

Federal Emergency Management Agency's National Flood Insurance Program

Call for Issues Status Report

June 2000



NATIONAL
FLOOD
INSURANCE
PROGRAM



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Acronyms and Abbreviations

ASFPM.....	Association of State Floodplain Managers	IFG.....	Individual and Family Grant (Program)
BFE.....	Base Flood Elevation	LODR.....	Letter of Determination Review
CAV.....	Community Assistance Visit	LOMA.....	Letter of Map Amendment
COBRA.....	Coastal Barrier Resources Act (of 1982)	LOMR.....	Letter of Map Revision
CBRS.....	Coastal Barrier Resources System	LOMR-F.....	Letter of Map Revision Based on Fill
CD-ROM.....	Compact Disk Read-Only Memory	MPPP.....	Mortgage Portfolio Protection Program
CEU.....	Continuing Education Unit	NAIC.....	National Association of Insurance Commissioners
CFR.....	Code of Federal Regulations	NEMIS.....	National Emergency Management Information System
CMP.....	Civil Monetary Penalties	NFDA.....	National Flood Determination Association
CRS.....	Community Rating System	NFIP.....	National Flood Insurance Program
DFO.....	Disaster Field Office	NFIRA.....	National Flood Insurance Reform Act of 1994
FEMA.....	Federal Emergency Management Agency	NLIC.....	National Lenders Insurance Council
FFIEC.....	Federal Financial Institutions Examination Council	NPSC.....	National Processing Service Center
FIA.....	Federal Insurance Administration	OPA.....	Otherwise Protected Area
FIPNC.....	Flood Insurance Producers National Committee	PIA.....	Professional Insurance Agents (association)
FIRM.....	Flood Insurance Rate Map	PIF.....	Policies in Force
FMA.....	Flood Mitigation Assistance (program)	PRP.....	Preferred Risk Policy
FMPCC.....	Flood Map Production Coordination Contractor	RCBAP.....	Residential Condominium Building Association Policy
FPF.....	Federal Policy Fee	SBA.....	Small Business Administration
FY.....	Fiscal Year	SFHA.....	Special Flood Hazard Area
FZD.....	Flood Zone Determination (company)	SFIP.....	Standard Flood Insurance Policy
GFIP.....	Group Flood Insurance Policy	SHMO.....	State Hazard Mitigation Officer
HMGP.....	Hazard Mitigation Grant Program	TRC.....	Telephone Response Centers
IBHS.....	Institute for Business and Home Safety	WYO.....	Write Your Own (program)
ICC.....	Increased Cost of Compliance (coverage)		

Introduction

Overview of the National Flood Insurance Program (NFIP)

For decades the national response to flood disasters was generally limited to constructing flood control works, such as dams, levees, and seawalls, and providing disaster relief to flood victims. This approach did not reduce losses or discourage unwise development. To compound the problem, the public could not buy flood coverage from insurance companies, and building techniques to reduce flood damage were often overlooked. In the face of mounting flood losses and escalating costs to the general taxpayers for disaster relief, the U.S. Congress created the National Flood Insurance Program (NFIP) in 1968. The intent was to reduce future damage and provide property owners with protection from financial losses through an insurance mechanism that allows a premium to be paid for protection by those most in need of this protection.

The NFIP is a Federal program that enables property owners to purchase flood insurance and is designed to reduce the escalating costs of property damage caused by floods. The program is based on an agreement between local communities and the Federal Government that if a community will implement programs to reduce future flood risks, the Federal Government will make flood insurance available within the community as a form of financial protection against flood losses that occur. The NFIP is administered by the Federal Emergency Management Agency (FEMA).

Today more than 19,000 communities participate in and benefit from the NFIP. The following are some of the benefits to participating communities and property owners in those communities:

- Property owners in participating communities are able to insure their property against flood losses.

- By employing wise floodplain management, a participating community can protect its citizens against much of the devastating financial loss resulting from flood-related disasters.
- Careful local management of development in designated floodplains results in construction practices that can reduce flood losses and the high costs to all levels of government associated with flood-related disasters.

Program Responsibilities

Two directorates within FEMA are responsible for managing the NFIP. The Federal Insurance Administration (FIA) oversees the insurance components of the NFIP. The Mitigation Directorate oversees the floodplain management and risk identification/mapping components of the Program. Because of the complexity and interconnectedness of both program components, the staff from the two directorates will work closely together in the FEMA Headquarters office in Washington, D.C., and in ten (10) FEMA Regional Offices across the United States.

Effectiveness of the Program

Through partnerships with participating communities, State and local floodplain management agencies, other Federal agencies, and the insurance, lending, and building industries, the NFIP helps reduce flood damage by an estimated \$1 billion annually. In addition, buildings constructed in compliance with the standards set forth in the NFIP regulations and related documents suffer on average 80 percent less damage annually than those buildings that were not built in compliance with NFIP standards.

Introduction

Furthermore, every \$3 paid to property owners in claims against current flood insurance policy premiums and fees saves taxpayers \$1 in disaster assistance payments, which come directly from the U.S. Treasury.

NFIP policies for new construction are written at full actuarial rates. Policies written for old construction that was properly elevated above the flood level may also be charged full actuarial rates, at the election of the property owner. In both cases, such rates involve no cost to the nation's taxpayers. Older buildings in general are charged less than full risk premium rates, by law, but even this does not involve appropriations or taxpayer funds. If necessary, the statutory authority to borrow funds may be exercised, but that represents a loan, which is repaid to the U.S. Treasury, with interest.

Call for Issues

Overview of the Process

Through its administration of the NFIP, FEMA has been effective in reducing the catastrophic effects, both physical and financial, of flood-related disasters nationwide. In 1998, as part of its ongoing efforts to achieve even higher levels of effectiveness, FEMA decided to solicit input from its NFIP partners and customers. This solicitation was implemented through a nationwide Call for Issues. Through the Call for Issues, FEMA requested comments on all facets of the NFIP from partners and customers of the NFIP.

To ensure constituent groups were given equal opportunity to submit comments and recommendations regarding issues, problems, or concerns of particular interest to them, FEMA implemented the Call for Issues as follows:

1. A notice was published in the *Federal Register* on September 9, 1998.
2. An announcement was posted on the NFIP Web site: www.fema.gov/nfip.
3. Individual letters were sent to hundreds of people representing the various constituent groups.

To allow a reasonable time to submit comments and suggestions, FEMA established a submittal deadline of November 9, 1998, and accepted late submissions for a reasonable time thereafter. To ensure a complete understanding of each issue and recommended action, FEMA established some basic guidelines for submissions. Respondents were asked to:

- Briefly state the nature of the issue, concern, or problem of interest;
- Identify the specific program reference (i.e., where the issue is found in enabling legislation, NFIP regulations, insurance manuals, insurance policies, forms, procedures) and cite specific references to sections, subsections, pages, paragraphs, or lines of the reference;
- Explain why the issue is a problem for NFIP customers and why a change should be made;
- Offer a specific suggestion for addressing the issue, including specific language changes where appropriate and where such changes should be made; and
- Explain the benefits of the change to NFIP customers.

Introduction

Summary of Responses

In response to the Call for Issues, FEMA received 173 written responses via U.S. mail, express mail service, facsimile transmission, and e-mail. Responses were received from NFIP partners and customers in the groups listed below. The percentage of respondents in each category is also shown in Table 1.

Table 1. Percentage of Respondents per Group.

Federal agencies and officials	12 percent
State agencies and officials	18 percent
Local agencies and officials	24 percent
Colleges and universities	1 percent
Construction/real estate industry	1 percent
Lending industry	8 percent
Flood zone determination companies	2 percent
Insurance industry	13 percent
Professional associations and societies	8 percent
Private design/building service companies	2 percent
Individual property owners	8 percent
Others	3 percent

The respondents submitted information concerning 739 individual issues, which were grouped into 485 issue types, within the 16 Chapters. Of these, 419 issues concerned insurance aspects of the NFIP, 149 issues concerned floodplain management, and 171 concerned mapping aspects of the NFIP. Each submission was reviewed thoroughly by the appropriate FEMA Directorate: insurance issues by Flood Insurance Administration staff, and

floodplain management and risk identification/mapping issues by Mitigation Directorate staff.

Report Structure and Content

The *Call for Issues Status Report* is divided into three parts, then further separated into Chapters, which identify individual issues. The three parts include:

- Part I. Federal Insurance Administration Issues,
- Part II. Mitigation Floodplain Management Issues, and
- Part III. Mitigation Hazard Identification/Mapping Issues

The chapters, as summarized in the tables above, were developed to categorize or group the issues submitted. In many cases, issues submitted from different Respondents addressed the same topic, therefore one issue could contain several Respondent's Recommendation(s). For those issues for which FEMA received multiple comments and Recommendation(s), they were summarized collectively under one main issue topic. FEMA then responded to each issue submitted with a definitive decision or action. The FEMA Response could have one of seven possible categories (summarized below). FEMA also provided an Explanation for each issue to further clarify their decision and possible actions to be taken.

The categories of the report are summarized below:

- “Issue,” each of which is shown in a shaded highlight line, is a one-line statement of the general subject matter discussed in the Respondent's Recommendation(s).

Introduction

- **“Respondent’s Recommendation(s),”** which is shown on the left side immediately below the “Issue” line, is a summary of the issue and any recommendation submitted by the Respondent(s).
- **“FEMA’s Response,”** which appears on the right side of the issue page, presents the FEMA decision regarding the Respondent’s Recommendation. The response or decision categories are as follows:
 - **Adopted/Action Underway** indicates the Recommendation has already been adopted *or* efforts to implement the Recommendation will be during Fiscal Year (FY) 2000 or FY 2001.
 - **Evaluation/Study Required** indicates that FEMA must investigate and assess the issue then review the results prior to making a determination.
 - **Assigned for Further Study** indicates that the issue has been assigned for further study and the results of the study will be reviewed before making a determination.
 - **No Further Action Required** indicates the suggested decision cannot be implemented, and FEMA has determined that no further action to address the issue is necessary.
 - **Addressed in Program/Other Actions To Be Taken** indicates the suggested decision is already supported in the NFIP, but other resource information is available or will be developed to clarify the NFIP requirements.
 - **Will Not Adopt/Other Actions To Be Taken** indicates the suggested decision will not be implemented as recommended, but FEMA has taken or will take other actions to address the issue, *or* that FEMA offers other supportive information that relates to the identified issue.
- **Other** indicates FEMA has or will respond to the Respondent, *or* a combination of actions may be used to respond to the issue.
- **“Explanation,”** which appears on the lower right side of the issue detail page below “FEMA’s Response,” provides a brief explanation of the actions to be taken by FEMA to address the issue or the reasons why no action will be taken.

Issues

The FIA Issues and their associated Recommendations ranged from large-scale issues, such as expanding the mandatory flood insurance purchase requirement to apply regardless of location and seeking alternative, less complicated approaches to flood insurance rating, to small-scale issues, such as changing wording on a particular form or guidance document. The Mitigation Issues also ranged greatly with many issues addressing the same subject matter with a focus from different perspectives. Therefore, the level of effort required to review and respond to each issue varied considerably. To facilitate the detailed review of each issue, the issues were categorized and placed into Chapters. By doing this, FEMA ensured issues of similar subjects with similar Recommendations were considered together, and responded to collectively.

The Chapters used and the percentage of issues in each are shown in Tables 2 and 3.

Introduction

Table 2. Federal Insurance Administration Issue Summary.

Insurance Chapters	Total # of Insurance Issues	% of Insurance Issues	% of Total Issues
I. Federal Insurance Administration Issues			
1. Claims	17	4 %	2 %
2. Coastal Barrier Resources Act (COBRA)	6	1 %	1 %
3. Communication/ Public Information	64	15 %	9 %
4. Community Rating System (CRS)	30	7 %	4 %
5. Coverage	95	23%	13 %
6. Lender Compliance	42	10 %	6 %
7. Rates	56	13 %	8 %
8. Training/Education	33	8 %	3 %
9. Underwriting	20	5 %	3 %
10. Other Insurance Issues	56	14 %	8 %
Sub-Totals	419	100 %	57 %

Table 3. Mitigation Directorate Issue Summary.

Mitigation Chapters	Total # of Mitigation Issues	% of Mitigation Issues	% of Total Issues
II. Floodplain Management Issues			
1. Community Eligibility and Compliance	12	4 %	1 %
2. General Construction Requirements	9	3 %	1 %
3. Policy Review	80	25 %	11 %
4. Technical Assistance, Training, Communications, and Publications	20	6 %	3 %
5. Other FEMA Programs	28	6 %	4 %
III. Hazard Identification/Mapping Issues			
1. Other Flood Insurance Issues	171	53 %	23 %
Sub-Totals	320	100 %	43 %
Totals	739	N/A	100 %

Introduction

Availability of This Report

FEMA will send complete copies of this report to those individuals and organizations that responded directly to the Call for Issues. This will be done to show FEMA's appreciation for their interest and efforts. Those individuals and others interested in the Call for Issues may also download this report directly from the FEMA Web site at www.fema.gov/nfip. Interested parties may also obtain printed copies of this report, after August 15, 2000, by calling FEMA's publication center, toll-free, at 1-800-480-2520, or by writing to the following address:

**Federal Emergency Management Agency
Publication Center
500 C Street SW
Washington, D.C. 20472 • USA**

Planned Updates

For many of the issues submitted by respondents, FEMA must perform additional studies or coordinate follow up activities with its NFIP partners in government and the private sector. Therefore, FEMA will issue updates to this report annually until all issues are addressed. Updated reports also will be posted on the previously referenced FEMA Web site and announced through notices in the *Federal Register*.

Acknowledgments

FEMA wishes to express its appreciation to all those who participated in the Call for Issues process. It is because of the time and effort you contributed to this effort that we are able to improve the NFIP – by taking into account the comments and suggestions of the NFIP customers.

Sincerely,

Jo Ann Howard
Administrator
Federal Insurance Administration

Michael J. Armstrong
Associate Director
Mitigation Directorate

I Federal Insurance Administration

1 Claims

FEMA's NFIP Call for Issues Status Report
June 2000

Claims

Issue: Uniform reinspection procedures for Direct and WYO companies

Respondent's Recommendation(s):

Two actions need to be taken by FIA to comply with recommendations made by the FEMA Office of the Inspector General: 1) change the language in the Write Your Own (WYO) and Federal Insurance Administration (FIA) agreement; and 2) develop uniform procedures for performing WYO and Direct reinspections.

FIA has not heeded the recommendation of uniform reinspection procedures be implemented for Direct and WYO claims. In its comments on the recommendation, FIA argued that the procedures were the same, but did agree to implement the recommendation. FIA, however, has not implemented this recommendation even though it was made in 1993.

FIA is not getting the potential benefits of its reinspection effort on WYO claims because reinspection procedures are more lenient for WYO claims than those used for Direct. WYO claims are not adjusted for judgmental errors, such as overscoping, depreciation, cost verification, and repairs versus replacement. Direct claims, however, are adjusted for judgmental as well as non-judgmental errors. Significant savings to FIA can accrue if uniform procedures are applied.

FEMA's Response: No Further Action Required

Explanation: Reinspection procedures are now not different for the Direct Program and the WYO Program. These were changed in 1994, when the Direct Program was considered to be another WYO company. From 1989 to 1991, WYO activities and the Direct Program were under one contractor, and the reason for the large "savings" in the Direct Program was that the General Adjusters reinspected a much greater number of direct claims than were done on the WYO Program. Overscoping is not a judgement area. No change is necessary.

In the 3rd quarter of FY 2000, FIA however, met with the FEMA OIG and agreed to provide that office with information on the claim re-inspection process. This action satisfies the concern of the FEMA OIG and addresses the issue without implementing the recommendation as submitted.

Claims

Issue: Adjuster assignment procedures

Respondent's Recommendation(s):

The automatic assignment of flood claims before an actual claim is made results in payment of a flood fee to the adjuster, usually an independent adjuster, and distortion of the number of claims reported and not paid. FIA seems to be concerned with the expense of the administration of this program and this is an unnecessary expense. This may also lend itself to a skewing of the numbers in regards to claims closed without payments and, ultimately, the fee paid for this item.

FEMA's Response: No Further Action Required

Explanation: When it is deemed necessary to activate the Single Adjuster Program by the State Windpool, in cooperation with FIA, certain areas of the State are declared to be under this claims adjustment program. When a wind claim is made by the insured and is forwarded to the Windpool, a matching process is initiated. If a flood policy is found, both claims are assigned to the same adjuster, even if no flood claim was reported. If this were changed, the Single Adjuster Program would not be workable. If the dual assignment were not made at the outset, then the adjuster would need to go out a second time for the flood claim. In the meantime, it is probable that the flood claim would be filed and assigned to another adjuster, thereby negating the program for those claims. In the past, FIA found that in some cases a flood claim was not filed until the insured thought he or she did not get enough money from the wind claim to complete all repairs. Then the flood claim was made, but this was very late in the process, making the flood adjustment impossible. On a dual assignment, the adjuster must complete an inspection, take photographs, and complete a report stating there is no flood/wind damage; for that, the adjuster is paid a Claim Without Payment fee. No changes to the adjuster assignment process are contemplated in FY 2000 or FY 2001. However, this process will be reviewed for cost effectiveness in FY 2002.

Claims

Issue: Revisions to flood contract language concerning proof of loss

Respondent's Recommendation(s):

Change the language in the flood contract to require that the proof of loss be received within 60 days from the receipt of the Notice of Loss.

FEMA's Response: No Further Action Required

Explanation: FIA will not adopt this recommendation. To extend the period when we would receive a proof of loss would delay our investigation of the claim and might prejudice our ability to adjust the claim.

Issue: Overpayment of flood insurance claims

Respondent's Recommendation(s):

Eliminate the overpayment of flood insurance claims by changing the way insurance adjusters are paid to a flat fee (instead of a sliding scale), and developing a procedure to hold the insurance companies accountable if they overpay.

FEMA's Response: No Further Action Required

Explanation: A flat fee indicates that an adjuster would be paid the same for a claim of \$500.00 or \$500,000.00. This would not be equitable because the adjuster spends more time on complicated and highly damaged structures than on the lesser damaged ones. An alternative would be to pay the adjuster on a time and expense basis, which was the way NFIP paid adjusters in the past. This was found to be unworkable because there was continual controversy over how many hours the adjuster should have used to adjust each claim. The NFIP pays based on a fee schedule. Extensive study was done before this was made effective. The fee schedule adopted by the NFIP is based on industry fee schedules.

Write Your Own (WYO) companies are held accountable for claims. The companies sign an agreement with FIA, stating that if they overpay a claim and the overpayment is discovered, the company is responsible to refund the overpayment to the fund. Overpayments are discovered in one of two ways: 1) biennial audits, or 2) on reinspections of claims. Reinspections will be ongoing in FY 2000.

Claims

Issue: Designation of NFIP liaison to DFO for post-disaster recovery efforts

Respondent's Recommendation(s):

Assign an NFIP liaison to each disaster. The liaison must have the resources and authority to coordinate with all policy writers and to assure compliance with NFIP regulations as they relate to claims and distribution of funds in a timely manner. Develop a payment-against-claim to stabilize the impact of the event on the policyholder. If a policyholder is displaced, the NFIP or WYO companies need to provide funds immediately. Such a payment should never be in lieu of a claim or as a settlement. It can, however, be deducted from the final claim payment.

FEMA's Response: Adopted/Action Underway

Explanation: Established procedures and guidelines for coordinating FIA with DFOs already exist, and DFO staff has access to FEMA's system insurance database. There is no way to have an NFIP liaison person control all the claims audits and reinspections for quality control. FIA instructs the adjusters to offer advance payments to insured who are displaced.

Issue: WYO control of single adjuster program assignments

Respondent's Recommendation(s):

Single adjuster program assignments should be controlled by the WYOs, not the wind pools.

FEMA's Response: Adopted/Action Underway

Explanation: FIA does not agree with the respondent's premise that all Windpools provide poor service. Each State entity operates differently. FIA agrees that the easy way for the Single Adjuster Program to work would be for the WYO company to assign the claim when there is a match; however, some Windpools have a very sophisticated electronic way to match and assign claims. Some of the Windpools take advantage of the NFIP Bureau's and Statistical Agent's Claims Coordinating Office's System, which is a sophisticated matching system. When this is used, the assignments are made jointly by the Windpool and the Bureau. Other States use other systems.

Claims

Issue: WYO control of single adjuster program assignments

When they are not effective, FIA and the Bureau work with the States to improve their systems. FIA plans to obtain in FY 2000 an agreement with each State Windpool.

Issue: WYO company identification of adjusters

Respondent's Recommendation(s):

Require WYO companies to identify the adjuster for each loss. This enables FIA to identify companies and adjusters with patterns of above average-claims payments.

FEMA's Response: No Further Action Required

Explanation: In any type of review, such as audits and reinspections, the adjusters are identified. These activities allow FIA to identify trends, not only by adjuster, but by company as well.

Issue: Claims inspection process for WYO companies

Respondent's Recommendation(s):

Discount the practice of allowing WYO companies to select which claims are inspected. Restore the percentage of claims that are reinspected to its previous level.

FEMA's Response: Adopted/Action Underway

Explanation: FIA is looking for ways to improve on the number of claims that are reinspected. FIA is also looking at ways to inspect more claims earlier in the storm's aftermath. The General Adjusters will be choosing files to reinspect from the Quick Claim data on the Web site.

