



FEMA



CALENDAR YEAR 2017

The Annual Report Summary

OFFICE OF THE FLOOD INSURANCE ADVOCATE

Customer Frustrations

IDENTIFIED BY THE OFFICE OF THE FLOOD INSURANCE ADVOCATE

From the hundreds of inquiries received in 2017, the Office of the Flood Insurance Advocate (OFIA) identified eight customer frustrations within its four primary focus areas—flood insurance through the National Flood Insurance Program (NFIP), flood hazard mapping, floodplain management, and Hazard Mitigation Assistance (HMA) grants.

In its third year of operations, the OFIA has handled over 500 inquiries, which is about 25 percent more than last year's inquiry total. The majority of these cases were highly complex and required extensive research and, in some instances, collaboration across the Federal Insurance and Mitigation Administration (FIMA). From this complex casework, the OFIA identified eight trends and issues warranting a more systemic solution to reach more fair outcomes for policyholders. These are:

1. **Challenges to Customer Communication During the Claims Process**
2. **Effectiveness of Map Change Communications**
3. **Misunderstandings Regarding Zone A**
4. **Lack of Premium Reduction Following a Lower-Level Abandonment of a Building**
5. **Basement Determination Made at the Time of Loss**
6. **Lack of Refunds for Duplicate Coverage with Private Insurance**
7. **Severe Repetitive Loss (SRL) Mitigation**
8. **Lenders Requiring Coverage Where a Claim Would Not Be Paid**

During the course of the year's casework, the OFIA worked closely with the program areas and FIMA leadership, as well as its subject matter experts, to understand and identify the opportunities that exist to address these issues. The OFIA's recommendations are detailed in the full report and are based on its observations and understanding of the frustrations policyholders and property owners have expressed through their inquiries. As with previous years' reports, the NFIP program areas had opportunity to respond to the OFIA's findings and recommendations. Details of program responses are included in the full report.

Customers who remain frustrated and confused, even after using existing NFIP resources, may request the OFIA's assistance with unresolved issues via its website:

www.fema.gov/national-flood-insurance-program-flood-insurance-advocate

A summary of the frustrations, recommendations, and program responses can be found in the following pages.

FRUSTRATION	RECOMMENDATION	PROGRAM RESPONSE/ACTION
1. Challenges to Customer Communication During the Claims Process	<ul style="list-style-type: none"> Develop a document, such as an infographic of a roadmap of the entire claims journey. Revise the <i>NFIP Flood Insurance Claims Handbook</i> to include this roadmap. Update the <i>NFIP Flood Claims Process</i> fact sheet to include more specific guidance to policyholders on how to request additional payment under their claim. Determine whether the <i>Answers to Questions about the NFIP</i> booklet should be updated. 	<ul style="list-style-type: none"> The Federal Insurance Directorate (FID) agrees that there is an opportunity to create additional communication products that further clarify later steps in the claims journey, including supplemental claims. A more comprehensive roadmap of the entire process may also be useful for inclusion in future editions of the <i>Claims Handbook</i>. In 2017, the NFIP created at least 26 new or replacement communications products in multiple languages to assist flood insurance claimants. The NFIP agrees that additional products focusing on later steps in the process may be useful to some policyholders. The <i>Answers to Questions about the NFIP</i> booklet is due for an update. Once Congress passes the Reauthorization of the program and the Federal Insurance Directorate identifies potential legislative changes, the program will conduct a comprehensive update of all communications products.

FRUSTRATION	RECOMMENDATION	PROGRAM RESPONSE/ACTION
2. Effectiveness of Map Change Communications	<ul style="list-style-type: none"> Expand eligibility for discounted premiums, using the Newly Mapped rating procedure option, to include new policies purchased within 45 days of a lender's initial notification to the property owner of the requirement to purchase flood insurance, even if the requirement is more than one year after the map revision. Develop guidance for insurers to notify policyholders of the eligibility for discounted premiums, such as a lower-cost Preferred Risk Policy (PRP), when a property is removed from the SFHA. Coordinate with the FEMA Regional offices to ensure timely information is available to property owners via the Internet and in order to make information available to other external stakeholders, such as insurance agents, realtors, and lenders, who can directly engage policyholders and property owners. 	<ul style="list-style-type: none"> The FID will review the current eligibility guidelines for the Newly Mapped procedure and consider adjusting the timeframe for eligibility. The FID will explore opportunities to provide official guidance in 2018. The Risk Management Directorate (RMD) has met with all the regions and has begun the process of migrating existing (.com) regional websites to fema.gov. RMD has also initiated the planning and coordination to build out websites for other regions on fema.gov.
3. Misunderstandings Regarding Zone A	<ul style="list-style-type: none"> Revise the instructions for <i>Elevation Certificates</i> to ensure surveyors know how to document the 1-percent annual water surface elevation for local floodplain management purposes from FIS data and for insurance rating purposes. Develop policyholder or homeowner material advising how to use an <i>Elevation Certificate in Zone A</i>. Revise and update <i>Publication 265, Managing Floodplain Development in Approximate Zone A Areas</i> (1995) to describe and promote improved ways to establish a flood elevation in Zone A floodplains, clearly communicating the advantages for property owners. 	<ul style="list-style-type: none"> The <i>Elevation Certificate form</i> expires in November 2018. Any updates will be informed by engagement with subject matter experts, including experts from the industry. This recommendation will be considered during that process. The FID will evaluate current and future products for policyholders and insurance agents that help those in the Zone A understand their options and when to hire an engineer to assist with completing the <i>Elevation Certificate</i>. Updating <i>Publication 265</i> has been identified for revision; however, agency needs must be prioritized. Until a revision is undertaken, the Risk Management Directorate will be coordinating messaging for posting on the <i>Flood Hazard Mapping website</i> to promote the determination of a community-established BFE for local floodplain management purposes and clearly communicate the advantages for property owners.
4. Lack of Premium Reduction Following a Lower-Level Abandonment of a Building	<ul style="list-style-type: none"> Use the <i>Hurricane Sandy Recovery Advisory (RA7)</i> as a basis to develop a single, nationally applicable advisory. Adopt the requirements of RA7 as a component of Hazard Mitigation Assistance (HMA) guidance. Continue to provide training to external stakeholders regarding the insurance aspects of various mitigation techniques. 	<ul style="list-style-type: none"> The RMD will coordinate revisions to RA7, as applicable. The Mitigation Directorate will complete an analysis of the requirements contained in RA7, and develop options to incorporate relevant requirements. The Floodplain Management Division (FMD) will develop a memorandum to share with FEMA regional floodplain management staff, NFIP State Coordinators, and the Association of Floodplain Managers on this topic and incorporate information on this topic into training materials and conduct regular outreach to educate and inform floodplain management professionals about this issue. The FID agrees with this recommendation and will continue to provide support to the Mitigation Directorate. The Mitigation Directorate will work collaboratively with the FID and coordinate on the issues surrounding lower-level abandonment to develop a comprehensive FEMA approach for the external stakeholder, and to deliver a more resilient community, resilient structures, and potential cost-savings for policyholders.

