U.S. Department of Homeland Security
Washington, D.C. 20472

FEMA

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August 29, 2017

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators, WYO Vendors, the National Flood Insurance Program (NFIP) Direct Servicing Agent, and Independent Adjusting Firms

FROM: David I. Maurstad
Assistant Administrator for Federal Insurance
Federal Insurance and Mitigation Administration

SUBJECT: Advance Payments under the Standard Flood Insurance Policies (SFIP) for Hurricane Harvey

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Hurricane Harvey made landfall as a Category 4 hurricane along the Gulf Coast of Texas and Louisiana. The catastrophic event created severe storm surge impacting areas with heavy concentrations of NFIP-insured properties. The Federal Emergency Management Agency (FEMA) expects life-threatening flooding to continue across the middle and upper Texas coast with additional rainfall for several more days. To assist NFIP-insured survivors during the difficult weeks ahead, FEMA is making every effort to ensure the prompt settlement of claims to NFIP policyholders.

Therefore, I conditionally waive the Standard Flood Insurance Policy (SFIP) requirement that the policyholder provide a proof of loss prior to payment[1] to allow advance payments as described below. WYO Companies and the NFIP Direct Servicing Agent may offer one or both of these two advance payment opportunities to policyholders.

Advance Payment Opportunity One: Pre-adjuster Inspection
Once a policyholder provides a notice of loss, an insurer may offer an advance payment after confirming coverages and deductibles and validating that the insured property has flooded. Such advance payment may not exceed $5,000. An insurer may offer a total advance payment of up to $10,000 if the policyholder also provides the following documentation:

1. Photographs depicting flood damage to covered property; and
2. Either:
    a. Documentation verifying out-of-pocket expenses related to the repair or replacement of covered property, such as receipts or canceled checks; or
    b. A contractor's itemized damage estimate.

[1] Article VII.M.1 of the Dwelling Form of the SFIP (Appendix A(1) to 44 CFR Part 61); Article VII.M.1 of the General Property Form of the SFIP (Appendix A(2) to 44 CFR Part 61); Article VIII.M.1 of the Residential Condominium Building Association Policy (Appendix A(3) to 44 CFR Part 61).

Advance Payment Opportunity Two: Payment for Significant Damage
An insurer may offer a larger advance payment of up to 50 percent of the contractor's estimate prior to receiving a proof of loss if:

1. The insurer receives a contractor's estimate of necessary repairs on an item-by-item basis for the insured property; and
2. A flood insurance adjuster retained by the insurer has inspected the insured property.

Advance Payment Guidance
For both options, the insurer **must** notify the policyholder in writing of the following conditions:

1. The advance payment is not a payment for Additional Living Expenses (ALE). The SFIP specifically excludes ALE.
2. The insured must complete and sign an Advance Payment Request in order to qualify for an advance payment. In the Advance Payment Request, the insured must state the following:
    a. The issuance and acceptance of an advance payment does not prejudice or waive any claim or defense available to either the insured or insurer.
    b. The issuance and acceptance of an advance payment does not constitute an admission of coverage under the policy.
    c. To the best of the insured's knowledge, the insured property suffered a covered loss.
    d. If the loss is determined not to be a covered loss, or if the advance payment exceeds the amount of the actual covered loss, the insured recognizes that they are not eligible for the payment and agrees to repay the advance payment (or portion thereof).
    e. The Additional Payment Request is not a proof of loss, and the insured will complete a proof of loss that complies with the SFIP to finalize any flood loss claim, except as may otherwise be authorized by the Administrator under any other applicable waiver.
3. Acceptance of an advance payment will not affect the insured's right to seek additional payment under the terms and conditions of the SFIP.
4. After the claim is settled, the insurer will reduce the final payment by the amount of any advance(s) made to the insured.
5. The insurer must include any mortgagee shown on the Declaration Page of the policy or any known mortgagee on the building property at the time of advance payment.
6. To finalize the claim, the insured must execute a proof of loss meeting the requirements of the SFIP for all amounts received, including the amount of the advanced payment, except as may otherwise be authorized by the Administrator under any other applicable waiver.

We are attaching a suggested Advance Payment Request template for your use.

