FEMA

NATIONAL FLOOD INSURANCE PROGRAM

December 2016

The Annual Report Summary

OFFICE OF THE FLOOD INSURANCE ADVOCATE

The Annual Report of the Flood Insurance Advocate

Table of Contents

The Office of the Flood Insurance Advocate (OFIA) advocates for the fair treatment of policyholders and property owners by providing education and guidance on all aspects of the NFIP, identifying trends affecting the public, and making recommendations for program improvements to FEMA leadership.

Message from the Advocate

This has been a year of progress, change, and challenge for the National Flood Insurance Program (NFIP). The Federal Emergency Management Agency (FEMA) through its component, the Federal Insurance and Mitigation Administration (FIMA), initiated program-wide, transformational changes that seek to improve the customer experience. FIMA has multiple change initiatives underway, including flood insurance product simplification, improving the flood claims experience, and exploring ways to make Increased Cost of Compliance coverage easier to access.

As advocates for NFIP customers, or policyholders and property owners, my office has sought to improve the NFIP customer experience by implementing new processes and technology systems that allow the OFIA to more effectively address customer concerns and communicate information and services that will best meet their needs.

In our first Annual Report last year, the OFIA identified five issues and made recommendations to the FIMA program offices to help mitigate the issues for customers. We have seen FIMA make substantial progress to improve the NFIP based on the recommendations, and we look forward to seeing the positive impact this will have for customers.

UPDATE ON THE OFIA

Over the past year, the OFIA has also experienced significant changes and growth, including new staff, processes, and technology systems. We have strengthened our capability to deliver real-time insight to FIMA. We have deepened lines of communication and collaboration across FEMA not only to help inquirers, but also to increase FIMA's awareness of how the OFIA's role and the process by which policyholders and property owners can reach us improve customer communication.

We have also strengthened relationships across the organization by collaborating on casework and sharing data captured through our new Customer Relationship Management (CRM) tool. We are now able to capture and share data that helps to support program improvement efforts and provides insight into the issues faced by policyholders and property owners. Opening lines of communication across FIMA has not only helped the OFIA to provide answers to customers' complex inquiries, but also bridged the gaps on cross-cutting issues across the Directorates.

In our second year of operations, the OFIA has handled approximately 400 inquiries, which is 30% more than last year's inquiry traffic. Consistent with what was reported in 2015, approximately 77% of inquiries were related to flood insurance, 15% related to flood hazard mapping, and the remaining 8% shared between floodplain management and Hazard Mitigation Assistance (HMA) grants. The majority of these cases are highly complex and require a high degree of collaboration across FIMA.

I'd like to thank FEMA and FIMA leadership for their continued support as the OFIA works to address customer concerns. In addition, thank you to my staff and employees across FIMA who continue to work diligently to advocate on behalf of policyholders and property owners.

I submit to you, the OFIA's 2016 Annual Report.

Sincerely,

David Stearrett
Flood Insurance Advocate

The OFIA aims to advocate on behalf of policyholders and property owners to the FIMA program offices by providing recommendations to address the issues that will have the greatest positive impact for a larger population of NFIP customers.

Executive Summary

The Office of the Flood Insurance Advocate (OFIA) advocates for the fair treatment of policyholders and property owners, or customers, by providing education and guidance on all aspects of the National Flood Insurance Program (NFIP), identifying trends affecting the public, and making recommendations for program improvements to Federal Insurance and Mitigation Administration (FIMA) leadership. This report highlights six areas of customer frustration related to the NFIP, specifically in relation to flood insurance, flood hazard mapping, Hazard Mitigation Assistance (HMA) grants, and floodplain management.

The issues emerged to the OFIA while assisting customers with their questions and concerns, a primary activity for the OFIA stemming from its mandate outlined in Section 24 of the *Homeowner Flood Insurance Affordability Act of 2014* (HFIAA). In this report the OFIA aims to advocate to the FIMA program offices with recommendations to address these issues that will have the greatest positive impact for a larger population of NFIP customers.

