

# GUIDANCE FOR SEVERE REPETITIVE LOSS PROPERTIES

## I. GENERAL DESCRIPTION

The primary objective of the Severe Repetitive Loss (SRL) properties strategy is to eliminate or reduce the damage to property and the disruption to life caused by repeated flooding. Approximately 11,900 insured properties have been identified with a high frequency of losses or a high value of claims. As these policies come up for renewal, they will be transferred to the National Flood Insurance Program (NFIP) Servicing Agent's Special Direct Facility (SDF).

The close supervision the SDF provides the group of policies, and the attention the group of properties receives when mitigation decisions are made, contribute to attaining the strategy's primary objective. The SRL group consists of any NFIP-insured property that has met at least 1 of the following paid flood loss criteria since 1978, regardless of ownership:

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

In either case, 2 of the claim 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 1 loss, with the payment amounts added together.

The loss history includes all ownership of the property since 1978 or since the building's construction if built after 1978.

SRL properties with renewal dates of January 1, 2007, or later will be afforded coverage (new business or renewal) only through the SDF.

The agent/producer of record will remain in that capacity while the policy is in the SDF. The NFIP Servicing Agent will pay the agent/producer of record the standard 15% commission that is paid on all NFIP Direct business.

## II. NOTIFICATION REQUIREMENTS

Policies that renew on or after January 1, 2007, and meet the SRL criteria will be transferred to the SDF for policy issuance. Any policy that meets the SRL criteria during the current term will be transferred to the SDF with the subsequent renewal. As requests for review (discussed in "IV. Dispute Resolution" below) are

successful, and the Federal Emergency Management Agency (FEMA) or its designee approves properties for mitigation, policies will be transferred out of the SDF.

When policies are to be transferred to the SDF, the NFIP Bureau and Statistical Agent (NFIP Bureau) will notify Write Your Own (WYO) Companies and the NFIP Servicing Agent at least 150 days prior to the expiration date. The companies will notify the affected policyholders, their agents/producers, and their lenders 90 days before expiration of the policy. This notice will explain that the policies are ineligible for coverage outside of the SDF. (See agent, lender, and policyholder SDF Notification Letters on pages SRL 3–8.) Offers to renew will be issued by the SDF approximately 45 days prior to the expiration date.

## III. RE-UNDERWRITING REQUIREMENTS

All SRL policies that have been transferred to the NFIP SDF and will renew on or after October 1, 2012, must be re-underwritten before they can be renewed.

The NFIP SDF will require a new Application, photographs of the front and rear of the building, Elevation Certificate if applicable, and any additional documents to ensure that policy information and rates are current and correct. This documentation will be needed at least 120 days prior to the expiration date. Policies will be processed and issued based upon current rates, zone, and map information, except for those properties meeting the NFIP grandfathering eligibility rules.

## IV. DISPUTE RESOLUTION

The designation of a property as an SRL property is based on the data on file with the NFIP. If the policyholder believes that the claims history is inaccurate, or if the property has already been mitigated to reduce future flooding, the designation may be challenged.

When a policyholder has documentation that the NFIP-insured property has not sustained the losses reported, a request for review may be presented, in writing, to the NFIP Bureau. All documentation to substantiate the review must be included with the request letter. The policy will remain in the SDF during the review.

The policyholder and agent/producer will be notified of the results of the review. If the policyholder's request for review is successful, and the policyholder requests that the policy be returned to the previous carrier, the SDF policy will be canceled and the full premium will be returned to the former carrier. Otherwise, the

policy will be set up for release from the SDF at its next renewal. The carrier will write the policy using the SDF's effective dates. If, however, a loss occurs both in the current term and before the policy can be returned to the former carrier, the SDF will continue to service the claim and will return the policy at the next renewal cycle, unless the new claim qualifies the property for the SDF.

If FEMA has approved the property for mitigation efforts other than buyout or demolition, the property will be removed from the SDF at the next renewal.