Claims

Issue: Guidelines for determining replacement cost for claims

Respondent's Recommendation(s):

The government and the WYO companies need to establish guidelines for replacement cost. There are too many discrepancies surrounding replacement cost, especially when a claim is filed. When a company issues a homeowners policy, they use different methods for obtaining replacement cost. Even if that company uses the Boeckh software for the homeowners, there is no guarantee that the adjusters will come up with the same figure when they verify it at the time of loss.

FEMA's Response: Assigned For Further Study

Explanation: FIA will explore the option for determining replacement cost estimates for condominium properties covered under the Residential Condominium Building Association Policy (RCBAP) and primary residences under the dwelling policy. The NFIP does have a requirement that standard industry practices should be used to determine such amounts, but will in FY 2000 explore ways to clarify this.

Issue: Pre-storm coordination of general adjusters and local adjusters

Respondent's Recommendation(s):

The respondent suggests that general adjusters meet with Home Depot and at least five or six major contractors before a storm and get a uniform pricing system worked out before the storm hits. Much money is wasted without a uniform pricing system.

FEMA's Response: Assigned For Further Study

Explanation: FIA will look into the feasibility of obtaining software in FY 2000 and FY2001 that has the capability of creating a local price guide, on a national basis. FIA will solicit help for the required study from independent adjusters and WYO companies.

Issue: Elimination of public adjusters as legal representatives

Respondent's Recommendation(s):

Change the FEMA policy and delete the public adjuster as a legal representative.

FEMA's Response: No Further Action Required

Explanation: While FIA believes that public adjusters are not needed for claims under the NFIP, the NFIP is not in a position to state that insureds cannot have claims representation of their choice.

Claims

Issue: Revision to the flood policy regarding receipts and bills for previous floods

Respondent's Recommendation(s):

Revise the flood policy to clarify the need to maintain receipts and bills for previous floods.

FEMA's Response: Will Adopt

Explanation: FIA believes it needs bills and receipts of current losses and previous losses, when appropriate, and will incorporate this provision in the final revision of the Standard Flood Insurance Policy (SFIP).

Issue: Guidelines for Flood Final Report

Respondent's Recommendation(s):

The respondent suggested that FIA establish standard guidelines for completion of the Final Flood Report.

FEMA's Response: Adopted/Action Underway

Explanation: The WYO companies/adjusters do not have to use the exact NFIP form; however, the adjusters are required to submit the Final Flood Report, and it has the same information as the NFIP Final report form.

Issue: Guidelines for building and contents assessments by adjusters

Respondent's Recommendation(s):

Do not pay for contents manipulation to effect building repairs when there is no contents coverage. When there is contents coverage, do not overlap the contents damage payment with the necessary manipulation.

FEMA's Response: Adopted/Action Underway

Explanation: FIA agrees with this recommendation

Claims

Issue: Adjustment requirements regarding openings

Respondent's Recommendation(s):

Change adjustment requirements to delete openings from estimates.

FEMA's Response: Adopted/Action Underway

Explanation: As a general rule, FIA agrees. However, if a room to be painted has two wooden frame windows that also require painting, then FIA disagrees, as long as there was no separate charge for the windows. When the adjuster is faced with an "L-shaped" room, the missing wall should be removed. In other words, the adjusters should correctly "adjust" each loss, being fair to all concerned. The Bureau's General Adjusters will pay particular attention to this detail when reinspecting losses to determine if there is a problem.

Issue: Reprocessing of denied Group Flood Insurance Policy (GFIP) claims

Respondent's Recommendation(s):

Reprocess all denied Group Flood Insurance Policy (GFIP) claims in Ohio from August 1997 to the present. The State of Ohio Individual Family and Grant (IFG) program staff can provide a listing of GFIP policyholders that have filed flood claims, if necessary. Although this would be time consuming, it would ensure GFIP policyholders were appropriately processed.

FEMA's Response: Adopted/Action Underway

Explanation: All of these claims were reviewed and agreement was reached with the insured except for one claim for which the insured did not return a Proof of Loss.

Claims

Issue: Mechanism for reporting problems with claims adjusters

Respondent's Recommendation(s):

Establish a mechanism to report problems with adjusters to ensure they are appropriately addressed.

FEMA's Response: Adopted/Action Underway

Explanation: Such mechanisms already exist. The general business conduct of claims adjusters is under the jurisdiction of the State Insurance Departments. Problems with adjusters adjusting flood insurance claims under the NFIP should be reported to their WYO company, FIA, or both. Claims under the NFIP Group Flood Insurance Policy are handled by FIA.

I Federal Insurance Administration

2 Coastal Barrier Resources Act (COBRA)

FEMA's NFIP Call for Issues Status Report
June 2000

Coastal Barrier Resource Act (COBRA)

Issue: COBRA certification by community

Respondent's Recommendation(s):

Remove the paragraph referring to the “certification from a community official...” and replace it with the following: “Verification from the producer that the building is either not located or no longer located in a designated CBRS area or otherwise protected area, based on the information used to determine the flood zone. If the producer is unable to make the determination, then a certification from a community official must be submitted.” Obviously many producers are submitting the information themselves, as any reasonable approach would dictate. Take action to change the language so as few as possible need to contact community official for certification of the location. If the language has already been changed, please send me a copy so I may have it available to quote to those who continue to call.

FEMA's Response: Adopted/Action Underway

Explanation: The *Flood Insurance Manual* (Agent's Manual) was revised effective 5/1/98 to instruct Producers to review the current NFIP FIRM to determine eligibility for insurance based on the location of the risk in relation to the CBRS boundary. A procedure for CBRS determinations to be made by the U.S. Fish & Wildlife Service, in close call cases, has been established and these procedures are also outlined in the *Flood Insurance Manual*.

It should be noted, however, that the Manual does continue to direct inquirers to the Community for help with building permit date or date walled and roofed information. This is only necessary in cases where the risk is determined to be inside of the CBRS boundary but is still eligible for coverage through the NFIP because the building was permitted/constructed prior to the date of enactment of the COBRA legislation.

The current *Flood Insurance Manual* may be ordered by calling 1-800-358-9616 or may be reviewed on the Internet at <http://www.fema.gov/nfip/manual.htm>.

Coastal Barrier Resource Act (COBRA)

Issue: Creation of new COBRA zone, with buffer for close calls

Respondent's Recommendation(s):

Create a new COBRA zone, with a buffer for close calls. FIA also should mandate that only NFIP can write in a buffer. An additional flood zone to identify CBRS areas could be added to the flood maps, perhaps a new zone could be CB. The zone should also include a buffer area for close calls. Mandate that only the NFIP can write in this buffer zone.

FEMA's Response: Adopted/Action Underway

Explanation: Several steps have been taken within the past 12 months to assist WYO Insurers and Agents with identifying risks located within the CBRS.

- A database is now available in hard copy format and on the NFIP Web site that captures all FIRM panels that have CBRS and/or Otherwise Protected Areas (OPAs). This allows producers to quickly identify risks that require further underwriting review to determine eligibility. (Refer to the Community Information section on the NFIP Web site or call the FEMA fax back line for fax copies.)
- A process is now in place for the U.S. Department of the Interior's Fish & Wildlife Service to make determinations if a risk's location is close to the CBRS boundary. (Refer to the *Flood Insurance Manual* for details.)
- A collection of Q3 CDs for CBRS communities use with GIS software is now available through the Map Service Center.
- CBRS-related FIRM changes are now being distributed as Letter of Map Amendments (LOMAs), are to provide notice of changes in a more timely manner.

As an objective of the Map Modernization Plan, FEMA Mitigation is working with the U.S. Fish & Wildlife Service to assist and encourage production of source maps using digital vector mapping techniques suitable for NFIP DFIRMs.

Coastal Barrier Resource Act (COBRA)

Issue: Revisions to COBRA mapping and determination process

Respondent's Recommendation(s):

Revise the mapping tools and process to accurately identify CBRS areas/properties. The base mapping sources for identifying flood zones should be used to identify the CBRS areas/properties. This would reduce, and possibly eliminate, appeals. Inquiries are directed to WYO companies regarding properties located in the vicinity of CBRS-designated areas. The companies are told that the policies were issued in error because the properties are in the identified areas. The property locations are researched and investigated and in, most cases, it is determined that the property was not located in an identified area. The impact of this process results in expenses related to research, producing documentation and time consuming back and forth communication with the WYO company and servicing agent.

FEMA's Response: Adopted/Action Underway

Explanation: Several steps have been taken within the past 12 months to assist WYO Insurers and Agents with identifying risks located within the CBRS.

- A database is now available in hard copy format and on the NFIP Web site that captures all FIRM panels that have CBRS and/or OPAs. This allows producers to quickly identify risks that require further underwriting review to determine eligibility. (Refer to the Community Information section on the NFIP Web site or call the FEMA fax back line for fax copies.)
- A process is now in place for the U.S. Fish & Wildlife Service to make determinations if a risk's location is close to the CBRS boundary. (Refer to the *Flood Insurance Manual* for details.)
- A collection of Q3 CDs for CBRS communities for use with GIS software is now available through the Map Service Center.
- CBRS-related FIRM changes are now being distributed as LOMAs are, to provide notice of changes in a more timely manner.

As an objective of the Map Modernization Plan, FEMA Mitigation is working with the U.S. Fish & Wildlife Service to assist and encourage production of source maps using digital vector mapping techniques suitable for NFIP DFIRMs.

Coastal Barrier Resource Act (COBRA)

Issue: Certification of awareness by property owner

Respondent's Recommendation(s):

Any time a building permit is secured for development in a CBRS or OPA, the person issuing the permit should require a signed statement from the property owner. The statement should document that the property owner is fully aware that the property they are building on is part of a CBRS or OPA and that Federal financial assistance, including flood insurance, is not available for these properties. The property owner should be held responsible to notify any prospective buyer in writing of these regulations prior to the time of sale. New owners should be required to sign the same statement, and it should be maintained on file with the deed to the property. It should never come as a surprise to a property owner that their property is not eligible for Federal flood coverage.

FEMA's Response: No Further Action Required

Explanation: While FIA agrees that it should never come as a surprise to a property owner that their property is not eligible for Federal flood coverage, any CBRS disclosure requirement would have to be administered at the State and local levels. Land use and building permits are under the jurisdiction of local governments. FEMA has no authority over real estate transactions. Therefore, any CBRS disclosure requirement would have to be established by governmental bodies other than FEMA.

I Federal Insurance Administration

3 Communication/Public Information

FEMA's NFIP Call for Issues Status Report
June 2000

Communication/Public Information

Issue: Notification of residents in areas where zone changes occur (general mailing)

Respondent's Recommendation(s):

Notify residents in localities where changes occur to the zones or in the eligibility of the community. A general mailing to the residents would alert all concerned homeowners, renters, and business owners. Lenders would not have a complete list of all residents; therefore, FIA would have to complete this task.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Mailing notification to all residents in every community when a map or community status changes is deemed to be too costly for the benefits derived. Further, many would be returned as undeliverable due to occupancy changes. However, FIA uses other means for notification of residents in areas where zone changes occur, relying on community officials, insurance companies, agents, and others to communicate these changes as needed through:

- FEMA's Web site.
- FEMA's Compendium of Map Changes.
- Local newspaper notices paid for by FEMA.
- Free public awareness materials provided by FEMA to local officials.
- FIA feels that the best way to get the word out to residents of areas where zone changes occur is through local officials. By the end of FY 2000, FIA will have procedures in place to alert FEMA's Offices of Congressional Affairs and Intergovernmental Affairs and the FEMA Regions to share information with local officials whose areas would be affected by zone changes.

Communication/Public Information

Issue: Shift of enforcement to State level

Respondent's Recommendation(s):

Change the current enforcement to the State level from the current local community/lender basis.

FEMA's Response: Assigned For Further Study

Explanation: This issue will be considered in connection with the NFIP assessment/evaluation study targeted for implementation in FY 2000.

Issue: Evaluation and revision of marketing plan

Respondent's Recommendation(s):

Develop a comprehensive marketing plan that contains, at a minimum, the following: the plan's goals and objectives, the options identified and chosen for achieving them, target audiences, the means that will be used for evaluating the effectiveness of the efforts, and a list of the specific accomplishments realized each year against the goals and objectives. Make this information available to all interested parties. Review and evaluate the results of each year's efforts against the plan and publicize the results.

FEMA's Response: Adopt/Action Underway

Explanation: FIA has completed one component of this recommendation. FIA evaluated the *Cover America* campaign through an independent study performed by Gallup and Robinson, Inc. in FY 1999. FIA developed a marketing plan, with goals, for *Cover America II*. The remainder of the plan will address marketing activities performed by other components of the organization. FIA expects to complete this plan by the first quarter of FY 2001 and the plan will be widely distributed and evaluated annually.

Issue: Community access to policy and claims data

Respondent's Recommendation(s):

Make data from local offices available.

FEMA's Response: Assigned For Further Study

Explanation: A FEMA Task Force on access to insurance data will address this together with similar issues by the end of FY 2000. Privacy Act concerns will also be addressed by this Task Force.

Communication/Public Information

Issue: Lead time for making changes

Respondent's Recommendation(s):

Provide WYO companies a minimum of 9 months lead-time from final notification of specification changes to effective date of the changes so that the required system revisions can be made in a timely and appropriate manner.

FEMA's Response: No Further Action Required

Explanation: FIA works to provide 6 months lead time and, at a minimum, to give notice of changes 6 months in advance, if all final specifications are not ready. Our goal is to limit changes to no more than twice per year. However, various political or flood events do not always permit limiting changes to only twice per year. Such changes are limited, as FIA recognizes the disruption to all parties when changes must be made.

Issue: Annual updates to *Flood Insurance Manual*

Respondent's Recommendation(s):

Set a standard date once a year when revisions to the *Flood Insurance Manual* become effective.

FEMA's Response: No Further Action Required

Explanation: FIA works to provide 6 months lead-time and, at a minimum, to give notice of changes 6 months in advance. The goal is to limit changes to no more than twice per year; however, this is not always possible.

Issue: Performance of edits

Respondent's Recommendation(s):

Perform the edits over all policy periods each month, and clear the error if the address is added to the database by the USPS. This will also alleviate the timing differences in the revisions being installed at different time periods.

FEMA's Response: Adopted/Action Underway

Explanation: FIA reviewed the NFIP edits process and has made refinements to it. The NFIP Bureau now receives updated address and other information, performs edits, clears errors, and makes corrections to policies on a bi-monthly basis.

Communication/Public Information

Issue: State and community access to claims and repetitive loss data

Respondent's Recommendation(s):

Allow NFIP State Coordinators and State Hazard Mitigation Officers (SHMOs) to get this information with a telephone call, or supply this information quarterly to these government employees. This information is important for putting together a Flood Mitigation Assistance (FMA) proposal, a Hazard Mitigation Grant Program (HMGP), or doing a CAV.

FEMA's Response: Assigned for Further Study

Explanation: A Task Force has been set up at FEMA consisting of insurance, mitigation, and information technology specialists to address the issue of enabling customers to access such data quickly. As part of FEMA's strategy, beginning May 1, 2000, a system is expected to be in place to provide information more quickly about recently filed claims.

Issue: Community access to claims data

Respondent's Recommendation(s):

Provide communities with more information as to amount and reason for loss.

FEMA's Response: Adopted/Action Underway

Explanation: FIA made more claims and repetitive loss information available to State officials in FY 1999. We will continue in FY 2000 to improve dissemination of this information.

Issue: Conflicts between NFIP regulations and *Flood Insurance Manual*

Respondent's Recommendation(s):

The requirements of 44 CFR Section 60.3 should be changed to be consistent with those of the *Flood Insurance Manual*. A review of the two sets of regulations for consistency is required. For example, Section 60.3(c)(5) of the regulations states that either enclosures below the lowest floor of an elevated building must meet the opening requirements or the enclosure's design must be certified by a registered Professional Engineer. The *Flood Insurance*

FEMA's Response: Adopted/Action Underway

Explanation: FIA agrees that real inconsistencies should be resolved and will endeavor to do so. However, the two examples submitted for consideration do not appear to be inconsistent. Considering the size of an enclosure in insurance rating is not inconsistent with floodplain management regulations that allow enclosures of any size. FIA believes that there are differences in risk even among the allowable building practices. The other

Communication/Public Information

Issue: Conflicts between NFIP regulations and *Flood Insurance Manual*

Manual only recognizes the opening requirements. Also, Section 60.3(e)(5) does not contain a limitation on the size of the space below a building's lowest floor. However, the *Flood Insurance Manual* requires that, where such space exceeds 300 square feet, the building must be submitted for rating. Another inconsistency is how enclosed spaces at ground level in Zone V are rated. The floodplain management requirements under 44 CFR Section 60.3(e)(5) states that enclosed spaces below the Base Flood Elevation (BFE) are compliant if they are constructed with nonsupporting breakaway walls, open latticework, or insect screening. The *Flood Insurance Manual*, under the Rating Section XII (D)(2), rates enclosed spaces which use breakaway walls higher rather than those using open latticework or insect screening. This results in a homeowner being compliant with the floodplain requirements, but being penalized by the flood insurance requirements.

Another inconsistency is the requirement under 44 CFR Section 60.3(3)(ii) that floodproofed structures be certified as watertight only to the BFE, while under the flood insurance requirements contained in the Special Certifications Section of the *Flood Insurance Manual* (Floodproofing Certification 3-Rating) a structure must be certified as watertight to at least 1 foot above BFE. Therefore, a non-residential structure which is floodproofed according to the requirements of 44 CFR Section 60.3(3)(ii) will not be considered fully floodproofed for flood insurance purposes, resulting in higher insurance rates for the property owner.

example relates to openings in enclosures and whether the insurance criteria appropriately recognize both standard and specially engineered openings. The insurance rating criteria do recognize both possibilities for openings.

Communication/Public Information

Issue: Media and public agency involvement in notification of public about availability of flood insurance

Respondent's Recommendation(s):

Use local media and public agencies to publicize the availability of flood insurance.

FEMA's Response: Adopted/Action Underway

Explanation: Local media and public agencies are encouraged to do so. FEMA issues numerous press releases and has a comprehensive public awareness campaign using television, radio, magazines, and public relations activities to inform people about flood insurance. FEMA and FIA recognize that misinformation still exists and are continuing efforts through various media and NFIP strategic partners to improve public understanding regarding flood insurance. Our Web site, <http://www.fema.gov/nfip>, is updated weekly to provide flood insurance information, and we are piloting satellite conferences with groups such as the realtors, as a means of outreach.

Issue: Database listing of flood insurance risk zones for all structures/addresses

Respondent's Recommendation(s):

Based on the fact that NFIP is a Federal program requiring a unique combination of mitigation and insurance, FEMA should strengthen the community compliance requirements to require evidence of compliance. Include this information through Community Rating System (CRS) classifications and discounts to provide a rating structure of three possible rates per community (VD, AE, X). Additionally, the specific zone for every structure/address in the U.S. should be published.

The zone statistical information would still be compiled for rate-making and mitigation purposes, yet it would reduce the cost and streamline the process for writing flood insurance. This would benefit the consumer by reducing cost (no

FEMA's Response: Assigned for Further Study

Explanation: A set of pilot demonstration rating projects, including consideration of different ways to provide zone information, was conducted at the Flood Insurance Conference in May 2000.

Communication/Public Information

Issue: Database listing of flood insurance risk zones for all structures/addresses

zone determination or Elevation Certificate), and facilitating a much easier buying decision. This would benefit the agent by reducing cost (handle each prospect once vs. possibly four times) and making it easier to quote/write flood policies. This would benefit the WYO company/NFIP by reducing cost in eligibility, records retention/forms (zone determination and Elevation Certificate) and drastically reducing complications of inspections, definition of rates and rating criteria, and problem trends, such as CBRS area and Preferred Risk Policy (PRP) eligibility.

Issue: Repetitive loss database for access by local floodplain administrators

Respondent's Recommendation(s):

Tie the Floodplain Management Program to the NFIP and require flood insurance claims paid to be reported to the Floodplain Administrator so they can keep accurate records. The current NFIP's record keeping system is not even able to sort repetitive loss homes alphabetically.

FEMA's Response: Other

Explanation: FEMA has developed a Repetitive Loss Strategy and is in the process of implementing it. More repetitive loss property data have been made available to State and local communities as part of that strategy. During 2000, the means for providing such data will be refined.

Issue: Increased activities of ISO/CRS specialists

Respondent's Recommendation(s):

Increase activities of Insurance Services Office and Community Rating System specialists to target community officials; the general public; and other stakeholders, such as insurance companies, agents, and lenders.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will be reviewing its strategy for outreach to different organizations in FY 2000. As part of this review, FIA will consult with the CRS Task Force on ways to accomplish such outreach.

