



FEMA

W-15005

February 10, 2015

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

FROM: Jordan Fried   
Acting Division Director  
Risk Insurance Division

SUBJECT: High Deductible Option Disclosure

Pursuant to Section 12 of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA), FEMA is making an optional \$10,000 deductible available to all residential properties, including those designed for one to four families. Prior to the enactment of HFIAA, FEMA already provided \$10,000 and higher deductible options to non-residential properties and to residential properties designed for use by more than four families. The \$10,000 deductible was not previously available for one-to-four family residences insured under the Standard Flood Insurance Policy.

A deductible is defined in 44 CFR §59.1 as a fixed amount or percentage of any loss covered by insurance which is borne by the insured prior to the insurer's liability. Choosing a higher deductible reduces the overall premium but increases the out-of-pocket expenses for repairs that will be paid by the insured to the extent of the deductible selected.

Section 12 of HFIAA requires that NFIP insurers clearly and conspicuously disclose the availability of the new \$10,000 deductible option 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. The law 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.

Attached is a sample disclosure form that NFIP insurers must use for all new business applications effective on or after April 1, 2015. This sample may also be provided with renewal offers effective on or after April 1, 2015; however, insurers must provide this disclosure for all renewals between October 1, 2015, and October 1, 2016.

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](mailto: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.

SAMPLE