



FEMA

W-21026

October 12, 2021

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

FROM:

A handwritten signature in black ink, appearing to read "Jeffrey Jackson".

Jeffrey Jackson  
Assistant Administrator for Insurance  
Federal Insurance and Mitigation Administration

SUBJECT: Advance Payments Under Standard Flood Insurance Policies (SFIP)

As part of the NFIP's continuing efforts to improve the customer experience and reduce disaster suffering, FEMA continues to promote the use of advance payments. Receiving an early payment can help policyholders start their recovery sooner.

FEMA understands that especially in the disaster claims process, delays may occur between the flooding event and the closing report, making advance payments to the policyholder even more critical. Therefore, in order to ensure that our WYOs and the NFIP Direct have the maximum amount of flexibility available, FEMA is issuing a conditional waiver of the SFIP Loss Payment provision to facilitate advance payments as necessary for any flood event with an Event Designation Number (EDN) through the end of 2021. This conditional waiver makes available all advance payment flexibilities as set forth in the *NFIP Claims Manual*, October 2021 edition, section 2 at paragraphs 3.1 and 3.2.

Please direct any questions regarding this bulletin to [FEMA-FIDClaimsMailbox@fema.dhs.gov](mailto:FEMA-FIDClaimsMailbox@fema.dhs.gov).

Attachment

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: Claims, Training, Underwriting, Adjusting Firms, Independent Flood Adjuster



**FEMA**

October 12, 2021

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

**FROM:**

A handwritten signature in black ink, appearing to read "Jeffrey Jackson".

Jeffrey Jackson

Assistant Administrator for Federal Insurance  
Federal Insurance and Mitigation Administration

**SUBJECT:** Advance Payments Under Standard Flood Insurance Policies

The Federal Emergency Management Agency (FEMA) makes every effort to ensure the accurate and prompt settlement of claims to NFIP policyholders affected by flood events. Therefore, effectively immediately, I am authorizing a conditional waiver of the Standard Flood Insurance Policy (SFIP) to allow advance payments for any flood event that receives an Event Designation Number (EDN) through December 31, 2021.<sup>1</sup> This bulletin authorizes two advance payment opportunities prior to the receipt of a proof of loss that WYO Companies and the NFIP Direct may use independently or in combination.

**Advance Payment Opportunity One: Pre-Inspection**

When the insurer who issues the policy (a WYO Company or the NFIP Direct) receives a notice of loss, it will confirm coverage and validate that the insured building and/or personal property has flooded. After the insurer determines that a general and temporary condition of flooding as defined in the SFIP existed and damaged the insured property, the insurer may offer an advance payment to the policyholder for damages to the building, personal property, or both, up to a total of \$5,000. However, if the policyholder provides photographs depicting flood damage and documentation validating their out of pocket expenses, such as receipts or a contractor's itemized estimate for covered flood damage, the insurer may make advance payment up to a total of \$20,000.

**Advance Payment Opportunity Two: Preliminary Payment for Significant Damage**

The preliminary payment for significant damage advance payment process is applicable where prompt action is necessary to provide immediate loss assistance to a policyholder having a claim with significant damage. To provide adequate assistance to the policyholder, the insurer should offer an advance payment as a percentage of the general contractor's estimate. The insurer must have a copy

---

<sup>1</sup> 44 C.F.R. § 61.13(d); 44 C.F.R. §§61, Appendices A(1), A(2) and A(3), General Condition (D); 44 C.F.R. § 61, Appendices A(1) nt. and A(2) nt., Section VII, General Condition (C), and A(3) nt., Section VIII, General Condition (C); 44 C.F.R. § 62.23(k); WYO Financial Assistance/Subsidy Arrangement, Articles III(G) and V(B); 42 U.S.C. § 4019.

of the contractor's estimate and an inspection by the flood insurance adjuster prior to offering advances on this size of loss. As a general business practice, a general contractor usually requires a 20 percent advance payment from the policyholder as a commitment for losses exceeding \$150,000. Contractors may require 25 percent of the estimated loss ranging from \$75,000 to \$150,000, and 33 percent for moderate losses ranging \$25,000 to \$75,000. The flood insurance adjuster should be able to conclude losses less than \$25,000 after the initial inspection. Paying up to 50% of the estimated covered loss allows the policyholder the ability to proceed with recovery efforts while negotiating the proof of loss with the adjuster.

### **Advance Payment Guidance**

For both opportunities, 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). ALE is specifically excluded in the SFIP.
2. The advance payment is conditioned upon the insured signing an Advance Payment Request which contains a Non-Waiver Agreement (which means that no claims by the insured or insurer, or available defenses to the insured or insurer, are prejudiced or waived by the issuance and acceptance of the advance payment, and coverage under the policy is not admitted).
3. Acceptance of an advance payment will not affect the insured's right to seek additional payments under the terms and conditions of their SFIP.
4. After the claim is settled, the final payment will be reduced by the amount of any advance(s) made to the policyholder.
5. Any mortgagee shown on the declarations sheet of the policy or any known mortgagee at the time of payment must be named on the building property check.
6. The insured will eventually have to sign a proof of loss meeting the requirements of the Standard Flood Insurance Policy for all amounts received, including the amount of the advanced payment.

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, 33 U.S.C. § 3321 note), as amended by the Improper Payments Elimination and Recovery Act of 2010 (Public Law 111-204), and the Improper Payments Elimination and Reduction Improvement Act (IPERIA) of 2012 (Public Law 112-248).

If the 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 will need to make best efforts to recoup the funds, but if unable to do so, the recoupment shall be referred to FEMA for appropriate action. However, if a WYO Company makes an advance payment that results in an unauthorized payment without complying with the terms and conditions set forth in this Bulletin, the company will be responsible for the erroneous payment.

It should be noted that accurate information from the insured or their representative regarding their temporary address must be obtained when the claim is reported. It will not benefit the insured to send their advance payment to the property address, which is not accessible due to flooding.

When an advance is appropriate, use the [Advance Payment Request - Building & Contents](#) form published May 5, 2021 available at [National Flood Insurance Program Claim Forms for Policyholders | FEMA.gov](#).

If you have any questions regarding this bulletin, please direct them to FIMA Claims at [FEMA-FIDCalimsMailbox@fema.dhs.gov](mailto:FEMA-FIDCalimsMailbox@fema.dhs.gov).

cc: Vendors, IBHS, and Government Technical Representative

Required Routing: Reporting and Independent Adjusting Firms