Federal Emergency Management Agency

Washington, D.C. 20472

W-02082

NOV 25 2002

MEMORANDUM FOR: WYO Principal Coordinators

FROM: Anthony S. Lowe
Administrator
Federal Insurance and Mitigation Administration

SUBJECT: Lapse of Statutory Authority for the NFIP

This memorandum is to inform you that the 107th Congress adjourned without extending the statutory authority to issue flood insurance policies pursuant to the NFIP beyond December 31, 2002.

Attached is a memorandum dated November 25, 2002, instructing the NFIP Servicing Agent how to proceed in regard to the resulting hiatus in statutory authority. We similarly suggest you consider ways to avoid costly, confusing, and inconvenient return of premium payments to your policyholders.

We will inform you when Congress has extended the NFIP statutory authority.

Federal Emergency Management Agency

Washington, D.C. 20472

NOV 25 2002

MEMORANDUM FOR: Laurie Michie
Project Officer
NFIP Servicing Agent Contract

FROM: Anthony S. Lowe
Administrator
Federal Insurance and Mitigation Administration

SUBJECT: Lapse of Statutory Authority for the NFIP

This memorandum is to inform you that the 107th Congress adjourned without extending the statutory authority to issue flood insurance policies pursuant to the NFIP beyond December 31, 2002.

We expect that the new Congress will re-authorize the NFIP early in the term, but there will be a hiatus where we will not be able to issue new policies, issue increased coverage on existing policies, or issue renewal policies. We also expect that when Congress re-authorizes the NFIP, it will be retroactive to January 1, 2003.

If the premium payments for renewals, or new applications or endorsements with accompanying premium payments are received on or before December 31,2002, coverage can be made effective after that date under existing statutory authority. Please instruct the NFIP Servicing Agent to hold all premium payments for renewals, new applications, and endorsements increasing coverage that are received on or after January 1, 2003. The issuance of coverage should be delayed until the statutory authority has been extended. This is in anticipation that the hiatus will be relatively brief. Notice 1 (attached) should be sent with renewal notices for policies expiring on and after January 1, 2003. Notice 2 (attached) should be sent to all policyholders who have already been sent renewal notices for policies expiring on and after January 1, 2003, if the renewal premium has not already been received.

Please note that claims on policies issued or renewed on or prior to December 31,2002, can be adjusted and paid even if the claim and/or payment occurs during the hiatus.

We will inform you when Congress has extended the NFIP statutory authority.

Notice 1

The statutory authority of the National Flood Insurance Program (NFIP) to issue or renew policies will expire at midnight on December 31, 2002. If you mail your renewal premium and it is received by the NFIP on or prior to December 31, 2002, your policy can be renewed.

If the renewal premium is received after December 31, 2002, your renewal policy will go into effect at the earliest date consistent with both the terms of your expiring policy and the extension of authority for the NFIP. Please note that such renewal policies will only become effective if a new authorization of the NFIP becomes law, which is expected. If this does not occur, your premium will be refunded.

Notice 2

The statutory authority of the National Flood Insurance Program (NFIP) to issue or renew policies will expire at midnight on December 31, 2002. Your renewal notice was sent before we knew that this was going to occur.

There will be no interruption in your coverage if you mail your premium and we receive it on or prior to December 31, 2002.

If the renewal premium is received after December 31, 2002, your renewal policy will go into effect at the earliest date consistent with both the terms of your expiring policy and the extension of authority for the NFIP. Please note that such renewal policies will only become effective if a new authorization of the NFIP becomes law, which is expected. If this does not occur, your premium will be refunded.