If a WYO Company issues an advance payment in accordance with the terms and conditions set forth in this Bulletin to an insured suffering flood damages, FEMA will use these standards in all reviews or audits of files, including any reviews under the Arrangement or the *Improper Payments Information Act of 2002* (Public Law 107-300, 31 U.S.C. § 3321 note), as amended by the *Improper Payment Elimination and Recovery Act of 2010* (Public Law 111-204).

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If a WYO Company makes an advance payment in accordance with the terms and conditions of this Bulletin, FEMA will not hold the company responsible for ineligible payments. The Company must make its best effort to recoup the funds, but if unable to do so, the recoupment will be referred to FEMA for appropriate action. However, if a WYO Company makes an advance payment that results in any unauthorized payment without complying with the terms and conditions set forth in this Bulletin, the Company will be responsible for the erroneous payment.

The insurer must obtain accurate information from the insured or the insured's representative regarding a temporary address when the claim is reported. The insurer should send the advance payment to the location of the insured, which might be a temporary address.

Again, we ask for your full support. Any questions or comments should be directed to FEMA-FIDClaimsMailbox@fema.dhs.gov.

Authority: 44 C.F.R. § 61.13(d); 44 C.F.R. §§ 61, Appendices A(1), A(2) and A(3), Article VII, General Conditions (D) and (M)(1): 44 C.F.R § 62.23(k); 42 U.S.C. § 4019.

Attachment

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: Reporting and Independent Adjusting Firms

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ADVANCE PAYMENT REQUEST

I. Request for Advance Payment

1. I,_____[Insured(s)], request that_____[Insurer] provide an advance payment for a claim that I will submit pursuant to a Standard Flood Insurance Policy covering the property described above.

2. I request an advance payment of $_____under Coverage A (Building) of my flood insurance policy.

3. I request an advance payment of $_____under Coverage B (Contents) of my flood insurance policy.

4. To the best of my knowledge, I believe that my insured property experienced a flood loss covered by my flood insurance policy on_____.

5. My current mailing address is: _____
   Address
   _____
   City, State Zip

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II. Information About My Flood Insurance Policy

6. The address of my insured property is: _____
   Address
   _____
   City, State Zip

7. My flood insurance policy number is: _____.

8. My flood insurance policy's limit under Coverage A (Building) is $_____with a deductible of $_____.

9. My flood insurance policy's limit under Coverage B (Contents) is $_____with a deductible of $_____.

10. The following have a lien on the insured property:_____.

III. Acknowledgment of Terms and Conditions

11. By requesting this advance payment, I acknowledge the following:

    a. The investigation of my loss is not complete at this time. Even though my insurer is providing an advance payment, it does not admit liability or approve coverage under my policy.

    b. After the investigation of my claim, my insurer may deny my claim pursuant to my flood insurance policy. If the insurer denies my claim, I agree to reimburse my insurer the full amount of any advance payments received.

    c. If my final claim settlement is equal to or more than the amount I received as an advance payment, my insurer will reduce the final settlement amount by the amount I received as an advance payment.

    d. If my final claim settlement is less than the amount I received as an advance payment, I agree to reimburse my insurer the difference between the final settlement amount and the amount I received as an advance payment.

    e. This is not a proof of loss, which is required by my flood insurance policy. I must submit a proof of loss to my insurer within sixty (60) days of the date of loss (or, if FEMA extends the period to file a proof of loss, within the period authorized by FEMA).

    f. This request does not change or modify any of the conditions, terms, provisions, or requirements contained in my Standard Flood Insurance Policy. This request does not alter in any way the obligations or legal rights available to me or my insurer, now or in the future.

    g. My insurer will include any mortgagee shown on the Declaration Page of my flood insurance policy, or any known mortgagee at the time of payment, on a building property advance payment check.

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IV. Acceptance of Financial Responsibility

12. I understand that by signing this request, I agree to provide prompt reimbursement of any improperly advanced amount upon demand by my insurer. If I do not provide such refund, I agree to indemnify my insurer for the costs of any and all steps and costs incurred by the insurer in recovering the improper amounts, including, but not limited to, all legal costs, attorney's fees, court costs and filing fees.

I declare (or certify, verify, or state) under penalty of perjury that the foregoing is true and correct.

INSURED SIGNATURE:_____ DATE: _____

OWNER, TITLE OR POSITION (if non-residential):_____

WITNESS or ADJUSTER SIGNATURE:_____ DATE: _____

WITNESS or ADJUSTER PRINT NAME: _____