



FEMA

W-16018

March 23, 2016

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the
National Flood Insurance Program (NFIP) Servicing Agent

FROM: Lloyd A. Hake
Division Director
Risk Insurance Division

A handwritten signature in blue ink that reads "Lloyd A. Hake".

SUBJECT: Deductible Disclosure and Cancellation Receipt Date Procedures

Please see the revised guidance below concerning deductibles and cancellation receipt dates.

Deductible Disclosure

On February 10, 2015, FEMA issued Bulletin W-15005 implementing Section 12 of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA), making an optional \$10,000 deductible available effective November 1, 2015, to all residential properties, including those designed for one-to-four families.

The November 1, 2015, edition of the NFIP Flood Insurance Manual (FIM), Rating Section, Subsection III.B on page RATE 17, stated that when a mortgagee is listed on the policy, the mortgagee's written consent must be secured before requesting a deductible higher than the applicable minimum deductible. FEMA has determined requiring a written letter prior to renewing the policy would place an undue burden on policyholders opting for a higher deductible, particularly at the time of renewal. However, policyholders must also be made aware that if they opt for a \$10,000 deductible, it may not be acceptable to their lender under the terms and conditions of the mortgage.

Therefore, FEMA is eliminating this advance written mortgagee consent requirement retroactive to November 1, 2015, and will remove it from the next FIM. We reiterate the requirement from Bulletin W-15005 that insurers must clearly and conspicuously disclose the availability of optional deductibles up to \$10,000 at the time of application. This disclosure must contain a statement explaining the effect of a loss-deductible and that, in the event of an insured loss, the insured is responsible out-of-pocket for losses to the extent of the deductible selected. HFIAA requires that the NFIP insurer provide this disclosure on the Flood Insurance Application form or on a separate form segregated from all other required disclosures.

The disclosure (attached) also makes applicants or policyholders aware that they should check to see if opting for this higher deductible would be acceptable under the terms of their mortgage; however, insurers are not required to obtain written consent from the lender when an applicant or policyholder requests a higher deductible than the statutory minimum deductibles.

Cancellation Receipt Date Procedures

FEMA added a new requirement to the Cancellation/Nullification Section of the November 1, 2015, edition of the FIM, Subsection I.A.5 on page CN 1, stating that for the purpose of determining the receipt date of the cancellation/nullification request, the receipt date shall be that date on which the cancellation/nullification request, along with the complete supporting documentation for that request, is received by the insurer.

This requirement is modified effective November 1, 2015, to state that for the purpose of determining the receipt date of the cancellation/nullification request, the receipt date shall be that date on which the cancellation/nullification request was initially received by the insurer, so long as the complete supporting documentation for that request is received by the insurer within 60 days of the insurer's request for additional documentation. When the supporting documentation for the cancellation/nullification request is received by the insurer more than 60 days after the insurer's request for the documentation, the receipt date shall be the date the insurer received the complete documentation. FEMA will update this requirement in the next FIM.

Thank you for your attention and cooperation in this matter. If you have any questions, please contact Joe Cecil of my staff at Joseph.Cecil@fema.dhs.gov.

Attachment

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Suggested Routing: Accounting, Claims, Data Processing, Marketing, Underwriting

Important Disclosure Regarding Your Deductible Options

A variety of deductible options are available for your flood insurance policy. Effective April 1, 2015, the National Flood Insurance Program is introducing a new deductible option of \$10,000 for policies covering 1-4 family residential properties.

A deductible is a fixed amount or percentage of any loss covered by insurance which is borne by the insured prior to the insurer's liability. Choosing the amount of your deductible is an important decision.

Although a higher deductible will lower the premium you pay, it most likely will reduce your claim payment(s) in the event of a covered loss, as the out-of-pocket expenses for repairs will be borne by you to the extent of the deductible selected. The deductible(s) you have chosen will apply separately to Building Property and Personal Property claims. If your mortgage lender is requiring this policy, it is important that you discuss higher deductible options with your lender before electing a deductible amount, as it may require a limited deductible.

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