The six issues presented in this report are as follows:

- **Erroneous Severe Repetitive Loss (SRL) Properties Designation:** A subset of policyholders have buildings that are incorrectly identified as being an SRL property, even after the property has been mitigated. The complicated appeal process makes it challenging for policyholders to correct the designation, resulting in some property owners facing a 25% increase to their annual premiums.
- **Gaps in Flood Insurance Agent Education:** Flood insurance education for insurance agents who sell and service NFIP flood insurance needs to be more robust. In addition to the twice yearly standard program changes, the NFIP is undergoing significant change due to legislative reform. The one-time, three-hour flood insurance training requirement is not sufficient to ensure customers are being sold an accurately rated flood insurance policies and agents are communicating correct information about the NFIP.
- **The Need for Consistency Across Regions in Public Mapping Outreach:** Policyholders and property owners continue to face significant challenges in obtaining consistent and understandable mapping information and outreach-related information across FEMA's 10 Regions. Policyholders and property owners need answers to their questions regarding the effects map revisions have on flood insurance, such as how they will impact premiums, the requirement to purchase a policy, and associated refund procedures.
- **Difficulties Accessing Increased Cost of Compliance (ICC) Coverage:** Customers continue to be frustrated with several issues related to the ICC portion of the claim process. One issue is that insurers do not advance ICC payments to policyholders in order to pay contractors to begin mitigation projects. Policyholders are also confused when they are denied ICC, because they have received the maximum amount of building coverage available under the NFIP, but have been paying premium for ICC coverage. It also appears there is not enough readily accessible ICC guidance to assist policyholders with successfully navigating the ICC claim process. Finally, there continues to be a concern that the maximum amount of ICC coverage available ($30,000) under the NFIP is insufficient to complete most mitigation projects.

- **Difficulties with Multiple and Conflicting Flood Zone Determinations:** Flood zone determinations by multiple entities are a major issue affecting policyholders and property owners. Confusion occurs when property owners are told by their lender they must purchase flood insurance because their building is located within a high risk flood area. However, their insurance agent determines their building is located in a moderate-to-low risk flood area and the requirement to purchase flood insurance does not apply. This is confusing when both sources use the same flood map to make the flood zone determination, leaving the property owner frustrated. Flood zone discrepancies can also cause premium rating disputes that may require policyholders to pay more for flood insurance. There is no clear path for these different sources to work together to solve the discrepancy.
- **Inability to Obtain a Refund of the HFIAA Surcharge When Canceling an NFIP Policy:** Policyholders are voicing concerns about the inability to obtain a refund of the surcharge from the NFIP when policies are canceled and a full or pro rata portion of the premium is returned.

The OFIA will continue to work on the NFIP issues and OFIA recommendations by engaging with the FIMA program offices to discuss, understand, and identify opportunities that exist to address these issues for policyholders and property owners. The issues in this report are presented in three parts: the key issue affecting customers, the background of the issue, and the OFIA's recommendations for program's consideration. FIMA program office's responses are included as received.


FEMA

The OFIA repeatedly finds that NFIP customers are having difficulty accessing clear and concise information, which drives furthers confusion about flood insurance costs and services.

Trends, Issues, and Recommendations

The OFIA has identified six issues of confusion and frustration for customers, or policyholders and property owners. While two issues are follow-on items from 2015, Increased Cost of Compliance (ICC) and the *Homeowner Flood Insurance Affordability Act of 2014* (HFIAA) surcharge, the remaining four issues evolved over the course of 2016. All issues are complex and require collaboration across several National Flood Insurance Program (NFIP) areas to address the challenges they present to current and future NFIP customers.

ERRONEOUS SEVERE REPETITIVE LOSS (SRL) PROPERTIES DESIGNATIONS

The OFIA finds that policyholders are particularly confused when their property is identified as being a Severe Repetitive Loss (SRL) property when the designation is believed to be in error. Other policyholders are frustrated with the difficulty of removing an improper SRL designation, even after they have properly mitigated their structure.