If the property is bought out or demolished under an approved FEMA mitigation project, and the mitigation efforts for the specific property are FEMA approved, the policy will be canceled and the pro-rata premium (less Federal Policy Fee and, if applicable, Probation Surcharge) will be refunded. When a property is bought out or demolished, any commission chargeback to the agent/producer will be forgiven.

## **V. NEW BUSINESS SEVERE REPETITIVE LOSS PROPERTIES**

If during the application process, a property is determined to be an SRL property, the completed application and all required documentation must be submitted to the NFIP SDF:

NFIP Special Direct Facility  
P.O. Box 29524  
Shawnee Mission, KS 66201-5524

## **VI. FLOOD MITIGATION ASSISTANCE AND SEVERE REPETITIVE LOSS GRANT PROGRAMS**

The FMA Program was authorized by the National Flood Insurance Reform Act of 1994 and amended by the Biggert-Waters Flood Insurance Reform Act of 2012. The FMA Program may provide Federal grant funds to pay for up to 100 percent of the cost of eligible mitigation activities, such as elevating SRL structures.

Mitigated properties may qualify for reduced flood insurance rates.

The Biggert-Waters Flood Insurance Reform Act of 2012 eliminated the SRL Program authorized by the Flood Insurance Reform Act of 2004 (FIRA 2004), in which Congress directed FEMA to develop a program to reduce future flood losses. The FMA Program, which continues to focus on the mitigation of SRL properties, makes funding available for a variety of flood mitigation activities. Under the FMA Program, FEMA provides funds to state and local governments to make offers of assistance to NFIP-insured property owners for mitigation projects that reduce future flood losses such as:

- Acquisition or relocation of at-risk structures and conversion of the property to open space;
- Elevation of existing structures; or
- Dry floodproofing of historic properties.

FMA mitigation grants are provided to eligible applicants (states, territories, and tribes) that, in turn, provide subgrants to local governments or communities. The applicant must have a FEMA-approved mitigation plan at the time that the project is awarded.

State and local officials will prioritize NFIP-insured properties within their jurisdictions for FMA grants. They may contact the policyholder directly to determine the appropriate mitigation activity that will most effectively reduce future flood losses and to advise them of their inclusion in the FMA grant application.

To obtain additional information on the FMA Program and other mitigation grant programs for residential and non-residential properties, property owners should contact their local floodplain manager or state hazard mitigation officer, or go to the FEMA Hazard Mitigation Assistance webpage at <http://www.fema.gov/hazard-mitigation-assistance>.

U.S. Department of Homeland Security  
500 C Street, SW  
Washington, DC 20472



**FEMA**

## **IMPORTANT FLOOD INSURANCE POLICY INFORMATION**

Insured's Name:

Property Address:

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 subset of repetitive loss structures: insured properties with a high frequency of losses or a high value of claims. These properties are designated as 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, made it a top priority to reduce the number of SRL properties nationwide. As of January 2013, FEMA has identified approximately 11,900 properties that meet the designation 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 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 for 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 implements the Flood Mitigation Assistance (FMA) grant program annually 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 Servicing Agent. This center is the Special Direct Facility (SDF).

[www.fema.gov](http://www.fema.gov)

Agent  
Date  
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- 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.
- 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 of 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 FMA Program was authorized by the National Flood Insurance Reform Act of 1994 and amended by the Biggert-Waters Flood Insurance Reform Act of 2012. The FMA Program may provide Federal grant funds to pay for up to 100 percent 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. To obtain additional information on the FMA Program and other mitigation grant programs for residential and non-residential properties, please contact your local floodplain manager or state hazard mitigation officer, or go to the FEMA Hazard Mitigation Assistance webpage at [www.fema.gov/hazard-mitigation-assistance](http://www.fema.gov/hazard-mitigation-assistance).

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 L. Miller  
Associate Administrator  
Federal Insurance and Mitigation Administration

U.S. Department of Homeland Security  
500 C Street, SW  
Washington, DC 20472



**FEMA**

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Insured's Name:

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Dear Lender:

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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 Servicing Agent. This center is the Special Direct Facility (SDF).

[www.fema.gov](http://www.fema.gov)



Lender

Date

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**FEMA**

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