Communication/Public Information

Issue: Brochure to inform borrowers about LOMA, LOMR, and LODR processes and PRP

Respondent's Recommendation(s):

Create an informational brochure for borrowers contesting the need for flood insurance. The brochure would help borrowers understand the alternatives offered by FEMA in a clear and objective manner. The recommended brochure would:

1. Outline the mechanisms available for resolving specific situations (i.e., Letter of Map Amendment (LOMA), Letter of Map Revision (LOMR), and Letter of Determination Review (LODR));
2. Guide the borrower in the selection of the appropriate mechanism (e.g., a LOMA is the appropriate mechanism for situations where the need for flood insurance is being contested because the flood map shows the property as clearly being located in a SFHA and the building on the property is actually above the BFE.);
3. Describe the steps the borrower needs to follow to process the appropriate request (e.g., extent of borrower, lender and/or community involvement; timing requirements, if any; mailing addresses; supporting documentation required to evaluate the request);
4. Direct borrowers to consult their lending institutions regarding their specific flood insurance requirements; and
5. Inform borrowers on the availability of "preferred risk" insurance.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will do this in FY 2000. FIA is already developing a brochure for lenders on these topics, and will develop a version designed for borrowers in FY 2000. FIA will coordinate this with the appropriate FEMA Directorates.

Communication/Public Information

Issue: Development of “public friendly” and easily understood flood zone terminology

Respondent’s Recommendation(s):

The NFIP needs to develop a “public friendly” and easily understood terminology system. Simplify flood zone terminology to improve public understanding of the program and to improve NFIP penetration. The current system of alpha zones (A, B, V, etc.) and the technical definitions (100-year and 500-year floodplains) are not understood by the public and are difficult for producers to explain to the public.

FEMA’s Response: Adopted/Action Underway

Explanation: FIA will develop user-friendly language to make it easier for the public to understand. Once new terminology is approved, text changes will be required in almost every NFIP document. This effort will begin in FY 2000 and continue until texts are revised using plain language.

Issue: Improved homeowner access to Elevation Certificate information

Respondent’s Recommendation(s):

Require communities to make Elevation Certificate information available to the homebuyers in their communities through a local government office. There should be a nominal-processing fee associated with the request for an Elevation Certificate. Reduce the time required to provide the data by requiring this information to be on file and readily available at the time of a request.

FEMA’s Response: Will Not Adopt/Other Actions To Be Taken

Explanation: While FIA does not plan to require communities to do this in FY 2000, FIA strongly encourages communities to provide access to Elevation Certificate data through community contacts, through local officials, participation in the CRS, and other sources.

Issue: Marketing campaign to improve lender and WYO company partnering

Respondent’s Recommendation(s):

Develop a new marketing campaign referring lenders to WYO carriers and/or offering incentives to lenders for partnering with a WYO carrier for the

FEMA’s Response: No Further Action Required

Explanation: Regarding incentives for lenders such as an expense allowance for contracting with a WYO Company, the NFIP is a public

Communication/Public Information

Issue: Marketing campaign to improve lender and WYO company partnering

issuance of flood insurance to borrowers. Appeal to the lender by offering them the incentive because they have multiple needs and the customer data. The marketing campaign could take many forms, such as:

1. Incentives, such as a separate expense allowance to lending institutions to contract with a WYO carrier for flood insurance policy issuance;
2. Advertisement slicks listing the WYO carriers' names, addresses, and telephone numbers;
3. Direct mailings to lenders listing the WYO carrier in their geographic area;
4. A new NFIP toll free number designated and advertised to federally regulated lending institutions to contact for referral to a WYO carrier;
5. A listing to each WYO carrier of all federally regulated lending institutions in their geographical area to contact;
6. A listing of each WYO company sent to each federally regulated agency for further distribution to their lending institutions; and/or
7. A new compliance requirement for any lending institutions whose loan portfolio is not in compliance to contact a WYO carrier within a designated time period.

program funded by policyholders with taxpayers backing. Lenders, falling under the jurisdiction of the National Flood Insurance Act, as amended, are required by law to require flood insurance. FEMA encourages these lenders to work with NFIP WYO companies to assist them with this process. It is, however, inappropriate to use NFIP monies to facilitate such business relationships. As for other recommendations, FIA has a number of ongoing efforts that should assist lenders:

- Web site lists WYO companies.
- "Choice Is Yours" brochure.
- National Flood Conference assembles lenders and WYO companies.
- Mortgage Portfolio Protection Program (MPPP) notice attaches list of participating WYO companies.
- FIA articles in lender trade magazines.

Communication/Public Information

Issue: Creation of a formal notification system to ensure insurance companies have accurate zone information

Respondent's Recommendation(s):

FIRM and zone changes should be indexed and companies should be notified, similar to the ISO Fire Protection Classification System. The company can update the FIRM or zone during the present policy term so that the next renewal is processed accurately.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: WYO companies are currently notified of zone changes on a panel by panel basis through the NFIP Bureau bulletin board transmissions. It would be very costly for FEMA to provide WYO companies with property specific information. However, flood zone determination (FZD) companies can provide such services to the WYO companies. In FY 2000, FEMA will review possible posting of information on map panel activity on the FEMA Web site, allowing users to decide if underwriting changes are necessary.

Issue: Implementation of campaign to educate renters about flood risks and availability of flood insurance

Respondent's Recommendation(s):

Conduct a marketing campaign modeled after the flood insurance ads to educate tenants about their vulnerability and their eligibility for flood insurance under the NFIP.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will expand its marketing communication efforts in FY 2000 to better educate renters about flood risks and flood insurance. FIA will create and implement a plan to communicate to renters via advertising, public relations, strategic partnerships, etc.

Issue: More timely NFIP notification of monthly statistical results

Respondent's Recommendation(s):

Obtain timely, monthly notification, especially for companies that are over tolerant.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Starting in May 2000, WYO company error information has been completed 10 days earlier in the WYO data cycle than it used to be. It is now available to WYO companies by the 10th of the month instead of the end

Communication/Public Information

Issue: More timely NFIP notification of monthly statistical results

of the month. The NFIP Web site contains the community data file and for the May 2000 changes it will also include Quick Claim reporting and the repetitive Loss Target Group information. Also, in the May 2000 changes, WYO companies will be able to send their data via the FTP method, which is a more secure site.

Issue: Public outreach campaign to explain benefits of flood insurance for condominium owners

Respondent's Recommendation(s):

The public outreach campaign could be expanded to show condominium owners that a pro rata distribution of the charge appropriately reflects their interest in the common areas, regardless of the flood risk of individual units.

FEMA's Response: Adopted/Action Underway

Explanation: By the end of FY 2000, FIA will have a plan in place for outreach and communications to condominium associations.

Issue: Reinstitution of Flood Insurance Interagency Task Force

Respondent's Recommendation(s):

Ask the members of the Flood Insurance Interagency Task Force to continue to be available for consultation on a volunteer basis and to make recommendations to FEMA on flood insurance issues.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: The Task Force has previously agreed to continue meeting periodically in FY 2000 and beyond, even though the statutory authority for the Task Force ends.

Communication/Public Information

Issue: Community access to insurance policy and flood loss data

Respondent's Recommendation(s):

Share data on insurance policies and flood losses with community officials.

FEMA's Response: Other

Explanation: A FEMA Task Force on access to insurance data will address this together with similar issues by the end of FY 2000. Privacy Act concerns will also be addressed by this group.

Issue: Development of policy to warn consumers of history of flooding prior to purchase

Respondent's Recommendation(s):

Institute a policy to warn customers of the histories and the estimates (on FEMA maps) of flooding from any source. Prospective buyers should be given information to contact multiple agencies, if applicable.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Disclosure rules are best handled at the State level. FIA however seeks every opportunity to support efforts to promote disclosure of flood risks. FIA does this through continuing education efforts with realtors, the print media, the NFIP Web site, and links to other Web sites. FIA is also using technology – its Web site – to inform the public and others of the flood risk. In April 2000, FIA also conducted a pilot satellite conference with Alabama realtors for continuing education credit which included duties of disclosure of known flood risks.

Issue: Exclusions in each section of SFIP

Respondent's Recommendation(s):

Revise the SFIP to better reflect the setup of a homeowners' policy. For each section, include the exclusions specific to that particular article.

FEMA's Response: Adopted/Action Underway

Explanation: FIA is in the process of revising the three forms of the SFIP to better conform with the homeowners policy format and to be easier to read. These changes will be implemented by December 31, 2000.

Communication/Public Information

Issue: Simplification of *Flood Insurance Manual*

Respondent's Recommendation(s):

Simplify the *Flood Insurance Manual*.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA has undertaken numerous efforts over the years to simplify the *Flood Insurance Manual*. Recently, a task force has completed a major effort to rewrite the individual NFIP physical flood insurance policies into plain language, more easily readable and understood documents. The results of that effort will be incorporated into a revised version of the *Flood Insurance Manual* to be effective 12/31/00. Since the Manual is simply a reflection of the rating and underwriting processes, FEMA will continue its efforts to explore other ways to simplify those processes. Elsewhere in this report there are other examples of individual rating and underwriting efforts that are underway or will be undertaken that will, when completed, contribute to the simplification of the rating and underwriting processes, and therefore the manual.

Issue: Community list of surveyors for consumers

Respondent's Recommendation(s):

Have the community supply a list of surveyors at a reasonable cost.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FEMA will contact surveyor trade associations in FY 2001 for their help in reaching the public (voluntary, rather than imposing a requirement on communities). Other vehicles for sharing information on surveyors exist rather than requiring communities to do so.

Communication/Public Information

Issue: Revised NFIP insurance brochures to include information on substantial damage

Respondent's Recommendation(s):

Consumers should be informed before they purchase flood insurance about the substantial risk they face if damage to their house exceeds 50 percent of its value. NFIP brochures should prominently display a notice or warning similar to the following:

Note: This flood insurance policy may not protect or repay the cost to repair your home if the damage it sustains exceeds of 50 percent of its current market value. Check with your local community's floodplain management office to determine if your community has enacted the "substantial damage" provision required by FEMA for participation in the NFIP.

Consumers should be required to sign a statement attesting they understand the above notice. This is similar to a "truth in lending" provision now required for consumer loans.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: The point is well taken; however, FIA believes the concern is being addressed through other means. FEMA has recently increased coverage form \$15,000 to \$20,000 effective May 1, 2000. We are also working to expedite the process of getting damage assessment and claims information to communities. On February 22–23, 2000, FEMA brought together State and local officials, Federal regional and Headquarters officials, the Association of State Floodplain Managers, adjusters and others to discuss "lessons learned" as a result of recent flooding to discuss further programmatic and process improvements for increased cost of compliance coverage. The consensus was that the Increased Cost of Compliance (ICC) process is working, albeit slowly, and no major structural changes in legislation, coverage or policy are needed at this time.

Issue: Revision to forms used to inform borrowers about SFHA designations and flood insurance purchase requirements

Respondent's Recommendation(s):

Combine forms used to inform borrowers about SFHA designations and flood insurance purchase requirements.

FEMA's Response: No Further Action Required

Explanation: FEMA has provided a sample form that can be used to inform borrowers about SFHA designations and flood insurance purchase requirements. Mortgage lenders are required to notify only those prospective borrowers whose loans secure a building located in an SFHA. The purpose of the notice is to advise the borrower about the Federal flood insurance coverage requirements and whether Federal disaster relief assistance is available in that

Communication/Public Information

Issue: Revision to forms used to inform borrowers about SFHA designations and flood insurance purchase requirements

location. The notice can be accomplished using the sample form provided by FEMA, or, a lender may personalize and change the format of the sample form, but must provide the borrower with the minimum information contained in the regulations.

Issue: More policy/claim issue bulletins

Respondent's Recommendation(s):

When determinations are made in the field, FIA, through its contractors, needs to compile the issues, send out policy/claim issue bulletins to all companies and vendors, and have meetings.

FIA, with the help of companies and vendors, should discuss the paperless environment in the industry. The group should help FIA issue directives incorporating use of the electronic environment for audits, transfer of agents' business, proof of flood insurance, and distribution of the flood business to increase growth.

FEMA's Response: No Further Action Required

Explanation: All technical bulletins are already posted on the FEMA Web site at <http://www.fema.gov/nfip>. We try to be alert to issues that need to be communicated in bulletins, rather than turning every fact situation into a bulletin. FIA's Business Process Improvement project will also look for improvements in disseminating policy/claims determinations or decisions using electronics means.

Issue: Rewriting of Manual for the WYO side

Respondent's Recommendation(s):

If a company is allowed to use its normal business practices, the manual should advise the agent to check with the company. Incorporate policy issuance bulletins and coverage interpretations into the Manual. To distribute,

FEMA's Response: No Further Action Required

Explanation: Our preferred way of handling such changes is through program-wide rules and procedures for the direct side. We then make such changes available to the WYO companies in a generic form so that the

Communication/Public Information

Issue: Rewriting of Manual for the WYO side

look into ways to download the Manual and updates to a network environment via the Internet. Print-ready materials or CD-ROMs with updates are needed, and print copies will be needed for companies/agents that prefer print.

companies may implement these changes through their own specific procedures.

Issue: Revised *WYO Accounting Procedures Manual*

Respondent's Recommendation(s):

A statement about FIA's position regarding the method a WYO company can elect should be included in the *WYO Accounting Procedures Manual*. This would clarify the issue for accountants and auditors.

FEMA's Response: Adopted/Action Underway

Explanation: The *WYO Accounting Procedures Manual* has been revised to allow the company to deduct the expense allowance from the premium either before the premium is placed in the restricted account or at the time the policy is processed.

Issue: Reduced use of terms "100-year" and "500-year" floods

Respondent's Recommendation(s):

Continue to reduce use of the terms "100-year" and "500-year" floods through advertising; educate FEMA regions and Disaster Field Offices (DFOs) about the new terms used in *Cover America*: low, moderate, and high.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will place greater emphasis on educating internal audiences regarding the new terminology in FY 2000. This will involve training for FEMA staff, coordination with other FEMA offices to include these messages in training sessions, and articles for FEMA newsletters.

Communication/Public Information

Issue: Clarification to lending and FZD industry about use of effective FIRMs

Respondent's Recommendation(s):

When the Mandatory Purchase Guidelines are revised or reprinted, include a clearly written statement that instructs the lender and map determination company to use the effective FIRM as the basis for requiring flood insurance. Publish a reminder notice or article in the next issue of *Watermark* to remind agents and lenders to use the effective FIRM to rate flood insurance policies and to make flood zone determinations. It would also be helpful to agents and lenders to have an overview of the FIS adoption process and to understand that the preliminary information is subject to change until the process is complete and the maps become effective.

FEMA's Response: Adopted/Action Underway

FIA will emphasize in the next revision of the Mandatory Purchase Guidelines and in *Watermark* that agents and lenders must use the effective FIRM.

Issue: Development of NFIP database for policy and claims information for access by Regional Offices, State Coordinators, and SHMOs

Respondent's Recommendation(s):

Establish an NFIP database for policy and claims information that could be accessed by FEMA Regional staff, State NFIP officials, and SHMOs on a "read-only" basis. Upon receipt of legal assurances of compliance with the Privacy Act, allow local community official's access to the insurance and claim data on a "read-only" basis.

FEMA's Response: Assigned for Further Study

Explanation: FIA made more claims and repetitive loss information available to State officials in FY 99. We will continue in FY 2000 to improve dissemination of this information.

Communication/Public Information

Issue: Revisions to *Flood Insurance Manual* to clarify policies for scheduled buildings

Respondent's Recommendation(s):

The *Flood Insurance Manual* should state that policies for scheduled buildings are not available. Otherwise, all qualifications should be clearly stated in the General Rules section of the NFIP Manual. Examples of what does and does not qualify would help to clarify this. Qualifications should also be relaxed so agents and insureds can take advantage of the program. In addition, include contents coverage in basements, beyond what is currently offered.

FEMA's Response: Assigned For Further Study

Explanation: FIA has only a small number of scheduled building policies in its book of business. As a result, FIA is proposing to eliminate the option for a scheduled building policy in the current proposed rule to revise the SFIP. The NFIP scheduled building policy has had little use. The only incentive for the insured to select this option, if eligible, is a small saving on the expense constant.

Issue: Development of system to allow insurance companies to test submitted transactions

Respondent's Recommendation(s):

The NFIP should provide a test system so that test submitted transactions can be tested. This will ensure that the transactions are correct before being processed by the NFIP. The NFIP should provide WYO companies with a copy of their batch/reject program. This will allow WYO companies to run corrective transactions through a preliminary edit before sending them to the NFIP.

FEMA's Response: Assigned for Further Study

Explanation: FIA will address this request as part of the Business Process Improvement activity. As FIA creates the new platform in FY 2001, it may be able to include a test function that WYO companies can access.

Communication/Public Information

Issue: Notification to WYO companies concerning problems with Bulletin Board Service

Respondent's Recommendation(s):

An e-mail notification to the respective WYO companies of any problems, or posting this information on the Internet is recommended.

FEMA's Response: Adopted/Action Underway

Explanation: The Bulletin Board Service became obsolete on December 31, 1999. The FTD site has replaced this same process which operates very much like a Web site. WYO companies are notified by email whenever there are problems with the system.

Issue: Improved response time to inquiries from WYO companies

Respondent's Recommendation(s):

A service-level agreement with the NFIP should be established.

FEMA's Response: Adopted/Action Underway

Explanation: FIA agrees with improving response time on inquiries from WYO companies. FIA has assigned a staff member of the Financial Division to be the primary FIA contact for WYO Companies. FIA will also will improve the existing NFIP Bureau and Statistical Agent system for WYO inquiries in FY 2000 by establishing procedures to track inquiries, acknowledge them, respond as quickly as possible, or follow up to let the inquirer know the status of those inquiries that may require longer turnaround.

Communication/Public Information

Issue: Revision to NFIP Edit Dictionary in *Flood Insurance Manual*

Respondent's Recommendation(s):

Change the NFIP Edit Dictionary to cross-reference the index page where the problem is explained.

FEMA's Response: Adopted/Action Underway

Explanation: FIA brought this issue to the attention of the NFIP Bureau and Statistical Agent and the NFIP Bureau did a reprint of the "edit spec" with the May 2000 changes which included the updated cross-reference at the end of the document.

Issue: Improved process for notifying WYO carriers of program changes

Respondent's Recommendation(s):

Limit changes to twice a year and mutually establish a time limit to notify WYO. If the time period cannot be met, the change should occur the next time changes are released.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will work to ensure that any program changes are scheduled as follows: major changes in May and minor changes in October. FIA will draft schedules of changes and share them with the IBHS Flood Committee and FIPNC in FY 2000. It is important to note that changes to the program are often driven by legislation or budget considerations and that FIA works diligently to give WYO companies as much advance notice of these changes as possible.

Communication/Public Information

Issue: Issuance of monthly reports to WYO companies

Respondent's Recommendation(s):

Ensure timely issuance of monthly reports.

FEMA's Response: Adopted/Action Underway

Explanation: Recently, FIA developed a new measure for company growth that would include new business growth and policy retention. Due to this change the monthly progress reports have been delayed. These reports will start going out on a monthly schedule starting at the end of April 2000.

Issue: Improved access of WYO companies to NFIP/FIA technical people

Respondent's Recommendation(s):

Improve access of WYO companies to NFIP/FIA technical people.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will ensure in FY 2000 that NFIP Bureau and Statistical Agent staff provides timely responses to WYO technical inquiries and that they provide on-site technical assistance to companies as needed.

Issue: Clarification of policy regarding debris removal and appliance coverage

Respondent's Recommendation(s):

Clarify language in policy regarding debris removal and appliance coverage.

FEMA's Response: Assigned for Further Study

Explanation: FIA has addressed this issue in the proposed revision to the SFIP published for comment in the third quarter of FY 2000. The plain language flood policies are expected to be implemented in early 2001.

Communication/Public Information

Issue: Clearer wording in bulletins

Respondent's Recommendation(s):

Improve clarity in wording included in bulletins.

FEMA's Response: Adopted/Action Underway

FIA has instituted tighter, internal editorial reviews to ensure that future technical bulletins are clearer and easier to understand.

Issue: Centralized call center to handle all NFIP-related telephone calls

Respondent's Recommendation(s):

Create a centralized call center in order to enhance customer service and reduce the amount of toll-free numbers related to the NFIP. Subjects addressed by this call center should, at a minimum, include NFIP rules and regulations; insurance policy language, the *Flood Insurance Manual*, procedures, and forms associated with the NFIP; flood hazard mapping guidelines, specifications, and procedures; and marketing, training, and public information efforts.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Because FEMA has several contracts that involve call centers for different audiences, we are unable to establish one call center at this time. We do, however, work to emulate a one-stop shop for customers by transferring calls to the other call centers when necessary. In addition, we will work to better publicize the various telephone numbers available for NFIP stakeholders in FY 2000.

Issue: Training for TRC staff regarding disaster assistance

Respondent's Recommendation(s):

This process should be expanded. For instance, wording addressing the benefits of flood insurance protection should be incorporated into the scripts used by the National Processing Service Center (NPSC) in all locations, and referrals to the NFIP Telephone Response Center (TRC) 800 number should be made on behalf of disaster assistance to encourage callers to purchase flood

FEMA's Response: Adopted/Action Underway

Explanation: The TRC staff has been trained regarding disaster assistance, and they refer calls to NPSC.

Communication/Public Information

Issue: Training for TRC staff regarding disaster assistance

insurance. NFIP/TRC staff should be trained on disaster assistance and the National Processing Service Center (NPSC) and Small Business Administration (SBA) staff should be trained in the NFIP.

Issue: Availability of post-flood disaster data

Respondent's Recommendation(s):

Digitize post-flood disaster data and make it available to the flood determination industry.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA's Mapping and Analysis Center now routinely captures the boundaries of floods during presidentially declared disasters and distributes the data via its Web site at <http://www.gismaps.fema.gov>.