All pre-Flood Insurance Rate Map (pre-FIRM) subsidized SRL policies are subject to a 25% per year increase in premium. Due to these substantial increases, policyholders who believe their property should not be identified as an SRL property are motivated to correct the misclassification. Currently, there are no published guidelines for how a policyholder can appeal an incorrect SRL designation.

All SRL policies are transferred to the NFIP Special Direct Facility (SDF) when designated as an SRL property. When this occurs, the claims files are not transferred to the SDF. If there is a subsequent loss, the SDF has to request the claims files from the previous insurer(s), which can result in a delay in processing the claim.

BACKGROUND

SRL properties are defined in statute and regulation. The program services these policies at the NFIP SDF to ensure consistent underwriting and claims handling. The *Biggert-Waters Flood Insurance Reform Act of 2012* (BW-12) requires a 25% annual rate increase for SRL properties insured with subsidized rates until the rate charged reflects the true flood risk to the property. Approximately 65% of SRL properties receive these subsidized rates.

The most common reason for erroneous designations include multiple detached buildings at the same location sharing a single address, such as at a condominium complex where only one of the buildings may be prone to repeated flooding. Also, buildings with very similar addresses may result in one of the addresses being inadvertently identified as an SRL property. A building may have been correctly identified as an SRL property, but has since then been mitigated without being reclassified. Additionally, mistakes in the values used to determine if the building claims paid exceed the value of the structure may result in a misclassification.

RECOMMENDATION(S)

The OFIA recommends that the FIMA program offices consider the following actions to alleviate the issue described above:

1. The Federal Insurance Directorate implement an SRL data validation process to ensure all properties identified as SRL based on their claims history are actually SRL properties;
2. Provide instructions in the *NFIP Flood Insurance Manual* on the proper process for appealing an SRL designation and develop a Fact Sheet for policyholders explaining the process; and
3. Require the SDF to order all claims files with the underwriting files in the first policy year after a property is identified as an SRL and transferred to the SDF.

PROGRAM RESPONSE

1. The Federal Insurance Directorate recognizes the importance of collecting quality data from participating Write Your Own (WYO) companies regarding SRL properties. As Federal Insurance Directorate reforms the WYO Arrangement and updates our reporting systems, we will look for opportunities to improve how WYO companies report SRL properties and ways to identify properties that were incorrectly identified. Federal Insurance Directorate is currently securing resources that will enable us to review and validate historic SRL data, as well as develop options for addressing issues we have in administering the SRL Program. In addition, we have dedicated resources to WYO oversight, which will provide closer coordination with WYO companies regarding the research of claims losses, determining building payment amounts and property loss values, and validating correct property addresses and descriptions.
2. The Federal Insurance Directorate will develop a public-facing Fact Sheet that advises policyholders on the documents and information needed to appeal the inclusion of their property as an SRL. The April 2016 *NFIP Flood Insurance Manual* includes a section on Dispute Resolution in the section on Severe Repetitive Loss Properties (available online: https://www.fema.gov/flood-insurance-manual). In addition, the NFIP Bureau uses an SRL Appeal Checklist for policyholders who wish to appeal their designation that details the types of documentation required to assist with resolving SRL disputes.
3. Similar to the response to the first recommendation above, the Federal Insurance Directorate is exploring ways to improve information sharing and data reporting from our WYO companies. This effort will be dependent on updating our information systems to ensure we have the capability to share and store the vast amount of information that this recommendation would require.

GAPS IN FLOOD INSURANCE AGENT EDUCATION

The OFIA repeatedly finds that NFIP customers have not been quoted the correct flood insurance premium. In many instances, insurance agents did not correctly apply the NFIP grandfathering procedure, newly mapped procedure, or Preferred Risk Policy (PRP) eligibility. As a result, the OFIA finds that insurance agents need additional education to accurately sell and service Federal flood insurance under the NFIP.

BACKGROUND

The *Flood Insurance Reform Act of 2004* required FEMA to establish minimum flood insurance training requirements for insurance agents who sell and service NFIP flood insurance. FEMA implemented this by publishing a notice in the Federal Register establishing a one-time, three-hour flood insurance training requirement. States have the authority to establish qualification standards by which insurance agents are licensed to do business and to determine the continuing education requirements for maintaining such licenses in their particular jurisdiction. FEMA worked with the states' insurance departments to ensure adoption of this minimum requirement.

