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

FEMA

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December 20, 2024

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

FROM: Jeff Jackson
Assistant Administrator (Acting)
Federal Insurance Directorate

SUBJECT: Guidance on Potential Expiration in National Flood Insurance Program (NFIP) Authority[1]

The Federal Emergency Management Agency's (FEMA's) NFIP is currently not authorized by law to enter into a new flood insurance contract after December 20, 2024. This potential expiration in authority would significantly impact the NFIP's normal operations. This bulletin provides guidance to WYO Companies and the NFIP Direct Servicing Agent (NFIP Direct) in the event such an expiration occurs.

I. Guidance on Calculating Date of Entering into New Flood Insurance Contracts

The date of entering into a new flood insurance contract is the earliest of the following:

(1) the date in which a WYO Company or the NFIP Direct accepted an application for flood insurance and the applicable premium with fees and surcharge, i.e., the full amount due; or

(2) for the initial purchase of a flood insurance contract in connection with the making, increasing, extension, or renewal of a loan, the date and time of the loan closing, so long as the WYO Company or NFIP Direct receives the application for flood insurance and the full amount due—

[1] Congress must periodically renew the NFIP's authority, administered by FEMA's Administrator, to sell flood insurance. The NFIP's authority currently expires on December 20, 2024. To continue selling and renewing policies after December 20, 2024, Congress must pass, and the U.S. President must sign, legislation extending the NFIP's authority no later than 11:59 p.m. on December 20, 2024. If Congress does not act by that date, the NFIP cannot sell or renew flood insurance policies.

(i) within 30 days from the closing, if the premium payment was made from an escrow account (lender's check), title company, or settlement attorney; or

(ii) within 10 days from the closing, if the premium payment was not made from an escrow account (lender's check), title company, or settlement attorney; or

(3) for the initial purchase of a flood insurance contract not in connection with the making, increasing, extension, or renewal of a loan, the date in which any applicable waiting period begins, so long as the WYO Company or NFIP Direct receives the application for flood insurance and the full amount due within 10 days of the date of application; or

(4) for the renewal of a flood insurance contract, the policy's renewal date, so long as the WYO Company or NFIP Direct receives the applicable renewal premium within 30 days of the renewal date.

II. Suspension of Offering or Renewing Policies

During an expiration in authority, a WYO Company or NFIP Direct may not:

- Issue policies for new business;
- Issue policies for requests to increase or add coverage; or
- Issue renewal notices.

Any quote provided during an expiration is for informational purposes only, is not binding, and is subject to change if the expiration ends and the authority to enter into new flood insurance contracts is restored. Please refer to the implementation guidance located in Section III of this bulletin for more information.

III. Implementation Guidance on Expiration of NFIP Authority

During an expiration in authority, the WYOs and the NFIP Direct shall follow the guiding principles outlined in this bulletin and the attachments.

Handling of New Policies or Requests to Increase Coverage

- **Standard 30-Day Waiting Period or 1-Day Map Revision or Post-Wildfire Waiting Period**
  - If the application for new business or request to increase coverage is dated after the expiration in authority, the NFIP insurer cannot issue the policy or increase the coverage.
  - If the application or request to increase coverage is dated on or before the last day of effective authorization, and the NFIP insurer receives the application/request and full amount due during the expiration and within 10 days of the application/request date, the insurer may issue the policy and it will become effective in accordance with the applicable waiting period rules.
  - If the application or request to increase coverage is dated on or before the last day of effective authorization, and the NFIP insurer receives the application/request and full amount due during the expiration but they are *not* received within 10 days

of the application/request date, the NFIP insurer cannot issue the policy or increase coverage.

- **Loan Closing No Waiting Period**
  - If the application or request to increase coverage is dated after the expiration in authority, the NFIP insurer cannot issue the policy or increase coverage.
  - For loans closing prior to the first day of expiration in authority, when the application or request to increase coverage is dated on or before closing and the full amount due is not part of the closing (i.e., full amount due is via the applicant or applicant's representative check or credit card) and the NFIP insurer receives the application/request and full amount due within 10 days of the closing date, the NFIP insurer can issue the policy and increase coverage effective on the closing date.
  - For loans closing prior to the first day of expiration in authority, when the application or request to increase coverage is dated on or before closing and the full amount due is not part of the closing (i.e., full amount due is via the applicant or applicant's representative check or credit card) and the NFIP insurer receives the application/ request and full amount due after 10 days of the closing date, the insurer cannot issue the policy or increase coverage.
  - For loans closing prior to the first day of expiration in authority, when the application or request to increase coverage is dated on or before closing and the full amount due is from the escrow account (lender's check), title company, or settlement attorney, and the NFIP insurer receives them within 30 days from the closing date, the NFIP insurer can issue the policy or increase coverage effective on the closing date.
  - For loans closing prior to the first day of expiration in authority, when the application or request to increase coverage is dated on or before closing and the full amount due is from the escrow account (lender's check), title company, or settlement attorney, and the insurer receives them after 30 days from the closing date, the NFIP insurer cannot issue the policy or increase coverage.
  - For loans closing after the expiration in authority, the NFIP insurer may issue the policy or increase coverage effective on the closing date if the application or request to increase coverage and presentment of full amount due were made prior to the expiration in authority and the insurer received the application/request and full amount due either:
    - Within 10 days (if payment made by policyholder) of the closing date; or
    - Within 30 days (if payment made through escrow account, title company, etc.) of the closing date.