Issue: Improved communication with condominium associations

Respondent's Recommendation(s):

Contact condominium associations through direct mail, insurance agents, or the media to increase awareness of their responsibilities.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will in FY 2000 seek advice regarding the best ways to target condominiums from the companies on the WYO Marketing Committee who insure condominiums, from members of agents associations, who specialize in condominium insurance for floods, and from community associations.

Communication/Public Information

Issue: Use of direct mail and/or media to improve familiarity of agents and communities with flood insurance requirements

Respondent's Recommendation(s):

FEMA or the NFIP should conduct more awareness training through direct mail or through the media.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA will expand ongoing efforts in FY 2000 to conduct agent training and public information activities using various training programs, conferences, direct mail, the Internet, and the media. In addition, through regional mini-conferences and national annual conferences, FIA will bring together representatives of the insurance and lending industries, and State and local officials to improve the interaction of all NFIP stakeholders in implementing NFIP requirements. Further, for local officials, the Mitigation Directorate is developing a home study course on NFIP requirements. This should help reduce confusion and conflicting information.

Issue: Better information for policyholders regarding requirements for maintaining receipts of insurance settlements

Respondent's Recommendation(s):

The respondent requested that FEMA address the following:

- Are clients advised in their policy of the period of time that they should keep receipts after their flood claims are settled?
- How long should clients who receive settlement payments retain receipts to prove how they spent their settlements?
- If there is a set time, but everything owned was destroyed by flooding, including receipts, is there customer service to assist with receiving any portion of a settlement?

FEMA's Response: No Further Action Required

Explanation: The FEMA committee that is rewriting the three SFIPs, believes that the present language in the policy is clear and needs no change. Refer to Article 9 – General Conditions and Provisions, particularly Paragraph J – Requirements in Case of Loss; specifically Numbers 4 and 5.

Communication/Public Information

Issue: Mechanism for verifying accuracy of repetitive loss lists used by State administrators of NFIP, HMGP, and FMA

Respondent's Recommendation(s):

Coordinate with the HMGP, NFIP, and FMA administrators in each State to verify the accuracy of repetitive loss lists. These lists should be verified at least semiannually and provided to the appropriate program administrators.

FEMA's Response: Adopted/Action Underway

Explanation: This has been accomplished. It will be updated annually and posted online.

Issue: State supply of National Flood Policy Consumer Guides for distribution to consumers

Respondent's Recommendation(s):

Provide a supply of these guides to the appropriate State agencies to be passed along to consumers who inquire about the NFIP.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will enhance its outreach to the State Insurance Departments in FY 2000. We will create a consumer guide to flood insurance and offer this and other NFIP literature to State Insurance Departments for their distribution.

Issue: Replacement of "100-year Flood" and "500-year Flood" with other terminology

Respondent's Recommendation(s):

Eliminating and replacing this terminology would more clearly express flooding exposure and improve consumer awareness and perceived need for flood insurance.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will place greater emphasis on educating internal audiences regarding the new terminology in FY 2000. This will involve training for FEMA staff, coordination with other FEMA offices to include these messages in training sessions, and preparation of articles for FEMA newsletters.

Communication/Public Information

Issue: Earlier release of rate and/or policy changes to insurance companies

Respondent's Recommendation(s):

Allow a minimum 90-day advance notification to the companies of any rate/program change, to allow time for the companies to receive, test, and announce the changes and distribute the rating software to the agency force 30 days before the effective date.

FEMA's Response: Adopted/Action Underway

Explanation: A 90-day minimum advance notification to the companies is already established.

Issue: Regular updates to CD-ROM version of *Flood Insurance Manual*

Respondent's Recommendation(s):

Include updates on the CD-ROM version of the NFIP Manual as a regular ongoing activity, in conjunction with printing the hardcopy version of the updated NFIP Manual.

FEMA's Response: Adopted/Action Underway

Explanation: This is already being done. An updated CD-ROM of the Manual is being distributed to the WYO companies. Further, the Manual is on the NFIP Web site, and new material will be featured there. Future updates to the CD-ROM will occur regularly.

Issue: Development of a booklet on applicability of flood insurance to various community associations

Respondent's Recommendation(s):

Develop a sample booklet on the applicability of flood insurance for the various types of community associations (condominium, cooperative, and homeowner). This would be helpful to the association, the lender, and the unit owner and reduce the potential risk of loss resulting from inadequate coverage.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will develop the recommended booklet by December 2000.

Communication/Public Information

Issue: Revised approach to following up on print responses to flood insurance advertisements

Respondent's Recommendation(s):

Two ideas were proposed: 1) to consider all print responses qualified for agent follow-up; 2) modify the agent follow up system (at the TRC) to handle print leads in a simple fashion.

While there is a concern that a respondent may already have an insurance agent who sells flood insurance, and that this person would be contacted by an agent from another company, there are several arguments against this:

The print advertising asks the reader to call his/her own insurance agent, call the toll-free number or send in the RSC. People who respond by mail and RSC are already aware that they can get information from their own agents. By sending the RSC, they are indicating that they are open to exploring other channels.

Insurance agents who have a good relationship with their customers will be called by their customers who are interested in flood insurance. Such customers would seek out the agent with whom they have a relationship before pursuing other channels.

Even if a competing agent calls a respondent who has a relationship with another agent/company, it is unlikely that the new agent could negatively affect the respondents' relationship with the respondent's agent if a good relationship exists between the respondent and their regular agent. However, if the existing agent does not sell flood insurance, there is a good sales opportunity for the follow-up agent.

FEMA's Response: Adopted/Action Underway

Explanation: In FY 2000, FIA will start referring consumers who respond to the *Cover America II* campaign via business reply cards (from magazines and direct mail) to leads for program agents. These referrals will begin once the NFIP Telephone Response Center has made appropriate system changes (now underway) to track and follow-up with referrals resulting from written responses.

Communication/Public Information

Issue: Revised approach to following up on print responses to flood insurance advertisements

Individuals generally expect follow-up contact after submitting requests for information. Prohibiting agent follow-up may give the impression that “the ball has been dropped.”

If the existing lead follow-up system is inadequate to handle print responses, a separate system could be established at the TRC or elsewhere. This system could be designed to report on follow-up activity in the same way that follow-up to phone leads are reported, or merge print response information with telephone response information.

Issue: Easy-to-read flood insurance information for consumers

Respondent’s Recommendation(s):

A simplified kit should be produced solely for the fulfillment of consumer inquiries. (Lender, agent and State/local official kits should also be reviewed and revised.) The kit should include a personalized letter to each respondent that:

- Thanks them for their inquiry.
- Reinforces the reason why they responded.
- Refers them to the enclosed information, with a brief description of the knowledge they will gain once they read the literature.
- Provides them with clear direction about how to purchase flood insurance.

FEMA’s Response: Adopted/Action Underway

Explanation: FIA is improving the consumer fulfillment kits and will examine other ways to improve the kit and the provided information.

Communication/Public Information

Issue: Easy-to-read flood insurance information for consumers

- Contains all the information that currently appears in various brochures.

A new kit would enhance the image of the NFIP and provide a “user friendly” environment for digesting a great deal of information.

Issue: Improved coordination with State NFIP Coordinators on all NFIP-related matters

Respondent’s Recommendation(s):

Ensure that State NFIP Coordinators are sent pertinent correspondence in a timely manner. Coordinators should also be included in discussions of proposed changes to the program that may affect their ability to administer the State NFIP programs.

FEMA’s Response: Adopted/Action Underway

Explanation: FIA plans to begin in the last quarter of FY 2000 regular communications with the State NFIP Coordinators. The planned, regularly scheduled communication with the State Coordinators will include notification of agent and lender workshop, program updates, and *Cover America II* updates.

Issue: Improved communication between adjusters and agents

Respondent’s Recommendation(s):

Adjusters should be encouraged and required to keep the agent in the loop during the flood claim settlement process. Institute workload controls on adjusters and consider requiring continuing education for adjusters.

FEMA’s Response: Adopted/Action Underway

Explanation: Good claims adjusting includes the adjuster’s keeping the agent abreast of developments in the claim process as they arise. The FY 2001 adjuster workshops will emphasize this.

Communication/Public Information

Issue: Lender inclusion of FZD information when enforcing mandatory flood insurance purchase requirement

Respondent's Recommendation(s):

Require that lenders include the flood zone designation when they are enforcing the mandatory flood insurance purchase requirement for a property.

FEMA's Response: No Further Action Required

Explanation: The National Flood Insurance Reform Act (NFIRA) of 1994 focuses on compliance with the mandatory purchase requirement as the responsibility of federally regulated private lenders and Government Sponsored Enterprises that purchase loans in the secondary market. The notice must be provided a reasonable time before completion of the loan transaction to ensure that a flood insurance determination is made as a condition of a loan being closed. Completion and delivery of the notice serves both to inform the borrower and to protect the lender.

Independent of the notice requirements a separate provision was added in the 1994 Reform Act that now requires a lender to document a loan by entering information on the Standard Flood Hazard Determination Form. Lenders are neither required to provide nor prohibited from providing the borrower with a copy of the form. The Statute mandates flood insurance coverage even if the SFHA designation is first identified after settlement, but during the term of the loan, because of remapping or other reasons.

Issue: Development of public information campaign to increase condominium association purchases of RCBAP

Respondent's Recommendation(s):

Develop a public information campaign to increase condominium association purchases of RCBAP.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will in FY 2000 seek advice on the best ways to target condominiums from the companies on the WYO Marketing Committee who insure condominiums, from members of agents associations, who specialize in condominium insurance for floods, and from the community associations.

I Federal Insurance Administration

4 Community Rating System (CRS)

FEMA's NFIP Call for Issues Status Report
June 2000

Community Rating System (CRS)

Issue: Percent of policies in Special Flood Hazard Areas (SFHAs) as CRS rating criteria

Respondent's Recommendation(s):

There should be a penetration threshold for communities receiving the highest discounts. This could be phased in. For example, to retain a 4 rating, a community would have to reach a 50 percent penetration. The next year both 4 and 5 rated communities would have to reach a 50 percent penetration, etc.

FEMA's Response: No Further Action Required

Explanation: The objective of CRS is to recognize activities beyond NFIP minimum requirements. Recognition of loss reduction activities should not depend on market penetration.

Issue: CRS credits for improvements

Respondent's Recommendation(s):

Award credits for stricter regulations for development before problems occur. If a community adopted a regulation that required all improvements (i.e., streets) to be built to the community's Base Flood Elevation (BFE,) then several problems have been addressed before the first potential buyer makes a purchase.

1. A developer will be reluctant to develop low-lying flood-prone property where it would be expensive to fill to the BFE. If a developer wishes to build a street in a low-lying area which requires extensive fill, the developer may look to developing higher, non-flood-prone areas.
2. Individuals looking for property would be able to identify the elevation of lots as below the BFE if those lots are substantially lower than the street.

FEMA's Response: Adopted/Action Underway

Explanation: FIA notes that credit for improvements above the BFE are already recognized by the CRS. However, the respondent recommends providing an increase in points. The CRS Task Force has recommended that this change should be implemented with the next CRS schedule change, which is anticipated in 2001 or later, depending on the number of changes needed.

Community Rating System (CRS)

Issue: CRS credits for improvements

3. Property owners would be able to access their property by normal transportation means when a community is faced with floodwater. (There are many areas in a community where the actual structures do not flood, but individuals need a boat to get to their structure during flooding periods.)

By requiring all development to be at the community's BFE, the program would go a long way in providing protection and assurances that only the highest and most suitable areas would be developed for residential and commercial use. Communities with such requirements should receive additional credits towards CRS accreditation.

Issue: Provide CRS discount for those properties outside the floodplain

Respondent's Recommendation(s):

Review the NFIP policy of flood insurance discounts to properties outside SFHAs because any property, regardless of its location, can be subject to drainage problems and flooding under the correct circumstances. If greater benefits were available to properties outside SFHAs, knowledge and public acceptance of the program would improve. The advertising community says the best form of advertising is word of mouth, and this area may improve if citizens are pleased with a discount and tell their neighbors. It will also provide an incentive for communities to upgrade their CRS activities and encourage NFIP participation by all community residents, not just those within the flood hazard area.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA still believes there are good reasons not to apply the full discount; however, some additional recognition may be appropriate. The issue was referred to the FEMA CRS Task Force which has recommended that Class 6 and higher communities get a 10 percent discount in areas outside the SFHA. This would be a May 1, 2001 change.

Community Rating System (CRS)

Issue: Evaluate and restructure CRS

Respondent's Recommendation(s):

The FEMA CRS Task Force should use a broad advisory team to complete a comprehensive evaluation of the program and reshape it. Strongly consider developing two distinct types of applications for the CRS program. The current CRS program is geared toward meeting the needs of both small and large communities. Currently, a large community that is aggressive and proactive in CRS and floodplain management activities is actually penalized, or is not recognized in the same way that a small community is. A possible solution is for FEMA to divide communities into separate CRS programs and categorize them by similar size and/or population. In this scenario, small town activities would then be compared and rewarded on more equal terms, as would large communities. More importantly, the CRS program could then be designed to encourage promoting flood insurance and floodplain management activities on a more equitable basis.

FEMA's Response: Assigned for Further Study

Explanation: A multi-year evaluation of the CRS was completed in 1998. Changes being implemented in 1999 are a result of that effort. The issue of how the CRS treat small vs. large communities was carefully scrutinized. It is suggested by the author of this comment that large communities are at a disadvantage compared with small communities. The evaluation found that on average, larger communities earn 10–15 percent more points than small communities. FEMA has found that various advantages and disadvantages can work both ways and believes that a restructuring of the system to separately recognize small and large communities is not warranted. In one particular set of activities related to this issue, however, some important changes are being made in 1999. Certain creditable mitigation activities, such as retrofitting and relocating buildings, are expensive to carry out. For a large community, the number of buildings addressed can be a small percentage of the total problem, even though there is still a high level of effort associated with the number of buildings addressed. The CRS point system is being adjusted to provide more credit for the initial number of buildings mitigated to better recognize that level of effort.

Issue: CRS discount ratings of structures/addresses

Respondent's Recommendation(s):

Based on the fact that NFIP is a Federal program requiring a unique combination of mitigation and insurance, strengthen the community

FEMA's Response: Assigned For Further Study

Explanation: The suggestion to change the rating classification system for the NFIP needs to be addressed in the context of what the NFIP has

Community Rating System (CRS)

Issue: CRS discount ratings of structures/addresses

compliance requirements to provide evidence of compliance. Include this information through CRS classifications and discounts to provide a rating structure of 3 possible rates per community (VD, AE, X). Additionally, publish the specific zone for every structure/address in the United States. The zone statistical information would still be compiled for ratemaking and mitigation purposes, yet it would reduce the cost and streamline the process for writing flood insurance. This would benefit the consumer by reducing cost (no zone determination or Elevation Certificate), and make it a much easier buying decision. This would benefit the agent by reducing cost (handle each prospect once as opposed to possibly four times) and make it easier to quote/write flood policies. This would benefit the Write Your Own (WYO) company and the NFIP by reducing cost in eligibility, records retention/forms (zone determination and Elevation Certificate). And drastically reduce complications of inspections, definition of rates and rating criteria, and problem trends, such as Coastal Barrier Resources System (CBRS) area and Preferred Risk Policy (PRP) eligibility.

accomplished with regard to floodplain management and how much that has depended and will continue to depend on the NFIP insurance classification/mitigation model. These issues will be addressed in two ways: 1) as part of the larger issue of the interface of floodplain management and community compliance with the insurance component in a study which will begin in FY 2000 assessing the NFIP; and 2) in the project which was introduced at the 2000 Flood Conference as pilot alternative rating prototypes.

Issue: Increased CRS points for nonstructural floodplain management

Respondent's Recommendation(s):

The CRS should be improved by awarding a greater percentage of total credits to nonstructural floodplain management efforts, including: local floodplain maps and community education programs about flooding potential; data on the potential inundation area caused by dam failure; adding dam failure inundation shadow(s) on floodplain maps; using television and newspaper ads to publicize

FEMA's Response: Assigned For Further Study

Explanation: The CRS Task Force is studying in FY 2000.

Community Rating System (CRS)

Issue: Increased CRS points for nonstructural floodplain management

map information services provided by the community; requiring real estate agents to inform buyers of existing flood hazards; and considering impact of new development on receiving, working, and implementing warning systems that include use of radio and television.

Respondent's Recommendation(s):

Allow credit under the CRS when television and newspaper ads are used to publicize map information services provided by a community.

Respondent's Recommendation(s):

Simplify the flood hazard disclosure requirements, give CRS credit to communities that provide information to local, regional, or State real estate boards that recommends real estate agents inform prospective buyers to existing flood hazards. Credit should also be given if forms include disclosure statements indication whether the property is/is not within an special flood hazard zone.

Respondent's Recommendation(s):

CRS credit should be given to those communities that consider the impact of new development on receiving waters but does not require the use of onsite basins for new developments because system has been designed with adequate capacity.

FEMA's Response: Other

Explanation: This is already allowed under the CRS program.

FEMA's Response: Other

Explanation: Credit is already available for disclosure.

FEMA's Response: Other

Explanation: Credit is already available.

Community Rating System (CRS)

Issue: Increased CRS points for nonstructural floodplain management

Respondent's Recommendation(s):

Allow credit points under activities 610.b and 610.c independent of 610.a. Credit should also be given to warning systems that include the use of radio and television. Consideration needs to be given to the fact that the type of warning systems used by local communities varies depending on the size and geographical location of the community. Warning systems that may be practical in rural areas may be impractical in populated urban areas.

FEMA's Response: Adopted/Action Underway

Explanation: This was implemented with 1999 CRS Schedule changes.

Issue: Expansion of the CRS program to include all communities

Respondent's Recommendation(s):

Expand the CRS to include all communities, whether or not identified with flood hazards and regardless of participation in the NFIP. Although the CRS touts coverage for much of the insured, most individual properties are not in fact in CRS communities. The CRS should ideally be a program paralleling Fire Rating. Communities that do not participate in the NFIP, those that do that do not enforce, and properties individually rated with a higher inherent risk are examples of how the CRS rating could be used to assign higher premiums. Communities that meet minimum NFIP criteria, limit development in floodplains, or have higher standards could be given positive ratings.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: The CRS Task Force recommended that the CRS is not the right vehicle to accomplish this recommendation. According to NFIP legislation, participation in the CRS is voluntary, and the Task Force believes that the program should be kept voluntary and operate by providing incentives. The group further recommends evaluating the NFIP probation mechanism and developing a refined set of clear steps leading to probation or suspension. This issue will also be addressed in the overall NFIP assessment project. FIA agrees with both of these recommendations and will initiate the assessment project in FY 2000.

Community Rating System (CRS)

Issue: Correct the Elevation Certificate to CRS class code and compliance

Respondent's Recommendation(s):

The respondent proposes simplifying rating. The requirement for obtaining Elevation Certificates could be linked to that of the CRS class code and compliance. For example, the Elevation Certificate would not be required for properties in a CRS Class 6 community or below. The elevation difference would be set for all properties within that community requiring Elevation Certificates.

FEMA's Response: Assigned For Further Study

Explanation: FEMA believes that the issue of the need for Elevation Certificates in the rating process should be examined in the context of evaluating the level of compliance on the part of communities in the NFIP and how much that depends on using Elevation Certificates in the rating process. A study conducted in 1995 to determine whether the suggested rating simplification could be adopted in CRS communities did not produce results that indicated this should be done. Limiting the measure to CRS Classes 6 and above may have merit, although at this time that would only affect a few communities. This issue will also be addressed in the alternative rating schemes project.

Issue: Tightening of CRS flood prevention activities

Respondent's Recommendation(s):

It is too easy for communities that participate in the voluntary flood prevention programs to meet the criteria. The criteria to qualify for points may be abused. Strengthen and enforce the flood prevention activities criteria. Points must rely on what is truly done and adhered to, not for piggybacking on county floodplain activities. Conduct thorough field reviews of cities' and counties' flood prevention practices. Post on FEMA's Web site a list of flood prevention practices criteria and community rating classifications.

FEMA's Response: Other

Explanation: CRS classifications for communities are now posted on the FEMA Web site. As for field verification of community activities, the CRS Task Force will continue to review documentation and verification issues as part of its ongoing responsibilities.

Community Rating System (CRS)

Issue: Development of “Negative CRS” structure

Respondent’s Recommendation(s):

Develop a negative CRS (NCRS) structure that would increase flood insurance premium rates for those communities that put the flood insurance fund at risk. The NCRS could easily be implemented through both the current Community Assistance Visit (CAV) process and/or by broadening the scope of the FIA contract with Insurance Services Organization (ISO). FEMA Regional and State staffs have long considered the probation procedures cumbersome and political. The NCRS would provide a quicker way to protect the flood insurance fund, encourage compliance, and reflect real risk. This process would also allow us to deal with an escalating scale of premium savings. As communities improve their floodplain management programs, the rates would go down. Suspension could still be used in instances of ordinance noncompliance or if a community that does not require permits.

FEMA’s Response: Will Not Adopt/Other Actions To Be Taken

Explanation: The CRS Task Force recommended that the CRS is not the right vehicle for carrying this out. According to NFIP legislation, participation in the CRS is voluntary, and the Task Force believes that the program should be kept voluntary and operate by providing incentives. The group further recommends evaluating the NFIP probation mechanism and developing a refined set of clear steps leading to probation or suspension. This issue will also be addressed in the overall NFIP assessment project. FIA agrees with both of these recommendations and will initiate the assessment project in FY 2000.