The program routinely undergoes changes twice per year to implement rate changes and other requirements. Recent legislation enacted in 2012 and 2014 added to the complexity of these changes to the NFIP, and many agents have gone uniformed. As a result, some NFIP customers are not receiving reliable information and are not being quoted accurate flood insurance premiums. Based on cases received by the OFIA, additional training is necessary.

RECOMMENDATION(S)

The OFIA recommends that the FIMA program office consider the following action to alleviate the issue described above:

1. The Federal Insurance Directorate establish additional education requirements beyond the current minimum and develop an ongoing continuing education requirement.

PROGRAM RESPONSE

Over the past three years, Federal Insurance Directorate has undertaken a series of initiatives to improve the training curriculum and development. In 2014, FEMA delivered 75 agent webinar workshops covering topic areas cited in the *Flood Insurance Reform Act of 2004*, Federal Register, and FEMA map changes. These webinars were targeted to Property & Casualty insurance agents using a country-wide database and over 23,000 individuals attended. In 2015, the FIMA developed 14 online courses in partnership with the Emergency Management Institute to address a variety of agent and claims topics, including a Basic Agent Tutorial, FEMA Mapping Changes, Insuring Condominiums, Writing Commercial Exposures, the Coastal Barrier Resources Act, Theory of Elevation Rating, and Increased Cost of Compliance. Approximately 1,500 individuals completed one of these online courses. This year, FEMA is offering a mixture of webinar, classroom, and online training sessions with over 5,000 participants to date.

State officials are responsible for licensing agents and setting continuing education requirements for licensees. FIMA and our Regional colleagues will continue to work with our state partners to identify gaps in training and opportunities to improve agent education. The Federal Insurance Directorate is exploring the concept of creating NFIP Authorized Agents, similar to the concept currently being implemented for NFIP Authorized Adjusters.

THE NEED FOR CONSISTENCY ACROSS REGIONS IN PUBLIC MAPPING OUTREACH

The OFIA finds that policyholders and property owners continue to struggle with understanding the financial impacts of a map revision. There is not a common suite of materials used by FEMA to educate the public about map changes. Nationally, policyholders and property owners do not receive consistent information on the insurance implications of map changes, the requirements to purchase flood insurance, and the flood map review and amendment processes.

BACKGROUND

HFIAA Section 24, (b)(3) requires the OFIA to assist in the development of Regional capacity to respond to individual constituent concerns about Flood Insurance Rate Map (FIRM) amendments and revisions. The OFIA is focused on assisting the Regions with their efforts to help the public navigate through the NFIP processes by leveraging existing FEMA resources that are intended to address specific public inquiries or concerns.

During participation in various mapping open houses and observations through casework, the OFIA has determined that there is a lack of a readily accessible common suite of materials for use across all Regions. Existing materials heavily emphasize the technical details of the mapping process; however, there is not sufficient information that addresses the effects that map changes have on an individual property owner's insurance requirements and rating. Additionally, twice yearly changes to the insurance program often impact property owners, and materials are sometimes not developed or updated to reflect the correct application of insurance rating. As a result, inconsistent information is delivered and policyholders and property owners are sometimes charged incorrect premiums.

RECOMMENDATION(S)

The OFIA recommends that the FIMA program offices consider the following action to alleviate the issue described above:

1. The Federal Insurance, Risk Management, and Mitigation Directorates collaborate on the development of a readily accessible, common suite of outreach materials to drive consistency in communications throughout the Regions.

