2 As-Built LOMCs

Background: As part of the FIMA strategy for growth and retention of Flood Insurance Policies, outlined in the April 15, 2002 memo to the Write Your Own companies:

> "FIMA is working to ensure that all our messages relating to map changes encourage policy retention. We are in the process of revising all such correspondence and messages to stress this policy retention theme: while property may have been removed from a Special Flood Hazard Area and policyholders may no longer be required by law to keep their flood insurance policy, it is in their best interest to do so – and sometimes at a much lower premium."

Retention messages need to be developed and inserted into all LOMA/LOMR-F/LOMR determination documents.

Issue: The Hazards Study Branch, working in unison with the Program Marketing and Partnership Division - Community Assistance Branch (IM-MP-CA), has developed standard letters encouraging individual communities and requestors to retain their flood insurance policies even if they are no longer required to do so by law.

Action Taken: Insert Letters Regarding Retention of Flood Insurance Policies for MT-1 & MT-2 As-Built LOMCs have been developed.

Final Procedure: Effective immediately, we will revise our current letter/determination distribution processes to include the attached flood insurance policy retention letters. There are two distinct letter types. First, a retention letter to the community officials for all LOMR-F and LOMR determinations recommending that they encourage homeowners to retain insurance coverage and second, a retention letter for individual requesters for all LOMA determinations. Howard Leikin's pre-scanned signature will be utilized for these insert letters. The changes herein will be

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However, the document contains useful guidance to support implementation of the new standards.

incorporated into future revisions to the *LOMC Processing Manual* and the *Guidelines and Specifications for Flood Hazard Mapping Partners*. In the meantime, the Flood Map Production Coordination Contractors must revise their internal procedures and processes to ensure that all LOMA/LOMR-F/LOMR determinations include the attached "retention letters" in accordance with this memorandum.

Attachments

Cc: See attached distribution list

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INSERT for LOMR/LOMR-F letters

Dear :

Your community's flood maps have changed.

The map revision explained in the determination document may have removed some properties from special flood hazard areas where lenders must require flood insurance as a condition for borrowers to obtain a mortgage. As a result, some property owners may no longer have to purchase or maintain flood insurance protection as a condition for their mortgage. Many will conclude that they are no longer at risk from flooding and will be eager to cancel their policies.

Such a decision could have disastrous consequences for property owners in the future—leaving them with a false sense of security and no insurance protection from flood losses. In fact, about 25% of all flood insurance claims occur *outside* special flood hazard areas because floods often affect more than just high-risk areas where insurance is required.

Please use your offices to encourage all property owners to keep their coverage—even if they are no longer required to do so by law as a result of your community's map revisions. These property owners may now be eligible to pay less for the same amount of coverage. Encourage them to check with their insurance agent to see what pricing benefits may now be available to them as a result of this map revision. Floods occur, with all too tragic frequency, in areas of so-called moderate or minimal flood risk, too.

Unfortunately, we've seen too many newspaper accounts of property owners who canceled their policies after an immediate flood threat had passed or after their flood map had changed—only to suffer a loss later. Such uninsured losses can be devastating and are unnecessary. To prevent this, we want to inform public officials, such as yourself, that property owners need to keep flood insurance protection—even if they are no longer required to do so by law.

We urge you to encourage all your residents to make an informed decision about flood insurance protection. Remind them of their flood risks and point out that it makes good sense for all property owners to protect their property with a flood insurance policy.

Sincerely,

Howard Leikin
Deputy Administrator for Insurance
Federal Insurance and Mitigation Administration

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INSERT for LOMA letters

Dear :

Your community's flood maps have changed.

The map amendment explained in the determination document may have removed your property(ies) from a special flood hazard area where lenders must require flood insurance as a condition for borrowers to obtain a mortgage. As a result, you or the buyers of your property may no longer have to purchase or maintain flood insurance protection as a condition for a mortgage. Some may interpret this to mean that they are no longer at risk of flooding and will be eager to cancel their policies.

Such a decision could have disastrous consequences for property owners in the future—leaving them with a false sense of security and no insurance protection from flood losses. In fact, about 25% of all flood insurance claims occur *outside* special flood hazard areas because floods often affect more than just high-risk areas where insurance is required.

In spite of the Letter of Map Amendment you received, please consider keeping flood insurance coverage—even if you or your buyer are no longer required to do so by law. You and future owners of the affected property may now be eligible to pay less for the same amount of coverage. Check with your insurance agent to see what pricing benefits may now be available to you as a result of this map amendment.

Unfortunately, we've seen too many newspaper accounts of property owners who canceled their policies after an immediate flood threat had passed or after their flood map had changed—only to suffer a later loss. Such uninsured losses are tragic and unnecessary. To prevent this, we want to inform property owners, such as yourself, that people need to keep flood insurance protection—even if they are no longer required to do so by law.

Floods occur, with all too tragic frequency, in areas of so-called moderate or minimal flood risk, so it makes good sense for all property owners to protect their property with a flood insurance policy.

Sincerely,

Howard Leikin
Deputy Administrator for Insurance
Federal Insurance and Mitigation Administration

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