Issue: CRS points for floodplain management issues addressed by local and State hazard mitigation plans

Respondent’s Recommendation(s):

Recognize State and community efforts by awarding points in all instances where floodplain issues are being addressed through a State and local hazard mitigation plan. Award credit where mitigation measures address floodplain management in a way not covered through the existing CRS. Although mitigation “makes sense” and may save money in the long run, States and communities are putting significant resources into mitigation planning with little incentive from FEMA. Awarding and recognizing these efforts through

FEMA’s Response: Adopted/Action Underway

Explanation: The 1996 CRS Schedule was revised to incorporate a new Activity 510 – Floodplain Management Planning. This new activity was designed to credit the planning process versus just the activities being implemented. This process was developed in conjunction with FEMA’s Disaster Response side of the agency as well as other agencies involved in mitigation planning. Through this joint effort, the planning process that is credited is the same that would be used by communities that are required to

Community Rating System (CRS)

Issue: CRS points for floodplain management issues addressed by local and State hazard mitigation plans

the CRS, which ultimately provides benefits through discounted flood insurance premiums, would be a start toward recognizing these efforts.

prepare Hazard Mitigation Grant Plans, Floodplain Management Assistance Plans (FMAP) as well as Corps of Engineers plans for some of their funding. As a result, communities do not have to create or develop separate plans for different funding programs.

In summary, the efforts expended by the Emergency Management community in Hazard Mitigation Planning is being recognized by the CRS in that these plans that go through the identified 10-step process are in most cases readily credited under the CRS.

Issue: Adjustment of CRS point system based on community size

Respondent's Recommendation(s):

The current point system has no incentive or great reduction capability for flood insurance premiums in larger cities. The same premium reduction is not fairly appropriated for larger cities, even though there are a higher number of flood insurance policies in a larger city. Smaller cities have an advantage over larger cities, since their mapping can provide better floodplain management criteria. Larger cities are scaled on the same point system, even though they provide a greater outreach to their citizens.

FEMA's Response: No Further Action Required

Explanation: A multi-year evaluation of the CRS was completed in 1998. Changes being implemented in 1999 are a result of that effort. The issue of how the CRS treats small versus large communities was carefully scrutinized. It is suggested by the author of this comment that large communities are at a disadvantage compared to small communities. The evaluation found that on average, larger communities earn 10 to 15 percent more points than small communities. FEMA has found that various advantages and disadvantages can work both ways and believes that a restructuring of the system to separately recognize small and large communities is not warranted. In one particular set of activities related to this issue, however, some important changes were made in 1999. Certain creditable mitigation activities, such as retrofitting and relocating buildings, are expensive to carry out. For a large community, the number of buildings addressed can be a small percentage of the total problem,

Community Rating System (CRS)

Issue: Adjustment of CRS point system based on community size

even though there is still a high level of effort associated with the number of buildings addressed. The CRS point system has been adjusted to provide more credit for the initial number of buildings mitigated to better recognize that level of effort.

Issue: CRS points for public information activities to the public and voluntary purchase funding

Respondent's Recommendation(s):

The current point system does not give enough points for distribution of floodplain information and for a city's voluntary purchase of structures. Provide more points to participants that provide NFIP information to the public. Also provide more points for participants that encourage and provide funding for voluntary purchase.

FEMA's Response: Adopted/Action Underway

Explanation: A multiyear evaluation of the CRS was completed in 1998. Changes are being implemented in 1999 are a result of that effort. The schedule of points provided for a community outreach efforts have been revamped based on recommendations of a panel of experts in that discipline. Also, the points provided for retrofitting and relocating buildings at risk have been significantly increased. This suggestion was already adopted.

Issue: Increased CRS credit for regulations to protect flood fringe and open space

Respondent's Recommendation(s):

Assign a higher credit value to regulations that protect the storage capacity of the flood fringe and programs for the acquisition of open space. While the NFIP has come to recognize the importance of maintaining the storage capacity of the flood fringe, local governments do not receive a proportionally high enough credit for implementing regulations to protect flood fringe. There are a number of complex issues related to the limitation of fill or modification

FEMA's Response: Adopted/Action Underway

Explanation: A multiyear evaluation of the CRS was completed in 1998. Changes are being implemented in 1999 are a result of that effort. The points provided for open space and for protection of storage capacity have been significantly increased. This suggestion was already adopted.

Community Rating System (CRS)

Issue: Increased CRS credit for regulations to protect flood fringe and open space

of land uses within the flood fringe. While the NFIP recognizes the significant benefits of preserving the flood fringe, the program does not award a proportionally significant number of credits for this activity as an incentive to communities.

Issue: Prorated CRS points for dam safety programs

Respondent's Recommendation(s):

When points are given for State dam safety programs through the CRS, the number of points should be prorated based on the number of dams meeting the definition of a dam under the National Dam Safety Program and regulated by the State or Federal Government versus the total number of dams within that State meeting that definition. This information should be readily available through the National Inventory of Dams and would more accurately reflect the intent of the credit.

FEMA's Response: Assigned For Further Study

Explanation: The CRS Task Force will address this issue in FY 2000.

Issue: Increased CRS points for local and regional structural flood control projects

Respondent's Recommendation(s):

Local flood control projects that reduce the exposure of the flood insurance pool should be awarded a significant number of CRS points. Structural flood control projects funded by local governments (usually through taxes) are legitimate floodplain management activities that go beyond the NFIP

FEMA's Response: Assigned For Further Study

Explanation: The CRS Task force is addressing this issue. An issue paper on structural measures and the NFIP, which is primarily a nonstructural program, was prepared for circulation to appropriate groups for comment. Of particular interest to the Task Force is how such measures address currently

Community Rating System (CRS)

Issue: Increased CRS points for local and regional structural flood control projects

minimum requirements. Further, these projects reduce the risk to the flood insurance pool by reducing the number of structures at risk.

identified NFIP loss problems such as repetitive losses and other losses in X Zones. Target for releasing the issue paper is winter 1999/2000.

The CRS Task Force will be addressing the issue of how CRS should be crediting structural measures during 2000. This issue will be part of that effort.

Issue: Reduced CRS paperwork

Respondent's Recommendation(s):

Continue past efforts to reduce paperwork associated with the CRS, including coordination of required information between neighboring jurisdictions and between Federal programs with similar information requirements.

The current amount of paperwork required to apply to and remain in the CRS has been reduced from the time it was first initiated, but there is still room for more improvement. Many urban areas are fragmented among local jurisdictions, each of which are individual participants of the NFIP and CRS. As such, each jurisdiction must submit its own paperwork, resulting in duplicate work for regional efforts, such as flood warning plans and stormwater management efforts. Other Federal programs also require submission of essentially duplicate information from time to time.

FEMA's Response: Adopted/Action Underway

Explanation: This suggestion has been substantially adopted. As FIA has gained more experience with the CRS, significant reductions in paperwork have been adopted over the last few years. Today, communities have a much simpler application, with formula calculations made by CRS field staff. Emphasis has been placed on providing technical assistance to communities in both the initial applications and reverification cycle process and reducing the need for communities to submit application paperwork. Credit calculations have been simplified by offering default options, and model program documents are available to provide communities more information and examples on certain activities.

Community Rating System (CRS)

Issue: Reduced CRS paperwork

Respondent's Recommendation(s):

Appreciate a CRS evaluation process which demonstrates more trust in the local agencies. Continue to seek a balance between trust of local community efforts and level of documentation needed to verify activities. Use the experience of field representatives and review by the CRS Task Force to guide that balance. It is NAFSMA's position to continue past efforts to reduce paperwork associated with the CRS, including coordination of required information between neighboring jurisdictions and between Federal programs with similar information requirements.

FEMA's Response: Other

Explanation: The CRS Task Force will address this issue as part of its continuing review activities. The CRS Task Force will address this issue as part of its continuity review activities.

Issue: Independent evaluation of CRS

Respondent's Recommendation(s):

Determine what can be done to provide incentives for communities to strengthen their floodplain management programs to receive more CRS points. Evaluated the CRS by an independent outside group, using community case studies to provide recommendations. Because current incentives go to the property owner, not the community (and the community is the one that has to undertake the actions to get reduced premiums for the property owners), consider how incentives can be provided to communities rather than individuals. Perhaps some system of community-based insurance, tied to community cost-share for disaster relief, would encourage more local action. Consider simplifying CRS procedures.

FEMA's Response: Adopted/Action Underway

Explanation: A multi-year evaluation of the CRS was completed in 1998. Changes are being implemented as a result of that effort. The evaluation included the use of an independent evaluation contractor and extensive reviews of various aspects of the CRS by State, local, and Federal representatives, insurance industry professionals, and members of academia. Among the various techniques used to gather information about the CRS was a survey of local officials, which provided feedback that local communities consider the CRS to be a strong incentive for undertaking efforts to reduce flood losses. The evaluation report is available on the FEMA Web site and has also been provided to Congress and extensively distributed by mail to known interested parties. Some time will have to pass before the effects of the many

Community Rating System (CRS)

Issue: Independent evaluation of CRS

changes made to the CRS in 1999 can be evaluated. In the meantime, it is FIA's intention to look for post-flood event opportunities to review the effectiveness of the CRS.

Issue: Basis of CRS credit for stormwater facilities

Respondent's Recommendation(s):

The maintenance of storm water facilities is crucial in ensuring that the capacity of those facilities is not compromised or diminished. However, requiring public maintenance of private facilities is unreasonable. In most cases, public facilities make up the major storm water facilities within the community. The respondent suggested that credit allocation under this activity be revised so that credit is based solely on the total storm water facilities publicly maintained by the community.

FEMA's Response: Adopted/Action Underway

Explanation: This issue was implemented with 1999 CRS schedule changes.

I Federal Insurance Administration

5 Coverage

FEMA's NFIP Call for Issues Status Report
June 2000

Coverage

Issue: Changes in contents coverage

Respondent's Recommendation(s):

Make contents a standard percentage of the building coverage. For example, FIA could restate the policy so that the insured would have contents coverage equal to 20 percent of the building limit. Optional contents coverage could be purchased in different percentages. The current limits of \$100,000 could enforce some caps on the percentage. As a corollary to this proposal, it would be necessary to introduce a renters' policy that covers contents only.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: The NFIP already experiences product and price resistance to flood insurance, especially the mandatory purchase requirements of the 1973 and 1994 Acts. This proposed standard add-on would work against FIA's efforts to make flood insurance acceptable to the general public by almost doubling the premium that people have to pay for the required coverage. One fear is that FIA would be adding a requirement that the statute did not envision. Now contents coverage is required only when the contents are used as security for the mortgage. However, this issue has been referred to the WYO marketing Committee for their views on the advisability of providing this coverage.

Issue: Creation of farmowners policy

Respondent's Recommendation(s):

Study the feasibility of a farmowners policy. Consider giving a discount to a policy that can be considered providing coverage to an appurtenant structure. To qualify, the policy covering the primary building would have to be identified. The discount could take the form of a reduction in the basic limits rate (since, under Proposal 3, that is where the fixed expenses are loaded). This discount could be restricted to apply to only appurtenant buildings by requiring the building value of the appurtenant to be less than a stated percentage of the primary building. The FPF could also be waived. Other possibilities should also be explored.

FEMA's Response: Assigned For Further Study

Explanation: FIA brought this issue to the attention of several of the WYO companies that write significant business for agricultural structures to gauge the desirability versus the perceived difficulties of such a product. The limited use of this approach by agents in the past may work against introducing a farmowners policy as a new product under the NFIP. FIA expects to receive responses by mid-2000 and will evaluate the feasibility of such a policy thereafter.

Coverage

Issue: Improved coordination of coverage limits for condominiums and other residential and non-residential buildings

Respondent's Recommendation(s):

Flood insurance coverage is often available for condominiums and other residential and non-residential buildings from the private insurance market. However, this coverage often involves higher retention limits. The owners of these buildings should be more knowledgeable about insurance options. Coordinate coverage of condominiums and other residential and non-residential buildings. Consideration should be given to developing a working relationship with the insurance industry, and the Reinsurance Association of America, in particular, to better coordinate these limits.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA will continue to seek advice from the Flood Insurance Producer National Committee (FIPNC), IBHS, and NFIP Marketing Committee to ensure coordination of the NFIP with private industry. Toward that end, FIA set up an advisory work group consisting of insurance industry representatives to review drafts of the SFIP rewrite to ensure maximum coordination with the industry. The coverage limits of the NFIP are set by statute. As a matter of policy, however, whenever FIA contemplates a change it coordinates the change or proposal with the insurance industry, particularly, the Flood Advisory Committee, FIPNC, and NFIP Marketing Committee. One of the FY 2000 major initiatives for FIA was the rewriting of the SFIP so that it conforms, as much as possible, to the homeowners policy.

Issue: Provision of disaster relief assistance

Respondent's Recommendation(s):

Provide "disaster relief" insurance. When a specific hazard is identified, provide local communities with the capability of purchasing a 30-day waiver for their residents.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Section 579 of NFIRA added subsection (c) to Section 1306 of the National Flood Insurance Act of 1968 to establish a 30-day waiting period before flood insurance coverage would take effect. The intention of Congress was to minimize the risk of property owners buying flood insurance only when flooding was imminent and then canceling the policy once flood waters receded. There were several very limited exceptions to the mandatory waiting period that apply to the initial purchase of flood insurance in

Coverage

Issue: Provision of disaster relief assistance

connection with either “the making, increasing, extension, or renewal of a loan” or the revision or updating of FEMA’s flood maps.

Also this type of product would send a message that people may in fact not have to buy flood insurance on their own and wait until the last minute, letting their community apply for such a waiver. This proposal then could unintentionally work against one of FEMA’s strategic goals for the year 2000 of increasing NFIP policy sales by 475,000.

Issue: State modification to homeowner’s policies to include flood insurance

Respondent’s Recommendation(s):

Require States to modify homeowner’s coverage to include flood peril. Link this requirement to some Federal funds, such as disaster relief funds.

FEMA’s Response: No Further Action Required

Explanation: FEMA has no regulatory authority over the private insurance industry. State insurance departments regulate private-sector property insurance under the McCarran-Ferguson Act.

Issue: Changes to RCBAP

Respondent’s Recommendation(s):

1) Make coverage available under both Dwelling and RCBAP policies the same. Either change the Dwelling policy to conform to the RCBAP or vice versa. All single family and condominium residential buildings should be provided coverage on a replacement-cost basis. The RCBAP was changed in 1994 to incorporate replacement cost coverage and co-insurance. Those changes are both very much misunderstood and strongly disliked. Therefore,

FEMA’s Response: Assigned For Further Study

Explanation: 1) FIA will develop a comprehensive list of coverage issues resulting from this *Call For Issues*, prioritize the recommended changes, and price them in FY 2000 and FY 2001. The prioritization and pricing will be set against the national policy implications of some of the proposals. For instance, the proposal to add replacement cost for non-primary, recreational homes must be viewed against national disaster policy on benefits for

Coverage

Issue: Changes to RCBAP

consider changing the RCBAP to conform to the Dwelling Policy, and changing the Dwelling Policy to remove the replacement-cost restriction on non-primary residence buildings.

Such changes would not only provide replacement cost coverage to all NFIP residential insureds, but would have the added benefit of removing the virtual mandate for condominium associations to have to insure their buildings to value, which has caused enormous increases in premiums, even though their rates are likely to rise. It might provide a significant positive psychological change in the attitude of condominium associations towards the NFIP, although for the wrong reasons.

2) Review the rating of post-FIRM, post-1981 V Zone properties to determine if there is a better way of rating such buildings without using the current ratio of coverage to replacement-cost value. Agents selling such policies and those insured by them believe that they are being penalized for not purchasing enough coverage when they purchase the maximum amount available under the NFIP. They do so in spite of the fact that the value of their building is significantly higher than that amount.

secondary homes. The SBA does not provide disaster loans for secondary residences; the regulations of FEMA's Response and Recovery Directorate for the IFG program exclude any benefit for repairing or replacing secondary residences. We will look at the pros and cons, the relative priority, and the pricing of these proposals.

2) FIA believes that because of the higher risk in V-zones and the associated higher premiums, the use of this rating criteria is necessary to prevent the cross-subsidization of (a) higher valued buildings by those policy holders with lower valued buildings and (b) underinsured buildings by those who have insured to value. The FIA will include an explanation of the reasoning behind this rating in the *Flood Insurance Manual* in FY 2001.

Issue: Revisions to SFIP to include mudslide coverage

Respondent's Recommendation(s):

Resolve the issue of mudslide coverage. The approach being taken does not fulfill the intent of the U.S. Congress to provide insurance to citizens for this hazard and to achieve its mitigation. Without appropriate action, increasing

FEMA's Response: No Further Action Required

Explanation: FIA has had a definition of "mudflows" that has worked well in the settlement of claims for more than 20 years. FEMA has not issued maps identifying areas of subject to mudslide hazards for several reasons. First, the

Coverage

Issue: Revisions to SFIP to include mudslide coverage

development on alluvial fans throughout the nation will only increase the losses from the mudslide hazard. As this coverage is now administered:

1. The definition of mudslides in the policy is unclear and scientifically incorrect.
2. Mudslide hazard areas are not mapped, even though required by law.
3. Mitigation by communities is not required.
4. The hazard is not separately rated for insurance coverage. Further, in California communities where mudslides are a known hazard along with flooding, unjustified rates are applied over wide areas to somewhat reflect the risk from this hazard. In Oregon, coverage for the mudslide hazard wrongfully is denied. Administration of the mudslide provisions in other States appears arbitrary and capricious.

mapped SFHAs, as a rule, overlap with areas of mudslide hazard. Secondly, while the state-of-the-art technology for representing mudflow hazard areas now permits reasonably accurate mapping of mudflow areas, FEMA has decided not to issue such maps (about 100 total) because they would trigger hazard mitigation requirements for communities that would be nearly impossible to enforce. FIA does not believe that the suggestion is in the best interest of the NFIP.

Issue: Revisions to common-wall rule

Respondent's Recommendation(s):

The current coverage for building property includes a common-wall provision that results in some unfair consequences for residential type risks. Issue an interpretation and revise the policies so the common-wall provision only applies to non-residential and 5-plus-unit apartment or condominium buildings.

FEMA's Response: Assigned For Further Study

Explanation: In FY 1999, FIA set up an industry-FEMA Work Group to reformat the SFIP along the lines of the homeowners policy and to make the SFIP easier to read (FIA's industry support was provided by IBHS and FIPNC.) In its proposed rewrite of the SFIP published in FY 2000, FIA addressed the "common wall" issue in its rewrite of the SFIP.

Coverage

Issue: Elimination of PRP

Respondent's Recommendation(s):

The current eligibility rules with respect to loss history and zone have created an administrative nightmare for the WYO companies and caused a large number of cancellations. Some agents are now hesitant to market this product. Eliminate Preferred Risk Policies (PRPs) or develop rules that are fair and reasonable to policyholders and feasible to administer. A WYO company can not adequately explain to current policyholders why they are no longer eligible if they have never had a loss.

FEMA's Response: No Further Action Required

Explanation: FIA does not foresee eliminating the PRP it is a valuable and fair product for properties that have never suffered a flood loss in certain risk zones. Still one of the highest priorities for FEMA is to address the problem of repetitive loss structures. FIA does not want to subvert this goal by rewarding with a lower premium a structure that has already suffered a flood loss. Also, FIA does not believe it can consider a property that suffered a flood loss at any time in its history a preferred risk property. This change in philosophy and definition, which was based on firm data, went into effect May 1, 1998.

Issue: Revision to Reformation of Coverage provision in policy

Respondent's Recommendation(s):

The current Reformation of Coverage provision in the policy is difficult to administer, impossible to understand, and out of step with current insurance industry practice. It's critical that a policy should not be subject to reformation if it was initially rated correctly.

FEMA's Response: No Further Action Required

Explanation: FIA believes that the policy should be reformed at the time of a claim based on rates and underwriting principles in force at the time of the loss. FIA has in fact simplified the process. Originally, FIA reformed policies and collected premiums at the time of loss if necessary back to the statutes of limitations. FIA simplified this practice and collects two (2) years worth of deficient premiums, which resulted from misrating for the current policy year. First, FIA needs to impose rating discipline to the underwriting process. Second, this procedure of reforming is in fact much easier to administer than the proposal that would require the agent to reconstruct a history of underwriting that may go back many years to determine whether the policy was initially rated properly.

Coverage

Issue: Upgrade of contents coverage to enhance value

Respondent's Recommendation(s):

A perception among current and prospective flood insurance policyholders is that the value of the coverage does not justify the cost, due to the limited coverage available for contents of the building. Therefore, evaluate the potential for upgrading contents coverage within the NFIP. This will enhance the public's perception of the value of coverage and entice more property owners to invest in flood insurance. In addition, make available through the NFIP, an appropriately priced buy-back endorsement that allows a property owner to obtain coverage for scheduled personal property located in the basement.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA conducted a study on this issue after the devastating floods of the Upper Midwest in 1996. Many flood victims had personal property in basements and expressed an interest in flood coverage. FEMA instructed FIA to investigate the feasibility of providing coverage under the SFIP for personal property in basements. After gathering data, and considering every approach, FIA reported that the cost to buy such coverage was prohibitive for the consuming public. For only \$7,000 worth of basement contents coverage, the policyholder would have to pay an additional \$300 each year in premium, thereby increasing the cost of flood insurance from an average annual premium of \$560 per policy, where the NFIP has experienced price resistance, to almost \$900 a year. FIA believes that to offer coverage for property in such a high-risk area at anything less than full-risk premiums and to have the taxpayers support flood insurance coverage for such property is simply poor public policy. FIA has however informed the NFIP Marketing Committee of the potential consumer interest in coverage against flood for basements beyond what FIA has determined is appropriate for the NFIP to cover. The private industry can then decide whether it wants to offer such coverage on its own.