PROGRAM RESPONSE

Over the past year, the Federal Insurance Directorate has made significant progress to ensure better consistency across Directorates and between FEMA Headquarters and Regions in all outreach and education efforts, including materials related to changes to FIRMs. Beginning in Quarter 1 of Fiscal Year (FY) 2017, the Federal Insurance Directorate began a new initiative that will streamline all NFIP outreach materials, including digital and print assets, to deliver public-facing materials that are consistent, coherent, and up-to-date. The Federal Insurance Directorate will work with Regions to make sure they have ready access to a consistent suite of NFIP-approved materials for their use and encourage them through a variety of means to end usage of non-approved or outdated products. On the new FIRM front, the Federal Insurance and Risk Management Directorates have been closely tied in FY2016 in developing new strategies for customer outreach regarding map changes. Regions have been integral to the planning process and will continue to be critical to the implementation. The Federal Insurance Directorate through its new initiative is working with the Risk Management Directorate to provide up-to-date and customer-friendly public-facing communications and outreach assets for the FEMA and NFIP stakeholders.

The development and dissemination of materials alone will not address the root concerns identified. The implementation and maintenance of a multi-pronged, integrated communication and outreach approach must continue. FIMA is reinforcing the importance of the actual engagement around map changes by enhancing support for FEMA's Regional Offices with overarching and targeted messaging, outreach and communication materials, presentation decks, improving the community and public's experience, and capacity building through training by designing specific materials to support their efforts to engage with stakeholders.

In addition, although a suite of consistent materials is needed, some materials may need to be customized to resonate with Region-specific outreach needs.

DIFFICULTIES ACCESSING INCREASED COST OF COMPLIANCE (ICC) COVERAGE

The OFIA finds that there continues to be frustration and confusion among policyholders about the Increased Cost of Compliance (ICC) portion of the claim process. The OFIA has identified that there is not enough readily accessible educational material to assist policyholders with successfully navigating the ICC claim process.

A major frustration for many policyholders is that insurers refuse to advance an ICC payment, even though FEMA issued a waiver of a provision of the Standard Flood Insurance Policy (SFIP) requiring that work be complete prior to payment, thus allowing insurers to advance an ICC payment. This places NFIP customers in the position of assuming financial responsibility for the full mitigation project without assurance of reimbursement through ICC. Many policyholders experience significant delays in beginning their mitigation project, if they begin it at all, because they cannot afford to pay for the upfront costs to get the project started.

Another major frustration of policyholders is that the ICC is subject to the maximum building limits available under the NFIP. For example, policyholders who have received the maximum available building coverage ($250,000 for a single family residence) for an underlying building claim cannot receive any payment for ICC, even though they paid the premium for the coverage.

Policyholders have also expressed concern that the maximum limit of ICC coverage available under their flood insurance policy ($30,000) is not enough to offset their costs to mitigate their structures.

BACKGROUND

In 1998, ICC was established in order to provide financial assistance to eligible policyholders for the costs associated with bringing their substantially or repetitively flood-damaged structure into compliance with the community's local floodplain management ordinance. The coverage availability and payment limits are subject to the terms of the SFIP, including all applicable NFIP rules and regulations, and subject to the maximum building coverage limits. When properly utilized, ICC is a relatively fast and effective tool to mitigate substantially damaged structures. While the current SFIP limit of $30,000 may not be enough to completely offset the costs of a mitigation project, it provides a substantial financial resource toward the associated expenses. The ICC limit is established based on the amount of ICC coverage that can be purchased with the premium amount authorized by law.

FIMA issued a general waiver for the provision of the SFIP requirement that the mitigation project be completed prior to any payment of ICC. This waiver allows insurers to make partial advance payments. The current amount of the partial advance payment is up to $15,000. This was done through WYO Bulletin W-13006, which indicates authority to make payment prior to completed work.

RECOMMENDATION(S)

The OFIA recommends that the FIMA program offices consider the following actions to alleviate the issue described above:

1. The Federal Insurance Directorate produce readily accessible outreach materials to help policyholders better understand how to navigate the ICC claim process;
2. Significantly increase the amount authorized for advance payment;
3. Determine whether ICC coverage is subject to the statutory limits on building coverage; and
4. Increase the maximum limit of ICC coverage available under the NFIP.

