

Appendix I: Severe Repetitive Loss Properties

I. General Information

FEMA designates as Severe Repetitive Loss (SRL) any NFIP-insured single-family or multi-family residential building:

1. That has incurred flood-related damage for which four or more separate claims payments have been made, with the amount of each claim (including building and contents payments) exceeding \$5,000, and with the cumulative amount of such claims payments exceeding \$20,000; or
2. For which at least two separate claims payments (building payments only) have been made under such coverage, with the cumulative amount of such claims exceeding the market value of the building.

In both instances, at least two of the claims must be within 10 years of each other, and claims made within 10 days of each other will be counted as one claim. In determining SRL status, FEMA considers the loss history since 1978, or from the building's construction if it was built after 1978, regardless of any changes in the ownership of the building. The term "SRL property" refers to either an SRL building or the contents within an SRL building, or both.

The writing company must transfer SRL policies to the Special Direct Facility (SDF) operated by NFIP Direct as they reach their renewal date. The NFIP monitors all transferred SRL policies located at the SDF for targeted mitigation actions.

SRL properties may obtain renewal or new business coverage only through the SDF. The agent of record remains in that capacity while the policy remains in the SDF.

NFIP Direct can provide additional assistance on the handling of SRL properties. You can contact NFIP Direct at 1-800-638-6620.

II. New Business

If the insurer determines a property to be an SRL property, the insurer must submit the completed application and the required documentation to the SDF at the following address:

NFIP Special Direct Facility
P.O. Box 913111
Denver, CO 80291-3111

Alternatively, the insured's agent can access the NFIP Direct online portal (<https://www.nfipdirect.fema.gov/Membership/SignIn/>), enter the application information, and upload supporting documentation directly into the SDF.

III. Notification Requirements

A request to transfer a policy occurs when the NFIP identifies a property as meeting the SRL criteria.

- The NFIP notifies the Write Your Own (WYO) company at least 150 days prior to the policy expiration date.

- The company notifies the affected insured, agent, and lender 90 days before expiration of the policy. This notice explains that the policy must be written with the SDF. (See agent, lender, and insured SDF Notification Letters in this section.)
- The SDF issues a renewal offer for the SRL policy approximately 45 days prior to the expiration date.

IV. Underwriting Requirements

The WYO company must provide the SDF sufficient policy documentation for all SRL policies transferred to the SDF. The SDF will process and issue policies based upon the current rates, flood zone, and other map information unless the property meets the NFIP grandfathering eligibility rules. The SDF will re-underwrite all transferred policies by their next renewal in order to validate rating elements and calculate the premium.

Required documentation consists of the following:

- An NFIP Flood Insurance Application;
- Front and rear photographs of the building (if applicable);
- NFIP Elevation Certificate (EC) (if applicable); *and*
- Any additional documents to ensure the accuracy of current policy and rating information.

Companies must submit this documentation at least 120 days prior to the policy expiration date. If documentation is not received, the insured may be notified of non-renewal or billed with tentative rates or Pre-FIRM rates (if eligible).

V. Process for Correcting or Updating a Property's SRL Status

FEMA designates a property as SRL based on the information it has on file. The insured may request that FEMA correct the property's SRL status if the insured believes that the claims history or the market value used to determine loss history is inaccurate. The insured may request that FEMA update the property's SRL status if property mitigation has occurred to reduce future flooding potential. The policy remains with the SDF during the review.

A. Required Documentation

Documentation required to correct or update a property's SRL status includes but is not limited to the following:

- Invalid Loss History Association — Documentation that shows:
 - Incorrectly linked addresses and/or losses; *or*
 - A second address added to a Property Locator Record.
- Property Value Updates — The property value is based on market value, which must be shown on one of the following documents:
 - Property tax assessment; *or*
 - Property appraisal.

RESOURCE

See Appendix B:
Forms for the NFIP
Flood Insurance
Application (page B-1)
and the NFIP Elevation
Certificate and
Instructions
(page B-20)

- Mitigation Action
 - EC based on finished construction of the new or improved building;
 - Color photographs of the building before the improvement;
 - Color photographs of the building after the improvement;
 - Photographs of the flood vents/openings (if applicable);
 - Source of funding for the mitigation action (state, local or individual);
 - Demolition permit (if the building was demolished and rebuilt);
 - Building permit (if the building was elevated or rebuilt); and
 - In Zone B, C, or X, a signed statement from a community official that shows mitigation was approved by the community.

Required documents should be **emailed** to NFIPUnderwritingMailbox@fema.dhs.gov.

B. SDF Process After FEMA Determination

FEMA notifies the SDF, insured, and agent of record regarding the review results when completed. If FEMA determined that correction or update of the property's SRL status is not justified, the policy stays with the SDF. If FEMA agreed to correct or update the property's SRL status, the possible actions the SDF may take include:

- If an invalid loss history association or incorrect property valuation justified correction of the property's SRL status, the SDF will coordinate with the agent of record to transfer the policy back to the former insurer, or another NFIP insurer the insured chooses, at the next policy renewal. The insurer renews the policy using the SDF's effective dates ensuring continuous coverage with no overlap. If the insured does not want to wait until the next renewal, the SDF will cancel the current policy and send the premium to the former insurer, or another NFIP insurer the insured chooses, to issue a new policy.
- If a mitigation action other than a buyout or demolition justified update of the property's SRL status, the SDF will coordinate with the agent of record to transfer the policy back to the former insurer, or another NFIP insurer the insured chooses, at the next policy renewal. The insurer renews the policy using the SDF's effective dates ensuring continuous coverage with no overlap.
- If a buyout or demolition justified update of the property's SRL status, the SDF will coordinate policy cancellation with the agent of record. The SDF cancels the policy and refunds the pro-rata premium (less Federal Policy Fee and Probation Surcharge, if applicable). There is no commission chargeback if FEMA approves the specific property buyout or demolition under an approved FEMA mitigation project.
- If a loss occurs both in the current term and before the policy transfers to the former or new insurer, the SDF will continue to service the claim and transfer the policy to the insurer at the next renewal unless the new claim qualifies the property for the SDF again.

VI. Flood Mitigation Assistance (FMA) Program

The FMA Program makes funding available for a variety of flood mitigation activities. Under the FMA Program, FEMA provides funds to state and local governments assisting NFIP-insured property owners to conduct 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.

Eligible applicants (states, territories, and tribes) that receive FMA mitigation grants provide subgrants to local governments or communities. The applicant must have a FEMA-approved mitigation plan at the time of project award.

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

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

VII. Sample Letters

A. Agent Notification Letter

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

Agent
Date
Page 2

- 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.

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,
National Flood Insurance Program

B. Lender Notification Letter

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 Lender:

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.

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- (2) Two or more separate claim payments (building payments only) where the total of the payments exceeds the current value of the property.

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www.fema.gov

Lender
Date
Page 2

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Sincerely,
National Flood Insurance Program

C. Insured Notification Letter

National Flood Insurance Program
U.S. Department of Homeland Security
P.O. Box 2966
Shawnee Mission, KS 66201-1366



FEMA

IMPORTANT FLOOD INSURANCE POLICY INFORMATION

Insured's Name:

Property Address:

Policy Number:

Dear Policyholder:

As you may be aware, your 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 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.

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Policyholder

Date

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Sincerely,

National Flood Insurance Program