Coverage

Issue: Expansion of waiver for waiting period

Respondent's Recommendation(s):

Expand the number and type of transactions for the which the 30-day waiting period could be waived for flood insurance policies to include cash purchases, title transfers, PRPs where coverage is not included, and all policies for structures outside SFHAs, coverage increases, and coverage additions at renewal. The respondents indicated the imposition and application of the waiting period to property owners in these situations was inconsistent with the basic objective of the waiting period.

FEMA's Response: Assigned For Further Study

Explanation: In FY 2000, FIA sought a legal opinion from FEMA's Office of General Counsel to determine whether other exemptions from the current statutory 30-day waiting period are appropriate, such as an exemption to the waiting period when a cash transaction rather than a mortgage is involved in the sale of a property in a Special Flood Hazard Area.

FEMA's proposals for 2000 have already been formulated. FIA will consider this recommendation for the agency's next legislative cycle in FY 2001. Before the NFIRA, the NFIP provided the flexibility to waive the waiting period in connection with title transfers, which included not only lending activity but also cash transactions, the focus of this proposal.

Issue: Addition of landslide buy-back endorsement to SFIP

Respondent's Recommendation(s):

A "landslide" exclusion buy-back should be added to the SFIP by endorsement so that the insured can be covered for landslide loss that is the approximate result of a flood.

FEMA's Response: No Further Action Required

Explanation: The intent of the U.S. Congress in authorizing the NFIP was to provide insurance coverage against losses from floods. This authorization was to fill a void in the private insurance industry. Whenever the U.S. Congress saw fit to broaden the definition of "flood" under the SFIP, those changes were for flood-related perils such as "flood-related" erosion and "mudflows." FIA does not agree that this definition should be further expanded to include "landslide" unrelated to flooding.

Coverage

Issue: Elimination of enclosure coverage for pre-FIRM structures

Respondent's Recommendation(s):

Eliminate the standard coverage for enclosures on pre-FIRM buildings and add an appropriately priced buy-back endorsement that allows the insured to obtain the coverage. This scenario would provide some equity in coverage between post-FIRM and pre-FIRM enclosures.

FEMA's Response: No Further Action Required

Explanation: We believe that providing flood coverage for pre-FIRM buildings is acceptable policy since these buildings were constructed BEFORE the NFIP's floodplain management restrictions/requirements took effect.

Issue: Increased residential coverage limits

Respondent's Recommendation(s):

The total insurance limits for dwellings should be increased to \$500,000 and limits on coverage for residential policies should be increased to \$150,000–\$200,000.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA will monitor insurance sales and home mortgage sales to see if such a proposal needs to be raised at the national policy level. In the meantime, FIA plans to inform the Write Your Own companies of this proposal and encourage them, on their own, to provide such excess coverage by offering a value-added flood insurance policy.

The average purchase for a single-family residential structure is about \$100,000. And while this proposal has been made in the past, FIA does not believe there is a genuine market for value-added policies on flood insurance. For “high end” properties, there are already carriers that provide excess coverage over what the NFIP by statute provides.

Coverage

Issue: Inclusion of decks in property covered

Respondent's Recommendation(s):

Article 6 – Subparagraph D.2 of the SFIP lists “decks”, as property not covered under the NFIP. While Article 4, paragraph A.1 lists covered property as “Additions and extensions attached to and in contact with the dwelling by means of a common wall...” the application of these two articles results in “porches” being covered while “decks” are not. In reality, however, there often is very little distinction between these types of structures. “Decks” should be eliminated from Article 6.

FEMA's Response: No Further Action Required

Explanation: FIA reviewed this issue during the SFIP rewrite of the SFIP in FY 2000. FIA concluded that decks should not be covered under the SFIP. In reaching this decision, FIA considered two issues: (1) FIA's need to simplify rather than complicate the underwriting process. (2) Decks in coastal areas tend to become indistinguishable from walkways while porches tend to be enclosed and structurally connected to the structure itself, i.e., generally sharing the same roofline.

Issue: Provision of buy-back endorsement for swimming pools

Respondent's Recommendation(s):

Article 6 of the SFIP lists indoor and outdoor swimming pools as property not covered under the NFIP, creating an undue financial burden on many property owners by forcing them to self-insure their swimming pools. Afford property owners insured through the NFIP the option of purchasing an appropriately priced buy-back endorsement that provides coverage for their swimming pools.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA considers this to be the type of coverage that would be more suitable for the WYO companies to offer on their own outside of the NFIP. FIA will develop a list of recommended products and endorsements that will be more suitable for the private sector to offer. FIA will provide the WYO companies with this list in early FY 2000 for their consideration to offer on their own. This recommended endorsement will be included on that list.

Coverage

Issue: Evaluation of benefits of restriction versus confusion and difficulty in implementation

Respondent's Recommendation(s):

The restrictions on increasing coverage limits on renewals that were effective with the October 1, 1998 manual revisions are extremely confusing and difficult to implement, without providing significant benefits to the NFIP. Re-evaluate the benefits of the restrictions on increasing coverage for policies versus the confusion and difficulty involved in implementing the restrictions.

FEMA's Response: Assigned For Further Study

Explanation: FIA raised this issue with the Flood Advisory Committee, FIPNC, and IBHS during the fall of 1999 to obtain their input. These groups reviewed the issue and concluded FIA's current guidance is sufficiently clear on this issue.

Issue: Provide buy-back endorsement for full replacement cost on contents

Respondent's Recommendation(s):

The property owner should be able to obtain replacement cost coverage for dwelling contents. An appropriately priced buy-back endorsement would allow policyholders to purchase optional replacement cost coverage for this property.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA will develop a comprehensive list of coverage issues resulting from this *Call for Issues*, prioritize the recommended changes, and price them in FY 2000 and FY 2001. The prioritization and pricing will be set against the national policy implications of each of these proposals.

Issue: Expanded application of replacement cost coverage for single-family dwellings

Respondent's Recommendation(s):

One respondent indicated Article 8 of the SFIP provides replacement cost coverage for single-family dwellings that are primary residences. Consequently, a property owner who insures a second dwelling pays the same rate as a primary residence owner, but does not receive replacement cost

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: This suggestion raises, in part, the question to what degree should national disaster policy provide benefits for secondary homes and vacation residences.

Coverage

Issue: Expanded application of replacement cost coverage for single-family dwellings

coverage. Eliminate the reference to primary residence so that the same coverage is afforded for secondary dwellings insured at the same rate.

Use replacement cost for building coverage in all aspects of the flood insurance program, including substantially damaged structures. “Replacement cost” is easily ascertainable and should be the measure of value in the flood insurance program, as it is in all other property insurance programs. The program should pay on a replacement cost basis, require a replacement cost calculation to view the values at risk, and establish percentage to value requirements on all items.

Currently, SBA does NOT provide below-market interest rates for repairs under its disaster loan program for secondary or vacation homes.

Additionally, the IFG program, which is administered by FEMA and implemented by each State after presidentially declared disasters on a cost-sharing basis, does not provide any benefit for vacation homes or secondary residences. (While most recipients of IFG grants tend to be low-income or fixed-income individuals who do not have the capability to repay disaster loans, eligibility is not income-tested per se. So there are at least theoretically IFG recipients who might have a second home.)

The working assumption for FIA in examining this issue is the NFIP to the extent possible must be consistent with other Federal programs that provide benefits to the victims of floods and other natural disasters, and to what degree should a program providing subsidized flood insurance offer benefits such as replacement cost insurance for a population of insureds that can most likely afford the risk.

FIA has informed the NFIP Marketing Committee of the interest in this issue. FIA will not provide replacement cost coverage except for single-family dwellings, but the NFIP industry partners may wish to consider whether there is a potential market for such coverage that they may want to offer on their own.

Coverage

Issue: Expansion of ICC coverage to structures in non-floodway SFHAs damaged by flooding

Respondent's Recommendation(s):

The ICC coverage is limited to structures that are “repetitive loss” properties with damages incurred under two or more flooding events. In many communities, this limits the coverage to a minute percentage of the existing flood insured pre-FIRM build stock. If it is FEMA’s goal to mitigate “repetitive loss” properties and to minimize flood damages so that the number of repetitive loss properties does not increase, ICC coverage should be available for any properties which receive damages as a result of a hazard event. The coverage would need to be limited to elevating residential structures above the BFE, demolishing existing structures below the BFE, relocating structures that are below the BFE, or floodproofing non-residential structures in A zones below the BFE. In this way, funding would be available to assist property owners with retrofitting their pre-FIRM or otherwise non-compliant structures to be in compliance with the NFIP, regardless of the number of times they had been flooded, when repairs are performed if a structure is damaged by a hazard event. This could reduce the number of “at-risk” structures in a community, and ultimately potentially reduce the number of flood insurance claims paid by the NFIP. A condition could be placed on the funding that it be limited to a non-floodway Special Flood Hazard Area (SFHA) for anything except demolition or relocation and/or that the structure be required to be elevated a minimum of 1 foot above BFE, if the concern is that the flood conditions may change in the future, leaving structures which have received claim payments still vulnerable to flood losses. This program could be funded through ICC insurance premiums.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Section 555 of P.L. 103-325 mandates that FEMA enable the purchase of ICC coverage for structures that are substantially damaged by flood and structures that suffer repetitive flood losses (i.e., structures that suffer at least two losses during a ten year period where the loss averages 25 percent per occasion). Hence, the recommendation could require a statutory change. Above the need to change NFIP authorizing legislation, the proposal is not cost effective. The NFIP is able to provide a maximum of \$20,000 effective May 2000, for the two classes of properties authorized by statute. FIA would have to reduce the maximum ICC benefit to accommodate this recommendation at a time when a number of NFIP stakeholders recommend increasing the maximum payoff of ICC because there would be a substantial increase in the population of structures that would collect benefits under Coverage D of the SFIP. FEMA has developed a repetitive loss strategy that will address the most serious repetitive loss structures. The focus and priority of the NFIP and FEMA’s initiatives on repetitive losses must be on the most serious risks rather than a population of structures that may not have as serious national policy implications.

Coverage

Issue: Development of exclusive residential co-operative policy similar to RCBAP

Respondent's Recommendation(s):

First, develop an exclusive residential co-operative policy similar to the RCBAP, or make individual unit policies available to residents of co-operative buildings. FEMA's policy is that residential co-operative buildings must be insured under the General Property Policy (GPP). See NFIP Policy Issuance 6-96. Under the GPP, the maximum amount of coverage for a residential co-operative building in a community that participates in the NFIP's Regular Program is \$250,000 for the structure and \$100,000 for its contents. In our experience, this is frequently an inadequate amount of coverage for large residential co-operative buildings with many units.

On the other hand, a residential condominium association may purchase the Residential Condominium Building Association Policy (RCBAP), which provides coverage in the amount of 80 percent of the building's replacement cost, or the total number of units times \$250,000, whichever is less. Alternatively, residential condominium unit owners may purchase a dwelling policy, which would provide coverage of \$250,000 for the individual unit structure and \$100,000 for contents.

Secondly, the procedures for force placing flood insurance require a lender to send the borrower notice after the expiration of the policy, informing the borrower that the flood insurance policy has lapsed. The notice also informs the borrower that flood insurance coverage must be obtained in an appropriate amount within 45 days or the lender will force place the insurance. The problem lies in the 45-day period in which there is no flood insurance coverage and the lender may be exposed to risk of losses due to flooding.

FEMA's Response: No Further Action Required

Explanation: Because of the legal nature of ownership of co-operatives, co-operative units are owned not by those who occupy them but by a corporation in which the occupants own stock. Accordingly, the NFIP limits flood coverage to members of a co-operative to what they own and have an insurable interest in their contents. (The NFIP offers contents coverage only to co-operative unit owners.)

By law, the NFIP offers individual coverage for units under the RCBAP and replacement cost for the unit through the Dwelling Policy because of the nature of the ownership of the property and the nature of the occupant's insurable interest in the unit.

For co-operatives, no such insurable interest or ownership arrangement exists. The member of a co-operative has only an insurable (ownership interest) in the contents of the unit he or she occupies. And consistent with what the individual co-operative unit owner owns (the contents and stock in a corporation), the NFIP offers the appropriate coverage. Because of the above, the suggestion cannot be adopted.

FIA has informed the WYO Marketing Committee of the interest in this issue so that the NFIP industry partners may consider whether there is a potential market for such coverage that they may want to offer their own.

Coverage

Issue: Development of exclusive residential co-operative policy similar to RCBAP

Unless a lender is willing to absorb the cost of purchasing an annual policy, the property is uninsured during this 45-day force placement period.

Issue: Lowering of minimum deductibles and/or premiums for structures of little value

Respondent's Recommendation(s):

Flood insurance requirements apply to loans in excess of \$5,000, regardless of the value of the improvement that serves as collateral. For example, if a lender makes a loan for \$5,500 and the value of the improvement is \$1,500, the NFIP advises that the amount of insurance coverage be 80 percent of the value of the structure, or \$1,200. The annual premium cost for this coverage is the NFIP minimum of \$80. In the event of a total loss, however a minimum \$500 deductible would be applied and the total amount of the flood insurance coverage is only \$700. Thus, the annual premium in this example would exceed 10 percent of the total insurance proceeds. Therefore, explore the feasibility of lowering minimum deductible amounts and/or lowering policy premium fees for structures of little value.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Regardless of the value or the face amount of a policy, certain expenses are constant. The administrative and programming costs to issue a \$5,000 policy are essentially the same as the costs to issue a \$500,000 policy. (That "expense constant" is therefore appropriately the same for each policy.)

FIA has also discussed with the U.S. Congress the matter of Federal Policy Fees (FPFs) that support the costs of mapping and floodplain management activities. The U.S. Congress has supported the view that each policyholder should pay the same fee that will support mapping and floodplain management activities under the NFIP.

In addition, as part of the National Flood Insurance Reform Act of 1994, the Congress exempted from the requirement to purchase flood insurance, loans with an outstanding principal balance of \$5,000 with a repayment term of one year or less.

Coverage

Issue: Development of “bridge” insurance coverage

Respondent’s Recommendation(s):

Develop “bridge” insurance policies, available at lender’s expense, to provide protection during the 45-day period between lapse of policy and forced placement.

FEMA’s Response: Assigned For Further Study

Explanation: This recommendation will be referred to the NFIP Marketing Committee in late FY 2000 to determine private sector interest to offer this coverage by the private insurance market. FIA will also consider this recommendation during the agency’s next call for legislative issues for a possible statutory change that would address the issue of low value loans.

Issue: Changes to ICC claims process to remove the local administrator’s involvement

Respondent’s Recommendation(s):

The burden of making a determination should be taken completely out of the hands of the local administrator and be placed solely and insurance-based requirement. The ICC insurance benefit should kick in as currently intended, as tracked through FIA record keeping. Allow any policyholder to take advantage of an ICC claim, regardless of community passage of a repetitive loss definition. This could ultimately improve the policy base when non-insured residents see the benefit to their neighbors from carrying flood insurance. It will also improve the long-term balance of the insurance fund, and decrease future flood damages, by accelerating the conversion of non-compliant pre-FIRM structures into compliant structures.

FEMA’s Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Under Section 555 of P.L. 103-325, ICC coverage is by definition payable to help a policyholder comply with a State or local floodplain management requirement after a flood loss. This recommendation would de-couple ICC coverage from its essential compliance component under the statute. The recommendation would require a legislative change and FIA does not plan to recommend this proposal for legislative change in the near future.

When FIA priced ICC coverage and decided what the appropriate limits of coverage would be at first, it included in the pricing that there would be a certain number of repetitive flood loss structures made to comply with local floodplain management requirements for repetitive loss structures. This proposal which would de-couple the coverage from enforcement by State or

Coverage

Issue: Changes to ICC claims process to remove the local administrator's involvement

local governments of cumulative flood loss ordinances would reduce the limits of ICC coverage at the very time when the NFIP stakeholders want FIA to increase the limits of ICC coverage.

Of the three categories of structures eligible for ICC coverage under the statute, substantially flood damaged structures are the primary concern of the NFIP since every participating community under the NFIP must have in force an ordinance that requires the elevation or flood-proofing of a structure that has been substantially damaged, i.e., 50 percent or greater than its market value at the time of loss. The second category eligible for ICC – repetitive flood loss structure – is a priority but FIA has far less experience with the compliance of this type structure with State and local floodplain management ordinances because cumulative damage ordinances for floodplain management are not a requirement of the NFIP for participation. FIA's strategy has been to make ICC work in its initial phase for substantially damaged structures – the most structures that would be eligible for the coverage. FIA believes the public is better served by the following approach: FIA increased ICC limits of coverage from its previous \$15,000 to \$20,000 effective May 1, 2000, rather than lowering premiums or liberalizing the criteria for eligibility which this proposal cause.

Coverage

Issue: Lowering of ICC policy rider fee for pre-FIRM structures

Respondent's Recommendation(s):

Lower the ICC policy rider fee for pre-FIRM structures to a more affordable base, and by doing so, take steps to increase the policy base. Lowering the ICC fee for pre-FIRM structures could help the insurance fund in two ways. By decreasing the cost of insurance, more people will be willing to purchase flood insurance, thus helping the overall policy base and decreasing the burden on other flood relief programs. Secondly, allowing more property owners to take advantage of ICC coverage will lower future claims payments by converting more at risk structures to compliant structures, with reduced flood risk.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA decided to pursue higher limits of ICC coverage in FY 2000 rather than lowering premiums, which would prevent FIA from providing higher limits due to the actuarial approach the FIA must take for the NFIP. ICC limits of coverage were increased to \$20,000 effective May 1, 2000.

FIA needs to consider two issues when dealing with ICC issues: 1. FIA is limited by statute as to the amount we can charge for ICC coverage, i.e., a maximum surcharge of \$75 per policy, and 2. FIA is expected by the U.S. Congress to operate the program on an actuarially sound basis. Therefore, we need to have an actuarial basis for pricing ICC coverage within the limitations of the surcharge. From initial analyses, FIA concluded that to operate on an actuarially sound basis and charge no more than \$75 per policy, it could offer a maximum of \$15,000 in introducing ICC coverage. From the NFIP's limited experience with ICC so far, many stakeholders of the NFIP have shared the concern that the limits of ICC coverage should be increased whenever possible since \$15,000 while a start will not in a variety of cases pay for the total amount of bringing a structure into compliance with State and local floodplain management standards after a flood loss.

FIA is looking carefully at the loss experience for ICC. One issue to be considered is disconnects between the large claim payments for physical damage from flood under Coverage A of the SFIP and the relatively fewer ICC claims for those same properties. (Large flood losses should be indicating substantial flood damages triggering ICC claims.)

Coverage

Issue: Elimination of ICC coverage for historic buildings

Respondent's Recommendation(s):

Eliminate ICC coverage and the increased premium on historic buildings. ICC insurance coverage cannot be justified on historic buildings, which comprise an estimated 50 percent of pre-FIRM buildings in Vermont. Within the past few years, the NFIP has added ICC coverage to all policies and has increased the premium to cover the cost. The increased premium on historic buildings in \$75.00/year. Yet, in most cases, historic buildings cannot be made compliant with NFIP standards without destroying their historic value. Therefore, the owners of these buildings are paying for coverage they cannot claim if damaged.

FEMA's Response: No Further Action Required

Explanation: FIA has had limited experience with ICC claims since its introduction in 1997. FIA has had even less experience with ICC claims for historic structures. However, FIA does not agree that policyholders are paying for coverage they will never collect on. One of the eligible activities for ICC benefits under the SFIP is relocation. It has been FEMA's direct experience at its own Emmitsburg, Maryland facility that historic structures may be relocated without destroying their historic character. The historic character of structures has been preserved with flood-proofing methods. Also, with any bundle of coverage, there will be a range of covered perils some of which the policyholder may feel are unlikely to occur, e.g., under homeowner's coverage.

Issue: Denial of flood insurance coverage for new development in SFHAs where base flood depths are 5 feet or more

Respondent's Recommendation(s):

The NFIP should refuse to provide flood insurance for new development in floodplains where the flood depth is 5 feet or higher, no matter if levees are provided or not. This prevents additional people and property from being put at risk of flooding behind levees.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FEMA's Mitigation Directorate will in FY 2002 review all relevant documentation (NAS study, Galloway report) and FIA will look at the NFIP's loss history that may involve failed levees. FIA and MT will then explore policy issues for FEMA in mapping areas behind levees, namely, protection and providing flood insurance coverage for any structures built after levees were completed.

Coverage

Issue: Removal of mandatory flood insurance purchase requirement for existing structures when levees are discredited

Respondent's Recommendation(s):

Political reality might require a phased approach to implementing this policy. Grandfather all existing property owners to exempt them from the mandatory flood insurance without a standard project flood level of protection. Whenever the property is sold, then flood insurance would be required of the new owner. This gives communities time to work on getting the flood control system to handle the standard project flood.