FRUSTRATION	RECOMMENDATION	PROGRAM RESPONSE/ACTION
5. Basement Determination Made at the Time of Loss	<ul style="list-style-type: none"> Incorporate more specific training for NFIP adjusters that clearly defines the appropriate application of basement coverage limitations as they relate to the definition of a basement under the NFIP, including not using the application of positive/negative drainage. 	<ul style="list-style-type: none"> FEMA has not published any guidance describing the concept of “positive/negative drainage.” Invoking the positive/negative drainage approach could create confusion in the claim adjustment process because it departs from the clearly established definition of a basement found in the codified Standard Flood Insurance Policy (SFIP) and other implementing NFIP regulations in 44 CFR. The matters brought to OFIA were unique and were resolved based on the Elevation Certificate. To ensure consistency in handling basement-related claims, FIMA conducts NFIP Claims Presentations for adjusters each year that explain how to determine a basement and describe the basement limitations as defined in the SFIP and in the NFIP regulations in 44 CFR.14.
6. Lack of Refunds for Duplicate Coverage with Private Insurance	<ul style="list-style-type: none"> Clarify to NFIP insurers that a cancellation request, for any reason, received for a paid renewal prior to the effective date of the renewal can be processed for full premium refund. Allow an NFIP policy to be canceled for duplicate coverage when secured with a non- NFIP source and develop fair premium refund procedures based on the date the duplicate coverage began. 	<ul style="list-style-type: none"> The FID will review current cancellation guidance and will provide clarification to insurers. The FID recognizes the importance of non-NFIP flood insurance in disaster recovery. We will analyze and consider recognizing non-NFIP as duplicate coverage for NFIP policy cancellations.
7. Severe Repetitive Loss (SRL) Mitigation	<ul style="list-style-type: none"> Evaluate the effectiveness of the current cost benefit analysis tools for identifying ways to maximize the mitigation of SRL properties. 	<ul style="list-style-type: none"> The HMA Division is working to modernize the cost benefit analysis tools to maximize the benefits of mitigation. In addition, the HMA Division will evaluate best practices utilizing existing program efficiencies to mitigation SRL properties, such as project aggregation.
8. Lenders Requiring Coverage Where a Claim Would Not Be Paid	<ul style="list-style-type: none"> Discontinue allowing the sale of flood insurance in instances where the amount of coverage for the building is less than the applicable minimum NFIP deductibles. Consult with the Federal agencies that oversee lenders to communicate that the NFIP no longer offers coverage in these instances, thereby waiving the flood insurance requirement. 	<ul style="list-style-type: none"> The FID will consider this recommendation to discontinue allowing the purchase of flood insurance in instances where the amount of coverage for the building is less than the applicable minimum NFIP deductibles subject to applicable legal authorities. The FID will consult with the lending community regarding the eligibility for NFIP flood insurance for low-valued properties.

External Trends Impacting Policyholders

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New to this year’s report is the identification of external trends impacting a broad population of policyholders and property owners. These are issues that fall outside the administrative authority of the NFIP to resolve and may require a solution involving legislative or funding action to resolve.

- **Affordability**—Customers are frustrated by the cost of flood insurance in general, even outside of the Special Flood Hazard Area. The OFIA will continue to monitor any legislative changes introduced in reauthorization that address flood insurance affordability, funding for obtaining elevation data, and additional funding for mitigation.
- **Complexity of the NFIP**—The result and interplay of all the various legislation enacted to strengthen the program, ensure its fiscal soundness, and inform its mapping and insurance rate-setting has added to the growing complexity of the program. The OFIA will be watching the reauthorization closely for additional solutions to simplify the NFIP.