



FEMA

Annual Report Summary

Office of the Flood Insurance Advocate

Five Trends Identified by the Office of the Flood Insurance Advocate

During its first year of operations, the Office of the Flood Insurance Advocate (OFIA) received and responded to hundreds of inquiries while working to establish the necessary approaches, processes and procedures for full office operations to meet the mandate required in section 24 of the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA). While some inquiries were straightforward, many were complex and required significant attention.

From the submitted inquiries, the Office identified five trends within four primary areas of focus (flood insurance through the National Flood Insurance Program (NFIP), flood hazard mapping, floodplain management and hazard mitigation assistance (HMA) grants) that appear to affect significant segments of NFIP customers. The trends Office identified are:

- **The lack of actionable and timely data available to FIMA and the OFIA.**
- **Barriers in receiving Increased Cost of Compliance (ICC) payment.**
- **Application of the HFIAA surcharge, specifically default assumptions and limitations.**
- **Limitations on the issuance of prior-term refunds.**
- **Lack of understanding of, and the availability of, floodproofing certification/credit information.**

As these trends emerged through the course of the year, the Office worked with the NFIP program areas and subject matter experts to discuss, understand and identify the opportunities that exist to address these issues. The recommendations detailed in the full report are based on the Office's understanding of the identified trends, the ongoing challenges policyholders and property owners have with regard to these issues, and advocating for the fair treatment of policyholders and property owners. Additionally, the NFIP program was provided opportunity to respond to the Office's findings and recommendations. Program responses, as received, are included in the full report.

A summary of the issues, recommendations, and program response can be found on the following page.

Trend	Recommendation	Program Response/Action
Lack of Actionable Data	<ul style="list-style-type: none"> FIMA should identify an interim solution to collect, analyze and disseminate data to enhance current business processes and decision-making. 	<ul style="list-style-type: none"> The Insurance Analytics and Policy Branch is already working with its private sector partners to develop mechanisms and processes to obtain policyholder information closer to real time. FIMA will work with the OFIA in developing these mechanisms and processes in the future to ensure that real-time policyholder data needs are met, as much as possible.
Increased Cost of Compliance	<ul style="list-style-type: none"> Building Science Branch should update FEMA P-758, <i>Substantial Improvement/Damage Desk Reference 2010</i>, used by community officials, with specific guidance and examples on what must be included in the community's substantial damage letter. Floodplain Management Division should update FEMA 301, <i>NFIP Increased Cost of Compliance Coverage – Guidance for State and Local Officials, 2003</i>. Federal Insurance Directorate and the Mitigation Directorate work together to develop additional materials to educate customers and stakeholders about the ICC process 	<ul style="list-style-type: none"> The Floodplain Management Division has begun an effort to update and develop outreach materials that will clarify the ICC process, including updating brochures and course materials on the ICC requirements. Manuals and course materials will be completed by beginning of fiscal year (FY) 2017. The Floodplain Management Division has also begun an update of FEMA 301, <i>The NFIP Increase Cost of Compliance Coverage – Guidance for State and Local Officials, 2003</i>. An update of the FEMA 480, <i>National Flood Insurance Program Floodplain Management Requirements, A Study Guide and Desk Reference for Local Officials, 2005</i>, will reiterate local responsibility in determining whether structures are substantially damaged based on the local ordinance, and the impact this determination will have on policyholders receiving ICC. The Division is updating materials used for adjuster workshops to better educate this audience on their role in the ICC process.
HFIAA Surcharge	<ul style="list-style-type: none"> An outreach strategy to insurance agents and other stakeholders should be developed to communicate the surcharge to their customers when an application is being completed and when a policy is being renewed. The renewal invoice should include communication to the policyholder about the surcharge amount and steps they can take if the building is a primary 	<ul style="list-style-type: none"> FEMA Regional Insurance Specialists have been working closely with agents in their regions to educate them about the surcharge. FEMA has worked with many insurance industry publications to educate agents and carriers about the new requirements FEMA will continue in 2016 to educate agents and policyholders about the requirements and the necessity of sending proof-of-primary-residence materials back to insurers to ensure

Trend	Recommendation	Program Response/Action
	<p>residence.</p> <ul style="list-style-type: none"> • Consideration should be given to exempting state and local housing authorities from being charged the non-primary residence surcharge • Consideration should be given to the applicability of the non-residence surcharge for building owners who have spouses living in separate residences • Additional educational materials should be developed regarding the applicability of the surcharge. 	<p>the appropriate surcharge is reflected. FEMA will also discuss with WYO insurance companies ways to increase knowledge among policyholders.</p>
<p>Prior Term Refunds</p>	<ul style="list-style-type: none"> • Federal Insurance Directorate should create additional educational materials to educate the insurance agent and other stakeholders about the process and what is to be expected in terms of rating and refunds. • The program should consider authorizing multi-year refunds, as well as reviewing all refund procedures to ensure there is an element of fairness on behalf of the policyholder. 	<ul style="list-style-type: none"> • FIMA will continue to consider further revisions to the rules for prior term refunds to ensure equitable treatment for all National Flood Insurance Policy (NFIP) policyholders.
<p>Floodproofing Certificates/Credit</p>	<ul style="list-style-type: none"> • The Federal Insurance Directorate should establish a new timeframe that better reflects the time that is needed for receipt, review and revalidation of a floodproofing credit. • The Floodplain Management Division should update FEMA P-480, National Flood Insurance Program Floodplain Management Requirements, A Study Guide and Desk Reference for Local Officials, and all associated training modules. • The Building Science Branch should add descriptive language of the floodproofing review process in their already scheduled updating of Technical Bulletin 3-93, <i>“Non-Residential Floodproofing — Requirements and Certification”</i>, and 	<ul style="list-style-type: none"> • The Building Science Branch has begun the process to update Technical Bulletin 3-93, Non-Residential Floodproofing — Requirements and Certification. • The Floodplain Management Division and the Federal Insurance Directorate will be included in the review and concurrence process in order to insure the effort is coordinated and any disconnects are avoided. Completion of the updated bulletin is expected in FY2017.

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	<p>FEMA P-936, <i>“Floodproofing Non-Residential Buildings”</i>.</p> <ul style="list-style-type: none"> • Technical Bulletin 3-93, <i>“Non-Residential Floodproofing — Requirements and Certification”</i>, should be updated. • The Risk Management, Insurance, and Mitigation Directorates review all published material related to this topic, and make updates that will specify the required documentation that is needed, or author new publications that will clarify the new floodproofing credit issuance/revalidation process. 	