Handling of Renewals

- **Renewal Offers**
  - NFIP insurers cannot make renewal offers during an expiration in authority.
- **Premiums received within 30-day grace period**
  - If the NFIP insurer issued the renewal offer prior to the expiration in authority, and the NFIP insurer receives the renewal premium before or within the 30-day grace

period or extension of time to pay the renewal premium, the NFIP insurer may renew the policy.
    - This same rule applies on an underpayment notice issued before the expiration in authority.

- **Premiums received after the 30-day grace period**
    - If the NFIP insurer issued the renewal offer prior to the expiration in authority, and the NFIP insurer receives the renewal premium during the expiration in authority and after the 30-day grace period or extension of time to pay the renewal premium, the insurer cannot renew the policy.
    - This same rule applies to additional premiums received resulting from an underpayment notice issued before the expiration in authority.
- **Renewals received with Increased Coverage Request (if renewal offer issued prior to the expiration in authority and premium received within 30-day renewal grace period)**
    - For renewals received with increased limits within the inflation factor on the billing, process as premiums received within or after the 30-day grace period, whichever applies.
    - For renewals received with requested limits higher than the inflation factor, for the amount of coverage above the expiring coverage amount must be handled based on the guidance for handling New Policies or Requests to Increase Coverage.

Handling of Endorsements

- **Endorsements Increasing/Adding Coverage**
    - Refer to guidance for handling New Policies or Requests to Increase Coverage.
- **Other Endorsements**
    - Process endorsements that do not increase coverage using existing NFIP rules.
- **Assignment of Policies**
    - When assignments are permitted, existing policies may be assigned during the expiration.

Handling of Cancellations

- Policies can be cancelled during the expiration in authority, in accordance with valid NFIP cancellation reason codes.

Handling of Claims

- Policies that are in force before midnight of the last effective day of authorization will remain in force until their expiration date and claims under those policies are to be processed and paid as usual.
- Claims for covered losses occurring during an expiration, on existing policies and on policies in force after the last effective day of authorization, are to be processed and paid as usual.

- If Congress reauthorizes the NFIP, such reauthorization may include a provision that ratifies any actions that would have occurred during and but for the expiration (see next section on Retroactive Reauthorization). The NFIP insurers may investigate claims for policies, which cannot be issued due to the expiration in authority under a reservation-of-rights letter or a non-waiver agreement, up to the point of payment. Under either, the NFIP insurers would reserve the right to not pay the claim if Congress does not reauthorize the NFIP, while continuing the investigation of the claim.
- The NFIP letter of credit is available during the expiration in authority. If the NFIP expires, it would not immediately impact the ability to adjust and pay claims. However, funding available to pay claims would be limited. FEMA would not be able to borrow money from the Treasury and would not be able to collect premiums, fees, and surcharges associated with NFIP policies. FEMA, through the NFIP insurers, can continue to pay claims for eligible existing policies from money available in the National Flood Insurance Fund and the Reserve Fund. FEMA will closely monitor the status of the expiration of the NFIP and will communicate to NFIP insurers any additional guidance regarding claim handling.

Reauthorization

- **Retroactive Reauthorization**
  - If reauthorization is granted retroactively, the NFIP insurers can issue policies effective as of the date they receive the application and all amounts due (subject to applicable waiting periods), and any claims for covered losses that occurred during the expiration can be processed and paid (subject to provisions of the Standard Flood Insurance Policy (SFIP)).
- **Reauthorization with an Expiration in Authority**
  - If reauthorization is not retroactive to the first day of the expiration in authority, policies without a waiting period (i.e., loan closings) would become effective on the date the reauthorization is effective.
  - If reauthorization is not retroactive to the first day of the expiration in authority, policies with a 30-day waiting period would become effective 30 days after the date the reauthorization is effective.
  - If reauthorization is not retroactive to the first day of the expiration in authority, policies with a 1-day waiting period would become effective one day after the date the reauthorization is effective.

Handling of Financials

- During the expiration in authority, the NFIP recommends the NFIP insurers hold in abeyance the following:
  - Any full amount due for new applications or requests to increase coverage dated on or after the first day of the expiration in authority.

- Renewal premiums received on or after the first day of the expiration in authority and after the end of the 30-day renewal grace period or extension of time to pay the renewal premium.
- The NFIP recognizes that receiving and holding applications and premiums may create the appearance that a contract to provide insurance has been entered into and an insurance policy may have been created. Because the NFIP is prohibited from entering into a contract for flood insurance during an expiration in authority, we recommend the insurer, expressly and in writing, advise individuals and entities seeking to procure flood insurance that insurance is unavailable by operation of law pending reauthorization, and of the options available during an expiration in authority.

Group Flood Insurance Policies and Mortgage Portfolio Protection Program Policies

- Follow the implementation guidance provided above for issuing new policies.

FEMA will continue to keep you informed of the status of NFIP reauthorization. If necessary, given the extent of an expiration in authority, FEMA may revise some of the implementation guidance outlined in this bulletin. FEMA requests that the NFIP insurers communicate the status of the program to their company personnel and agents.

Please direct any questions, comments, or concerns regarding the implementation of your business during an expiration in authority to NFIPunderwritingmailbox@fema.dhs.gov.

Attachments:

- Frequently Asked Questions, in support of the Implementation Guidance
- Sample letter, for use by WYOs and the NFIP Direct, to prospective policyholders

cc: Vendors, IBHS, FIPNC, Government Technical Representative

Required Routing: All Departments