PROGRAM RESPONSE

In October 2016, representatives from FIMA held a workshop with local government officials, flood plain managers, insurance industry experts, and the OFIA to identify opportunities to redesign the ICC process. This discussion included ways to incorporate the recommendations made above. FIMA is currently conducting an analysis, reviewing program and policy options, and exploring opportunities to pilot these recommendations in the coming months subject to applicable statutory and regulatory authorities and current policy coverage limits. Federal Insurance Directorate is dedicated to continuing collaboration with stakeholders regarding this topic.

DIFFICULTIES WITH MULTIPLE AND CONFLICTING FLOOD ZONE DETERMINATIONS

The OFIA finds that flood zone determinations by multiple entities are a major issue affecting policyholders and property owners. Specifically, the mandatory purchase requirement and premium rating disputes lead to a perception among policyholders of devaluation of their property value.

In cases where a property owner believes that the FIRM clearly indicates a building is outside of the Special Flood Hazard Area (SFHA), but a lender has determined the building to be within the SFHA, the property owner is required to purchase flood insurance. To dispute the conflicting findings, the policyholder must navigate FEMA's Letter of Map Change (LOMC) processes in order to convince the lender to remove the requirement for flood insurance. In some cases, the policyholder may incur significant costs in obtaining a surveyed ground elevation or an Elevation Certificate (EC).

In cases where a structure is determined to be in two different flood zones by an insurance agent and a lender, the lender requires the flood zone on the NFIP policy to match their determination. If it does not, they may force-place a policy to the more hazardous flood zone. Revising the NFIP policy to match the lender's determination may result in an increase in premium above what the agent originally quoted.

BACKGROUND

The *Flood Disaster Protection Act of 1973*, as amended, requires lenders to ensure that properties subject to a Federally-backed or insured loan and located within the SFHA are covered by flood insurance. The Federal lending regulators have established guidance on the requirement that the current flood zone on the NFIP policy declarations page match the lender's determination.

Lenders and insurers rely on flood zone determination companies to determine the flood zone in which a structure is located. Flood zone determination companies can provide exhibits, which shows the structure location in relation to the SFHA, but these are seldom requested or used. Many of these flood zone determination companies are members of the National Flood Determination Association (NFDA). FEMA has no regulatory authority over the NFDA, flood zone determination companies, or lenders.

RECOMMENDATION(S)

The OFIA recommends that the FIMA program offices consider the following actions to alleviate the issue described above:

1. The Risk Management and Federal Insurance Directorates engage the NFDA, lenders, and agents to encourage them to establish a process that can easily resolve flood zone discrepancies between different flood zone determinations; and
2. FIMA develop easily accessible outreach materials on how to navigate the flood zone discrepancy resolution process. These materials should not be limited to describing the LOMC process, but should also include guidance on how customers can request exhibits from their lender and how other documentation, such as an Elevation Certificate, can assist in the determination process.

PROGRAM RESPONSE

1. The *NFIP Flood Insurance Manual* Rating Section, paragraph VII.I, *Flood Zone Discrepancies* (pg.24), provides that when presented with two different flood zones, insurers must use the more hazardous flood zone for rating unless the building is eligible for grandfathering. Policyholders can request a second determination or use the Letter of Map Amendment (LOMA) process to request an official determination of their property's status. However, it is ultimately the lender's decision which flood zone determination to accept and whether or not to require flood insurance.
2. The NFDA has its own dispute resolution process. However, the Risk Management Directorate will engage with the NFDA to learn more about their resolution process and how the NFDA resolves disputes caused by disagreements between lenders and flood zone determination companies in order to identify any opportunities where FEMA can improve its publications and outreach to policyholders.

   FIMA agrees that public outreach material can be helpful in addressing flood zone disagreements. The Risk Management Directorate will review the outreach documents currently available regarding the LOMC process, identify ways to make these materials more user friendly, and work with the Federal Insurance Directorate to provide additional direction to policyholders.