An alternative would be to phase in mandatory flood insurance for all existing property. The cost would be very low to start and would increase over 15 to 20 years to full value. Political pressure from an organized group is more likely with this approach. By combining the two ideas contained here, one could grandfather existing property and then apply the phased flood insurance requirement over the 15–20 year period.

FEMA's Response: No Further Action Required

Explanation: FIA disagrees that using the Standard Project Flood as a basis for mapping and even a phased in flood insurance purchase requirement, would be useful for the program or even feasible. Whatever changes to the mandatory purchase requirements should be made will be addressed as part of a comprehensive assessment of the NFIP which will begin in FY 2000.

Issue: Replacement of PRP using credits and surcharges within SFIP

Respondent's Recommendation(s):

A PRP is allowed for low-risk flood zones and locations without prior flood claims and it carries its own rules, rates, and form. Eliminate PRPs and its rates, rules, forms, and expenses and use credits and surcharges within the Standard Program to accomplish a low-cost and low-risk flood coverage. Tremendous savings should result. It is illogical to penalize flood

FEMA's Response: Assigned For Further Study

Explanation: FIA will raise this issue with the WYO companies in early FY 2002 to see if there is a way the PRP concept can be retained while making the application procedure and forms for PRP and the standard policy more consistent and convenient for agents to use.

Coverage

Issue: Replacement of PRP using credits and surcharges within SFIP

policyholders for having a flood. The problem is with premium incentive and actuarial soundness, which should be achieved within the present program.

Issue: Increased coverage limits to reflect increasing house values

Respondent's Recommendation(s):

Basic limits available within the system should be increased. Both emergency and regular program maximum limits should be increased as house values keep increasing and willing participants within the NFIP should be offered full replacement cost limits.

FEMA's Response: No Further Action Required

Explanation: FIA will monitor policy sales and recommend, when appropriate, a change in the limits of coverage when future circumstances warrant the increase under the NFIP. Consistent with industry practices during the renewal process, the NFIP offers policyholders the chance to adjust the face amount of the flood insurance policy for their dwelling, within the statutory limits, to account for inflation. To increase policy limits for residential dwelling would require a change in the statute. FIA studies trends of policy sales, market demand, coverage and losses under the program and have periodically recommended to the U.S. Congress increases in the statutory limits during oversight hearings. Currently, however, FIA does not see the need to recommend that Congress increase the limits of flood coverage for residential structures. The average policy purchased under the NFIP for a single-family dwelling is \$100,000 – well below current limits of \$250,000. The recommendation speaks to excess coverage over what the statute currently offers. FIA has informed its industry partners represented on the NFIP Marketing Committee of this proposal and the potential market for excess flood coverage that the industry might consider offering.

Coverage

Issue: Clarification of insurance coverage for residential condominiums

Respondent's Recommendation(s):

Condominium rating contemplates business use occupancy of lower floors. Residential condominium coverage should consider overall occupancy of the structure. If the condominium is primarily for habitation, then it should be eligible for residential coverage and rated as such. If it is for business, mercantile, or non-habitational, then it should not be eligible for residential coverage and use non-residential rates.

FEMA's Response: Adopted/Action Underway

Explanation: Condominium buildings containing one or more residential units and in which at least 75 percent of the floor area is residential are eligible for residential coverage and rates.

Issue: Reconsideration of coverage for finished basements

Respondent's Recommendation(s):

Consider alternatives such as offering the coverage as optional on the homeowners policy. No flood insurance coverage is available for finished basements. While the optimal solution would be to have no basements in SFHAs, the reality is that many people use basements as living spaces. Also, in tornado-prone parts of the country, basement space is also disaster safety space. Although the FIA has already studied this issue and recommended that such coverage would be cost prohibitive, a further review is recommended.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA conducted a study on this issue after the devastating floods of the Upper Midwest in 1996: Many flood victims had personal property in basements and expressed an interest in flood coverage. FEMA instructed FIA to investigate the feasibility of providing coverage under the SFIP for personal property in basements. After gathering data, and considering every approach, FIA reported that the cost to buy such coverage was prohibitive for the consuming public. For only \$7,000 worth of basement contents coverage, the policyholder would have to pay an additional \$300 each year in premium, thereby increasing the cost of flood insurance from an average annual premium of \$560 per policy, where the NFIP has experienced price resistance, to almost \$900 a year. To offer coverage for property in such a high-risk area at anything less than full-risk premiums and to have the taxpayers support flood insurance coverage for such property is simply poor public policy. FIA has, however, informed the NFIP Marketing Committee of

Coverage

Issue: Reconsideration of coverage for finished basements

the potential consumer interest in coverage against flood for basements beyond what FIA has determined, and is appropriate for the NFIP to cover. The private industry can decide whether it wants to offer such coverage on its own.

Issue: Improvement to flood insurance product by adding new coverage, either as a core element or option

Respondent's Recommendation(s):

Improve the flood insurance product by adding new coverage, either as option or as core element. Several respondents requested that FIA improve the flood insurance product by adding new coverage, either as an option or as a core element of the SFIP for Additional Living Expenses, Business Interruptions, Ordinance and Law, and Wells and Septic. Most of the respondents also recommended that FIA, prior to making these changes, involve the insurance industry in a comprehensive evaluation of these options and the additional premium needed to secure requested insurance.

FEMA's Response: Assigned For Further Study

Explanation: FIA will begin a comprehensive study in late FY 2000 of all the additions in coverage under the SFIP. The study will involve coordinating within FEMA and with industry partners, gathering relevant data, prioritizing the recommendations, and pricing each recommendation. A form of Ordinance and Law Coverage is already a part of the NFIP policy coverage for the increased cost of construction following flood loss, resulting from local Ordinance and Law requirements.

Issue: Addition of coverage for commercial and municipal infrastructures and lost income protection

Respondent's Recommendation(s):

The NFIP should make more coverage options available, especially for commercial and municipal infrastructure, lost income protection, and offset setup costs to better serve and attract a wider consumer base.

FEMA's Response: No Further Action Required

Explanation: Coverage for infrastructure and income loss from floods is being offered in the private sector. The NFIP is designed to meet needs for the public not met or under served in the private sector.

Coverage

Issue: Increased policy limits to match property values, construction costs, and replacement cost valuations

Respondent's Recommendation(s):

Increase policy limits to match property values, construction costs, and replacement cost valuations.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: This proposal would require a change in legislation if FIA were to pursue it. FIA does not believe, however, that an increase is needed at this time. The face amount of the average dwelling policy is \$100,000. (The current statutory limits for a single-family dwelling in the regular program are \$250,000.) There does not appear to be a need, under the NFIP, for increased coverage limits at this time. And while this proposal has been made in the past, FIA does not believe there is a genuine market for value-added policies on flood insurance. For "high end" properties, there are already carriers that provide excess coverage over what the NFIP by statute provides. FIA will monitor insurance sales and home mortgage sales to see if such a proposal needs to be raised at the national policy level. FIA has informed the Write Your Own Companies of this proposal and encouraged them, on their own, to provide such excess coverage by offering a value-added flood insurance policy. FIA also will continue to monitor market and sales trends, and, if appropriate, consider recommending in a future legislative cycle, an increase in policy limits to Congress.

Issue: Investigation of disadvantages of adding "flood peril" to homeowners insurance policies

Respondent's Recommendation(s):

Investigate disadvantages of adding "flood peril" to homeowners insurance policies before making any recommendation.

FEMA's Response: No Further Action Required

Explanation: Although it would be desirable and easier for the public to understand and obtain, FIA is of the view that the private insurance industry is not ready to add flood insurance to the homeowners policy. FIA believes that the NFIP, under its current partnership arrangement with the insurance

Coverage

Issue: Investigation of disadvantages of adding “flood peril” to homeowners insurance policies

industry, is providing the flood coverage the public wants and needs for flood risks. It is conceivable that if and when pre-FIRM risk rates are no longer subsidized under the NFIP, that the private insurance industry may decide to include this peril in its homeowners’ policies. Nothing prohibits an insurance company from writing this coverage today as a separate policy and retaining the liability.

Issue: Elimination of the 3-year policy

Respondent’s Recommendation(s):

Eliminate the 3-year policy.

FEMA’s Response: Adopted/Action Underway

Explanation: FIA has decided to eliminate the 3-year policy. This change became effective May 1, 1999. FIA plans to examine retention rates for the next three years to determine whether this forthcoming change will affect retention rates. If this change does not work, we will consider revising this decision.

Issue: Coverage for replacement plywood sheathing of the foundation walls below BFE

Respondent’s Recommendation(s):

Clarify existing rules regarding the plywood sheathing of the foundation walls of the building below the rated elevated floor. For some reason, this issue really did not seem to come to the forefront until 1997 flooding and claims. On policies using post-FIRM rates, whether post- or pre-FIRM construction, claims were denied for damages to this plywood sheathing because it was

FEMA’s Response: Adopted/Action Underway

Explanation: FIA agrees that plywood sheathing, meeting certain standards, should be considered part of the foundation wall. FIA will by the end of FY 2000 issue guidance to WYO companies specifying when plywood sheathing can be considered part of the foundation wall and therefore eligible for flood coverage.

Coverage

Issue: Coverage for replacement plywood sheathing of the foundation walls below BFE

assumed that the plywood was decorative/cosmetic, rather than a required part of the foundation. In California, these foundation walls must be sheathed with plywood to provide proper shear strength for earthquake standards. Therefore, the claim should not be denied for the sheathing.

Issue: Changes in coverage effective date

Respondent's Recommendation(s):

The Government force-placed insurance product causes a gap in coverage that exposes the lender to loss and is rated so as to be a significant burden to the consumer and lender. Revise the rules to allow coverage to be effective from the first day of lender notification to the borrower. The MPPP rules require the lender to send 3 notification letters over a 45 day period prior to placement of coverage. Coverage in this instance should be effective the date of the lender's first letter to the borrower. It should be noted that the "30-day waiting period" is a result of a lender request, and it should be waived here, too.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA has informed the NFIP Marketing Committee of this recommendation; namely, that there is interest in a product that provides blanket coverage for the lender to cover lapses in flood coverage before forced placement takes effect. The MPPP was designed as an exception vehicle for lenders that discover one of their mortgage loans is not covered by flood insurance when it is required. Coverage would have been in place without a waiting period if due diligence had been performed by the lender at loan closing instead of during the life of the loan upon purchase of the loan on the secondary market. The waiting period is designed to allow the borrower either to prove existence of flood coverage or purchase a regular policy at a much lower cost. FIA does not agree that MPPP coverage should begin upon "notification." Such coverage may be available from the private sector.

Coverage

Issue: Self-certification from policyholders to ensure below-BFE enclosures are not converted to other uses

Respondent's Recommendation(s):

Many communities wrestle with the problem of compliant elevated structures with enclosures constructed below BFE having the enclosures converted to uses other than parking, storage, and building access, often without benefit of a permit or code inspections. Because only limited insurance coverage is available to this area, many property owners think that they should be able to assume their own risk and convert the enclosure to finished living space. Require an annual policyholder self-certification to state that the property has not been altered. Cancel the policy or assess a substantial penalty for false certification.

FEMA's Response: Assigned For Further Study

Explanation: FIA will review this issue with other FEMA offices during the fourth quarter of FY 2000.

Issue: Quarterly or semi-annual policies

Respondent's Recommendation(s):

Allow quarterly or semi-annual policies. Although this would generate more time spent issuing renewals and policies, if the premium was affordable for more people, this would generate more business.

FEMA's Response: No Further Action Required

Explanation: Premiums under the NFIP are considered fully earned because of the seasonal nature of flooding and the desire of some to seek coverage only during "Flood Season." Allowing such short-term coverage would significantly increase the cost of the coverage due to the higher potential for loss. FIA does not believe that quarterly or semi-annual policies are in the best interest of the NFIP or the public.

Coverage

Issue: Requirement of PRP for structures removed from SFHA by LOMA

Respondent's Recommendation(s):

The NFIP is losing its mandatory flood insurance policy base by issuing LOMAs. When the LOMA is issued, the producing insurance agent may cancel the SFIP, provided the lender agrees to waive the mandatory insurance requirement. A full refund of premiums and fees, sometimes for 2 years, is usually provided. Rather than providing a premium and fee refund and policy cancellation because a structure may be close to, but not "in" the SFHA, convert the SFIP to a PRP for 1, 2, or 3 years (depending on how much the paid premium will provide). This will help retain the policy base and the producer, providing benefits to the NFIP.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: In FY 2000, FIA will look at how it can target people more effectively with information on the benefits of flood insurance and the value of the PRP as an inducement to buy flood insurance voluntarily. Part of that effort will involve reviewing materials by FEMA that are sent to those requesting and receiving LOMAs and LOMRs to emphasize the value of flood insurance as a voluntarily purchased product.

Issue: Allowing multiple policies to eliminate "shortfalls" in coverage

Respondent's Recommendation(s):

Only one flood insurance policy may exist on a property at one time. If it is discovered during the term of the loan that the property is underinsured, and if the customer does not increase the amount of insurance appropriately at the next renewal, the bank cannot force-place a policy for the shortfall. This also presents a problem when a bank has a junior lien on a property and the first lien is held by another lender. This rule also prevents the bank from force-placing flood insurance when the bank makes a loan secured by a junior lien where the first lien was with a different lender who did not require an adequate level of flood insurance. Often the borrower resists purchasing flood

FEMA's Response: No Further Action Required

Explanation: Having more than one policy on a building presents problems with assuring that statutory limits are not exceeded on the building and allows an opportunity for abuse or fraud at claim time if a claim is paid twice.

Coverage

Issue: Allowing multiple policies to eliminate “shortfalls” in coverage

insurance, taking into account the outstanding balance on both loans. The bank should not be responsible for ensuring that the shortfall is insured or be permitted to force-place a second policy.

Issue: Allowance of condominium associations’ umbrella policy to cover units located outside SFHAs

Respondent’s Recommendation(s):

If one building in a condominium complex is in a SFHA and another building in the complex is not, any loan in the complex must have flood insurance on it. This is a very difficult concept to convey to potential borrowers who wish to obtain a loan secured by a unit which is not in the SFHA, especially those whose condominium associations do not have the required umbrella flood insurance policy. An association’s umbrella flood insurance policy covering all units in a SFHA should be considered adequate proof of coverage, even though the unit to be secured by the loan may not be in a building in the SFHA. If that change is not possible, then awareness training for condominium associations should cover this requirement.

FEMA’s Response: Will Not Adopt/Other Actions To Be Taken

Explanation: The RCBAP is not an umbrella policy. It is written as a specific building coverage of the common areas as well as individual units in that building and its coverage is rated according to its design, age, and location. The RCBAP was designed for condominium associations to cover their building in the same manner as other forms of property insurance. Because flood insurance is required under the law only on property (condo units) located in SFHAs or in buildings located in SFHAs, evidence of an RCBAP in an amount sufficient to meet statutory requirements should be sufficient. Although flood insurance is not required outside SFHAs, its purchase is encouraged, as many losses occur in such areas. FIA will continue its efforts to educate condominium associations about the details of the NFIP. We have asked the NFIP Marketing Committee for help in conducting a public information campaign on the NFIP targeting condominium associations.

Coverage

Issue: Changes in the requirement for minimum flood insurance coverage

Respondent's Recommendation(s):

Change the minimum amount of flood insurance coverage required to the lesser of the following:

1. the outstanding mortgage balance on the structure;
2. the anticipated repair cost of the flood damages to the structure under the 100-year flooding condition; or
3. \$250,000 for residential and \$500,000 for industrial/commercial structures. Further, require that lenders not require the higher amounts.

FEMA's Response: No Further Action Required

Explanation: FIA has emphasized that it is purely the lender's discretion if the lender decides, in the interest of a sound business judgment, to require more flood insurance than that required by law. FIA maintains that this is the appropriate policy to follow – to ensure that the requirement for flood insurance intended by Congress be adhered to while giving lenders the flexibility to require more flood insurance than is required by law or in areas outside of SFHAs. While FIA has published guidelines to lenders for complying with the mandatory purchase of flood insurance, each lender must look to the Federal agency that regulates its activities. This proposal would add a third option for the amount of flood insurance to be required by lenders – i.e., estimated repairs in shallow rather than deep flooding areas. This would cause creative and compliance difficulties that the NFIRA did not intend. Because the concern seems to reflect, in part, a concern over the amount of flood insurance and the rates paid for coverage in areas subject to shallow flooding, it is important to understand that FIA in setting rates that take into account the damage to be expected from shallow flooding events as well as the damage expected from deep flooding.

Coverage

Issue: Addition of flood insurance premiums to property tax bills

Respondent's Recommendation(s):

It would be fair to all if the local participating communities have a box on the annual property tax bill notifying the property owner of its flood status. The community could then place flood insurance on all properties located in a flood hazard area and collect the premium as part of their property tax bill.

FEMA's Response: No Further Action Required

Explanation: This proposal is a creative approach to coverage of properties in flood hazard areas. It is also in keeping with the philosophy of the 1966 Flood Insurance Feasibility Study, which envisioned all floodplain occupants and business owners "paying their own way" through flood insurance. However, the proposal would add a significant resource burden on communities and a potentially heavy cost for Federal taxpayers. (Current legislation prohibits any unfunded mandates by the Federal Government on local governments.) The proposal would also delink the mandatory purchase requirement for insurance from lenders where it is traditionally handled for other lines of property insurance. For instance, the requirement by lenders that mortgagors buy and maintain homeowners or fire coverage is imposed by the lender. The Government has a direct link with lenders through the insurance it provides on deposit and with Federal agencies providing financial assistance to property owners directly and indirectly. The Federal Government does not have such a direct link to local governments to impose such a requirement.

Issue: Extension of ICC coverage

Respondent's Recommendation(s):

Change the ICC coverage, indicating it is not sufficient to cover the costs of the work required to make a structure compliant after it is damaged during a flood. Specifically: 1) extend ICC coverage to cover the full costs of elevating a home above the BFE to meet NFIP-approved local floodplain management codes; 2) give property owners the option of purchasing more ICC coverage

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: The amount of premium FIA can charge for ICC is limited by Section 555 of P.L. 103-325 to a maximum of \$75 per policy per year. The limits of coverage were established based on the maximum charge allowable and the expected loss experience. On May 1, 2000, ICC benefits were increased to \$20,000.

Coverage

Issue: Extension of ICC coverage

for an additional premium; and 3) revise the coverage amounts based on a study of the actual market costs for making a structure compliant.

Issue: Allowing lenders to require borrowers to carry replacement cost rather than loan balance level

Respondent's Recommendation(s):

This is a three-part issue: 1) change the mandatory purchase requirement to provide lenders with the ability to require borrowers to carry replacement cost versus loan balance, just as they require for fire/homeowners coverage;

2) change the policy provision to provide replacement cost coverage on all properties insured to at least 80 percent of replacement cost, or maximum allowable, regardless of occupancy; and

3) provide replacement cost coverage as an option with an additional premium payable for contents (personal property). Each part of this issue will improve the NFIP and provide greater protection to insureds, agents, and lenders. It will make the NFIP follow the premise of other property policies more closely.

FEMA's Response: Assigned For Further Study

Explanation: A similar suggestion was made to the U.S. Congress during deliberation of NFIRA and a part of the legislative process in 1999, but it was rejected on both occasions. FIA will include the issue of mandatory purchase coverage amounts in the NFIP assessment for FY 2000.

FIA informed the NFIP Marketing Committee of the interest in this issue. FIA will not provide replacement coverage except for single-family dwellings, but the NFIP industry partners may wish to consider whether there is a potential market for such coverage that they may wish to offer on their own.

FIA will in FY 2000 look into the feasibility of providing replacement cost coverage for contents as part of the study on the list of coverage changes suggested in the *Call For Issues* project.

Coverage

Issue: Development of PRP for commercial properties

Respondent's Recommendation(s):

To encourage the sale of more commercial flood insurance, develop a PRP for commercial properties. A format similar to what is used on the current PRP should be used, but with higher levels of coverage, using wider spreads between options, and going from \$50,000 to \$500,000 in building/contents coverage.

FEMA's Response: Assigned For Further Study

Explanation: FIA will discuss the issue with the NFIP WYO Work Group in late FY 2000.

Issue: Reduction or elimination of coinsurance requirement for RCBAP

Respondent's Recommendation(s):

Eliminate the coinsurance requirement, as there is no coinsurance requirement for any other type of building in any of the NFIP's other programs. Eliminating the requirement will allow for affordable premiums by way of lower coverage limits. In turn, more associations would carry flood insurance, allowing for a broader premium base to help FEMA absorb large shock losses and help minimize "adverse selection."

If limits are required, they should more accurately reflect the realistic exposure to loss. In the majority of circumstances, only a small portion of the building is actually at risk, particularly in areas where the risk of catastrophic flooding is low. Undertake an actuarial study to determine realistic rates that accurately reflect risk of loss. Devise a risk-based system rather than the present inaccurate mapping system.

Establish guidance regarding valuation. Consistency in valuation will reduce the opportunity for an association to be unknowingly underinsured.

FEMA's Response: Assigned for Further Study

Explanation: FIA will begin a review of its rating of condominium property in late FY 2000.