INABILITY TO OBTAIN A REFUND OF THE HFIAA SURCHARGE WHEN CANCELING AN NFIP POLICY

The OFIA finds that policyholders express frustration that no portion of the HFIAA mandated surcharge is refunded when a policy that was appropriately issued is canceled. For example, if a non-primary residence covered by a flood policy is sold one week after the policy renews, none of the $250 surcharge is refunded with the premium when the policy is canceled.

BACKGROUND

The HFIAA introduced a surcharge to be applied to all new and renewal policies in the amount of $25 for any policy covering an individual's primary residence, and $250 for all other new and renewal policies.

RECOMMENDATION

The OFIA recommends that the program area consider the following action to alleviate the issue described above:

1. The Federal Insurance Directorate refund the HFIAA surcharge, if it is determined they have the authority to do so.

PROGRAM RESPONSE

FEMA can return flood insurance premium, including the HFIAA surcharge, when an SFIP has been inappropriately issued; for example, when the purchaser lacked an insurable interest in the property to be covered. However, FEMA is statutorily required to collect an annual HFIAA surcharge on every SFIP newly issued or renewed after March 21, 2014 when flood insurance coverage is obtained for any part of the policy year. See 42 U.S.C. Section 4015a(a).

The Federal Insurance Directorate recognizes that it would be beneficial to some policyholders to obtain refunds. The Federal Insurance Directorate will review its current authorities regarding this issue in order to determine what might be required to make this major program change.

The OFIA has identified three possible issues that require further analysis in 2017: Lack of Premium Reduction following Lower-Level Abandonment of a Building, Impediments to Severe Repetitive Loss (SRL) Properties Gaining Access to Hazard Mitigation Assistance (HMA) Funds, and Challenges with Customer Communication.

Moving Forward

The OFIA has the statutory mandate to advocate for the fair treatment of policyholders under the National Flood Insurance Program (NFIP) and property owners in the mapping of flood hazards, the identification of risks from flood, and the implementation of measures to minimize the risk of flood. In an effort to fulfill this mandate, the OFIA has already identified three possible issues that require further analysis. These issues were selected as focus areas based on initial evidence emerging from collected casework and appear to be impacting a broad population of policyholders and property owners.

The 2017 issues include:

LACK OF PREMIUM REDUCTION FOLLOWING LOWER-LEVEL ABANDONMENT OF A BUILDING

Policyholders have expressed frustration following the abandonment of the lower level of a multi-story building in an effort to reduce their flood risk, but since the building is not considered elevated, it does not lower the flood insurance premium. This is because the Standard Flood Insurance Policy (SFIP) defines an elevated building as one that does not have a basement and has its lowest elevated floor raised above ground level by foundation walls, shear walls, posts, piers, pilings, or columns. Some property owners become confused and frustrated when it is not communicated to them that they would still be charged the same premium rate. This occurs even after they have taken action to conform with the minimum floodplain management requirements and reduce their flood risk.

IMPEDIMENTS TO SEVERE REPETITIVE LOSS (SRL) PROPERTIES GAINING ACCESS TO HAZARD MITIGATION ASSISTANCE (HMA) FUNDS

Recent legislation requires the phase-out of pre-Flood Insurance Rate Map (pre-FIRM) subsidized rates for SRL properties at a rate of 25% per year. Owners of pre-FIRM SRL properties are highly motivated to find ways to mitigate their flood risk, often through one of FEMA's HMA grant programs. However, the methods of determining the cost-benefit ratio have excluded many pre-FIRM SRL property owners from HMA assistance, and they will continue to experience significant premium increases.

CHALLENGES WITH CUSTOMER COMMUNICATION

The NFIP communicates with customers through a variety of methods, including letters, forms, educational materials (i.e., Fact Sheets and other guidance documents). The OFIA finds that the NFIP needs to improve communications and better help customers understand their flood hazard risk, insurance requirements, insurance coverage, and premiums. Areas for improvement include the timeliness of responses and ensuring responses are clear and concise.

Customers who remain frustrated and confused, even after using existing NFIP resources, may request assistance with an unresolved issue from the Office of the Flood Insurance Advocate (OFIA) via its website at www.fema.gov/national-flood-insurance-program-flood-insurance-advocate.

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