Coverage

Issue: Changes in process for cancellation of condominium association policies

Respondent's Recommendation(s):

All mortgage holders in a condominium structure should be notified by mail and have an opportunity to be heard by way of association meetings. Cancellation of the policy should not require each mortgage holder's approval.

FEMA's Response: No Further Action Required

Explanation: At this time, the NFIP Flood Insurance Cancellation/Nullification Request Form instructs the insurance agent to provide a copy of the completed form to the mortgagee(s) on file. After processing the Cancellation/Nullification Request Form, the NFIP will send the insurance agent, mortgagee(s), and insured a notice of cancellation. When either the insured or insurance agent cancels an NFIP policy, the policy remains in force for the benefit of a mortgagee(s) and trustee for 30 days after the date of mailing the written notice of cancellation to the mortgagee(s) or trustee.

Further, Boards of Directors of condominium associations typically are responsible under their by-laws for maintaining all forms of property insurance necessary to protect the common property of the association against all hazards to which that property is exposed for either the insurable value or replacement cost of those common elements. This responsibility would typically include providing adequate flood insurance protection for all common property located in SFHAs. Such by-law requirements could make the individual members of the boards of directors of such associations personally liable for insurance errors or omissions, including those relating to flood insurance.

The NFIP has no authority over the conducting of association meetings or any other activities performed by condominium associations on behalf of unit owners.

Coverage

Issue: Provide higher deductibles and lower premiums for condominium associations

Respondent's Recommendation(s):

Provide for higher deductibles so that associations can afford to carry flood insurance. Increased coverage will reduce the risk of loss due to the perils of flood, heavy rains or other water sources. Attendant to higher deductibles should be dramatic reductions in rates. Since the majority of flood claims occur in the first dollar layers of coverage, self-insuring associations (those that choose high deductibles) will be rewarded by significant reductions in premiums. In essence, this will return coverage to catastrophic level and may provide an incentive for private insurers to provide lower levels of coverage on back-up of sewer and drains.

FEMA's Response: Assigned For Further Study

Explanation: FIA will conduct an overall review of its treatment of condominium property in late FY 2000.

Issue: Implementation of effective strategy to address repetitive losses

Respondent's Recommendation(s):

Develop alternatives to establish an effective repetitive loss strategy for the nation.

1. Increasing premiums for more than 2 losses – go to or toward actuarial rates.
2. Effectively implementing ICC coverage.
3. Assisting communities in developing mitigation plans for repetitive losses, using FMA; HMGP; *Project Impact*; or other local, Federal, or State funding sources.

FEMA's Response: Adopted/Action Underway

Explanation: As part of FEMA's Repetitive Loss Strategy, mitigation assistance will be offered to many of the highest-risk repetitive losses. If a property owner refuses a mitigation assistance offer, one of the consequences under consideration, is to henceforth offer insurance on that property at substantially higher rates, and possibly only at full-risk premium. Rulemaking and legislation are being pursued to clarify the specific procedures and to determine whether this should be implemented in FY 2001.

Coverage

Issue: Implementation of effective strategy to address repetitive losses

4. Helping communities implement mitigation plans to reduce repetitive losses that would elevate, relocate, or otherwise reduce the flood risk to most of these structures. This should include actions to ensure community compliance with substantial damage standards, and added incentives for communities to adopt and implement cumulative damage requirements, as well as adopting comprehensive community drainage and mitigation plans.
5. Property owners who refuse to mitigate should be required to pay higher flood insurance rates, be subject to higher deductibles, or be refused flood insurance coverage and disaster recovery assistance, making sure to tie those benefits losses into other programs like IA, HOME, etc.
6. Finding funding for those who cannot afford the mitigation measures – other funding sources should be sought and coordinated through the community, the State, and FEMA. In many post-flood situations, rather than make repairs to a damaged structure, the affected families should be allowed to remain in temporary housing until a complete package is developed for the structure or neighborhood.
7. Clean up the database of repetitive loss structures, using State NFIP coordinators through the CAP program, to include data to show the risk and reason for flooding of each structure.
8. Providing increased information on the advantages and processes for mitigation at the property owner and community level.

Coverage

Issue: Implementation of effective strategy to address repetitive losses

9. Adopting a three-claim maximum for repetitive-loss structures.
10. Restricting availability of funds and insurance.
11. Increasing deductible amounts.
12. Removing flood insurance availability.

Issue: Clarification of coverage concerning non-owned debris

Respondent's Recommendation(s):

Wording in Coverage C – Debris Removal, paragraph A, reads “non-owned debris from beyond the boundaries of the described premises which is physically on the insured property.” In this instance, the “insured property” is the structure. Non-owned debris located on the insured’s real property or premises is not covered. Change wording to read “non-owned debris from beyond the boundaries of the described premises which is physically on the insured structure.”

FEMA's Response: Adopted/Action Underway

Explanation: FIA made the change in wording during the SFIP rewrite in FY 2000.

Issue: Elimination of “common wall” from flood insurance policies

Respondent's Recommendation(s):

Eliminate the term or add it to the exception for buildings with a common roof.

FEMA's Response: Adopted/Action Underway

Explanation: FIA addressed the common wall issue in its rewrite of the SFIP in FY 2000.

Coverage

Issue: Use of 80 percent insurance to value requirement as basis for replacement cost coverage

Respondent's Recommendation(s):

Rely on an 80 percent insurance to value requirement as the basis for replacement cost coverage and not require the dwelling to the principal residence of the insured.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: This issue raises a national Federal disaster policy question. To what extent should the NFIP be consistent with Federal disaster assistance programs? Currently, SBA does NOT provide below-market interest rates to repair properties under its disaster loan program for secondary or vacation homes. Additionally, the IFG program, which is administered by FEMA and implemented by each State after presidentially declared disasters on a cost-sharing basis, does not provide any benefit for vacation homes or secondary residences. (While most recipients of IFG grants tend to be low-income or fixed-income individuals who do not have the capability to repay disaster loans, eligibility is not income-tested per se. Therefore, there are, theoretically, IFG recipients who might have a second home.)

The working assumption for FIA in examining this issue is that the NFIP, to the extent possible, must be consistent with other Federal programs that provide benefits to the victims of floods and other natural disasters. To what degree should a program providing subsidized flood insurance offer benefits such as replacement cost insurance for a population of insureds that can most likely afford the risk?

FIA informed the NFIP Marketing Committee of the interest in this issue from the respondents to the *Call for Issues*. FIA will not provide replacement cost coverage except for single family dwellings, but NFIP industry partners may wish to consider whether there is a potential market for such coverage that they may want to offer their own.

Coverage

Issue: Coverage for business contents for in-the-home businesses

Respondent's Recommendation(s):

A homeowner must have a separate policy to cover business contents of an in-the-home business. Offer the addition of a limited amount of coverage in the dwelling policy, as there is in most homeowner's policies, to cover business contents of an in-the-home business.

FEMA's Response: Adopted/Action Underway

Explanation: The proposed SFIP has a limited amount of coverage for in-the-home businesses.

Issue: Additions and alterations coverage in policies for non-residential condominiums

Respondent's Recommendation(s):

Currently, tenants in commercial buildings can get coverage for additions and alterations to a total of only 10 percent of the amount of contents coverage. The policy should allow for additions and alterations coverage (interior structural items and wall/floor/ceiling coverings) in the unit owner's own name.

FEMA's Response: Adopted/Action Underway

Explanation: In the proposed SFIP revision, we have added the recommended change.

Issue: Reduction in waiting period for flood insurance policies

Respondent's Recommendation(s):

Several respondents recommended that FEMA shorten the waiting period for flood insurance policies from the present 30-day period. The recommended waiting periods ranged from 5 to 21 days. The respondents indicated the imposition and application of the waiting period to property owners in these situations was inconsistent with the basic objective of the waiting period. The

FEMA's Response: Assigned For Further Study

Explanation: FIA will in FY 2000 determine whether, during next year's legislative review, it would be appropriate to recommend that the agency seek a reduction in the statutory 30-day waiting period before flood insurance becomes effective.

Coverage

Issue: Reduction in waiting period for flood insurance policies

applicability of the waiting period was intended to serve congressional intent to prevent abuse (i.e., property owners would purchase insurance only when a flood was imminent) and to facilitate lender compliance with the mandatory purchase of flood insurance. The 5-day waiting period was extended to 30 days to halt flood insurance sales immediately before an impending flood. The rule establishing the 30-day waiting period is found in the *Flood Insurance Manual* in the General Rules section on pages GR 7-9. NFIP customers do not recognize the need for flood insurance, and are not aware of its impact when an extended period like 30 days is imposed. The purchase of catastrophe coverage (which is what flood insurance obviously is) is generated by the threat of flooding within a reasonable measurable period of time. Thirty days has proven to be too long and negatively affects the sale of flood insurance at times when its protection is needed.

Issue: Waiver of waiting period for RCBAP

Respondent's Recommendation(s):

Waive the waiting period for an RCBAP when the mortgagees who hold mortgages for association unit owners require evidence of the condominium association flood coverage. Although there is no mortgagee on the association policy, the impact of the RCBAP coverage for the unit owners is the same "in connection with making, increasing, extending, or renewing the loan..." Furthermore, an individual Dwelling Policy purchased by the unit owner would not afford the same extent of protection provided by the association's RCBAP.

FEMA's Response: Adopted/Action Underway

Explanation: In FY 2000, FIA will issue clarification to the 30-day waiting period exemptions as they affect condominiums.

Coverage

Issue: Changes in mandatory purchase requirements to replacement cost or maximum amount of insurance available

Respondent's Recommendation(s):

The amount of insurance required in the mandatory purchase rules is the amount of the mortgage. Many times, this figure would be inadequate for proper insurance protection and is not consistent with the amounts of insurance carried in the homeowners or commercial property policies. Require that the amount of insurance be the replacement cost of the property or the maximum amount of flood insurance available, whichever is lower.

FEMA's Response: Assigned For Further Study

Explanation: FIA referred this issue to the Lender Compliance Work Group for review and recommendation. FIA also will include the issue of mandatory purchase coverage amounts in the NFIP assessment study targeted for FY 2000.

I Federal Insurance Administration

6 Lender Compliance

FEMA's NFIP Call for Issues Status Report
June 2000

Lender Compliance

Issue: Flood insurance coverage for all federally backed mortgages

Respondent's Recommendation(s):

1. Undertake an effort to more accurately determine the number of structures/households at risk of flooding throughout the nation, both in and out of SFHAs.
2. Seek to amend NFIP laws so that flood insurance is required for all Federal or federally related financial assistance to improved real property, regardless of location.

Such a simple change to the law would provide for a more universal mandating of flood insurance. This would eventually lead to a substantial broadening of the numbers of properties protected by flood insurance, which would likely parallel the numbers of properties protected by fire insurance, about 40 to 50 million properties. In addition, lenders would no longer have to use the flood insurance maps or property locator services, and would likely act more uniformly in requiring flood insurance, as they could simply treat it like fire insurance. The maps and the need to determine the location of every property being mortgaged have been the largest single obstacles in the way of uniform lender compliance with flood insurance requirements and a significantly increased flood insurance policy base.

Broadening the policy base should also provide more flexibility in the NFIP's risk-based rating because there would be a much broader spread of risk among properties of all degrees of risk. This would largely eliminate the severe adverse selection underwriting problem that exists in the NFIP, due to the focus on SFHAs. Such a change would also significantly reduce the number

FEMA's Response: Assigned For Further Study

Explanation: FIA will conduct a study to accurately determine the number of structures at risk from flooding (both in and out of the SFHA) in FY 2000 using existing data.

FIA will also investigate whether to amend the NFIP laws by removing the limiting of the mandatory purchase focus to SFHAs alone and requiring flood insurance for all federally related real property improvements. This will be done as part of the overall NFIP assessment study that will begin in FY 2000.

FEMA has asked the U.S. Congress for increased borrowing authority. The issue of requiring flood insurance in B, C, and X zones is among the issues that FIA will consider as part of an overall NFIP assessment study that will begin in FY 2000.

Lender Compliance

Issue: Flood insurance coverage for all federally backed mortgages

of uninsured flooding victims, and their corresponding need for Federal financial disaster assistance.

Issue: Lender submittal of annual certification

Respondent's Recommendation(s):

Federal law should require that lenders annually verify that flood insurance is in force when it is required to comply with the mandatory purchase requirement. Properties no longer covered by flood insurance should not be eligible for Federal aid or Federal loans. These lenders should be able to terminate the loan agreement if flood insurance is not in force. An alternative is to offer rate incentives to encourage people to keep their Policies in Force. Examples are: 1) Years In Force credit and 2) Loss-free credit.

FEMA's Response: Assigned For Further Study

Explanation: Title 42 U.S.C. 401a(b)(1) directs Federal regulators to adopt regulations requiring the lenders subject to their jurisdiction to compel borrowers to purchase flood insurance protecting any "improved real estate or mobile home" located in an Special Flood Hazard Area (SFHA), if the building, mobile home, and any applicable personal property securing such loan is to be the security for the loan. While the 1973 Act only required the purchase of flood coverage, the 1994 Reform Act clearly specifies that flood insurance is required for the term of the loan, or any time during the term of the loan when the lending institution determines that the building or mobile home is located in an SFHA. On a regularly scheduled basis, Federal regulators conduct bank examinations to determine a banking institution's level of compliance with the mandatory flood insurance purchase requirement.

Regarding eligibility for Federal aid, Section 582 Prohibited Flood Disaster Assistance provides that no Federal disaster relief can be made available in a flood disaster area to a person, if that person at any time has received flood disaster assistance that was conditional on the person first having obtained flood insurance under applicable Federal law and subsequently having failed to obtain and maintain flood insurance as required under applicable Federal law on such property.

Lender Compliance

Issue: Lender submittal of annual certification

The terms and conditions of the mortgage agreement fully describe the rights and conditions of the parties in reference to lenders terminating a loan agreement if flood insurance is not in force.

Regarding rate incentives, FIA will not consider because the risk does not change.

Issue: Extension of borrower response time to lender determination

Respondent's Recommendation(s):

The legislation should be changed to provide additional time for a homeowner to react. Presently, 45 days are allowed, but obtaining FEMA maps and other supporting documentation and evidence can take several days.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: It is the belief of the FIA that an extension beyond the current 45 days would further extend the period of time that the subject risk remains uninsured. FIA will discuss with the National Lenders Insurance Council (NLIC), Federal Regulators and National Flood Determination Association (NFDA) in FY 2000 to determine if this is a large-scale problem.

Issue: Placement of burden of proof for determination on FEMA and FZD Company

Respondent's Recommendation(s):

The burden of proving a property's location relative to the SFHA should be placed upon the Federal agency and the map determination company rather than the local government or individual homeowner.

FEMA's Response: No Further Action Required

Explanation: The law placed the burden on FEMA to designate flood areas on maps, and required regulatory and nonregulatory agencies to require their lenders to determine whether the property is in or out of a special flood hazard area. FEMA has established an appeals process to assist the homeowner who disputes a determination.

Lender Compliance

Issue: Exemption for federally defined “Abundance of Caution” loans from flood insurance coverage

Respondent’s Recommendation(s):

Federally defined “Abundance of Caution” loans should be exempted from flood insurance coverage.

FEMA’s Response: No Further Action Required

Explanation: FIA will not follow this suggestion because it is contrary to the intent of the law. The act looks to the collateral securing the loan, not to the purpose of the loan. If the lender takes a security interest in improved real estate, the Regulation applies without regard to the purpose of the loan.

Issue: Changes in lender requirements for lenders to check flood status

Respondent’s Recommendation(s):

Eliminate requirement to check flood status for anticipated annual renewals, short-term extensions, and change in terms shortly after a loan is made.

FEMA’s Response: No Further Action Required

Explanation: FZD companies offer life of loan service to discover a change in flood hazard status, thereby minimizing administrative burden for the lender or service. Assuming the requirements in section 528 are met and the lender made the first mortgage, then a new determination would not be necessary. FIA cannot dictate bank transactions; the banks must weigh the burden and determine which services meet their specific needs.

Lender Compliance

Issue: Changes in Federal lending regulations regarding checks of flood status

Respondent's Recommendation(s):

The regulations implementing Section 102(b) of the Act should be clarified to require Federal lending regulators to require regulated lenders, expressly, to follow procedures necessary to comply with the Act, such as performance of flood checks where appropriate and monitoring of renewals of required flood insurance policies. Citations in an examination report of an institution for violation of the requirements to follow such procedures would help ensure compliance by the institution with the mandatory flood insurance requirements. In addition, such citations would serve to alert the institution's senior management to deficiencies in the institution's procedures that could lead to the assessment of Civil Monetary Penalties (CMPs) against the institution.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will suggest appropriate language to regulators in FY 2000, because FEMA has no regulatory power. Legally, the specific responsibility for §102 lies with each Federal Agency under the jurisdiction of law. FIA supports assisting in the development and holding of hearings.

Issue: Clarification of guidelines for making "pattern or practice" determination to assess CMPs

Respondent's Recommendation(s):

Section 102(f) of the Act should be clarified with respect to guidelines for making a "pattern or practice" determination. Such guidelines should establish a reasonable threshold for assessment of CMPs in terms of the percentage of a bank's loans subject to the flood insurance requirements for which flood insurance in the required amount for the property securing the loan is not in place.

In addition, the ability of an institution to detect and take steps to correct deficiencies in its compliance with the mandatory flood insurance requirements prior to an examination by the Federal lending regulator should weigh heavily against the imposition of CMPs.

FEMA's Response: Assigned For Further Study

Explanation: In FY 2000, FIA will raise this regulatory concern with both the regulatory and nonregulatory agencies to consider language that would clarify "pattern or practice."

Lender Compliance

Issue: Escrow of premium payment into monthly payments and notification of mortgagees when policy is close to expiration

Respondent's Recommendation(s):

Allow flood premiums to be escrowed by the mortgagee to divide the premium payment into manageable monthly payments. The NFIP should provide a notice to the mortgagee when the flood insurance policy is close to the expiration date to give the mortgagee the opportunity to renew the policy and protect their property.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Escrowing is at the lender's discretion based on loan documents. The requirement to escrow is limited to instances where a lender establishes an escrow account for a loan for another purpose (NFIRA). The mandatory purchase law also states that escrow accounts established under the Act are subject to the escrow provisions of RESPA. FIA encourages escrowing where applicable.

Forty-five days prior to the policy expiration date, the NFIP mails a Renewal Premium Notice to the insured and interested parties (if the payer), or other payer, if any. If the renewal and premium are not received by the NFIP by the date of expiration, an Expiration Notice is mailed to the agent, insured, and mortgagee. The Expiration Notice advises the mortgagee that protection under the policy shall continue after the expiration of the policy for 30 days from the mailing date.

Lender Compliance

Issue: Improved enforcement of lender compliance policies

Respondent's Recommendation(s):

Improve and increase the monitoring of compliance by mortgage lenders.
Increase public education about this requirement.

FEMA's Response: Assigned For Further Study

Explanation: FIA is coordinating with Lending Regulators to determine how to improve enforcement within the lending community. To determine the extent of compliance, FEMA has formed a working group that will undertake a study of this issue. The Government Accounting Office has also been tasked by Congress to review lender compliance. No start date has been set.

Issue: NFIP responsibility for FZD process

Respondent's Recommendation(s):

Make the NFIP responsible for all zone determinations (for insurance rating purposes). Mandate that the responsibility for accurate zones be assigned to the NFIP. Rates for flood policies are based on correct zones, but there is concern that incorrect zones are being used. Because the Government creates the maps, they should maintain responsibility for insuring accurate zones. This would also assist with the CBRS issue and may move the program closer to being actuarially sound.

FEMA's Response: No Further Action Required

Explanation: Because this is an underwriting responsibility of the WYO Companies, map digitization should make this an easier task for the WYO Companies, but it will still remain WYO company responsibility. There is already an established industry that provides the services of flood zone determinations.

Lender Compliance

Issue: Improvement of FZD process for contracted firms

Respondent's Recommendation(s):

Consider whether suggested standards for the performance of flood determinations would be appropriate. It is not recommended that FEMA set up a bureaucracy or regulations for these entities, but rather that standards for the tests would give lenders more assurance that determinations are accurate.

FEMA's Response: No Further Action Required

Explanation: FZD have formed an association (NFDA) that is looking into certification and standards for the industry. FEMA will work with the NFDA to create a certification program in FY 2000 that will include performance instructions and an evaluation scheme. FEMA will also post more information on its Web site to assist consumers, lenders, and others in reading and using FEMA FIRMs. Videotapes and other methods for educating people about flood maps will also be explored.

Issue: Handling of expired policies

Respondent's Recommendation(s):

Establish a mechanism to identify policies written to close mortgage loans that expire at renewal.

FEMA's Response: Assigned for Further Study

Explanation: In FY 2000, FIA will investigate the feasibility and available means to implement the recommendation.

Issue: Improved cooperation between insurance companies/agents and lenders

Respondent's Recommendation(s):

Have lender and insurance company guidelines correspond with each other.

FEMA's Response: Assigned For Further Study

Explanation: FIA will investigate further in FY 2000 and also confer with the NLIC to determine the extent of the problem for the lending industry.

Lender Compliance

Issue: Changes in LODR processing

Respondent's Recommendation(s):

Allow either borrower or lender to unilaterally request a LODR from FEMA, without the joint request of the other party. It is recommended that the non-requesting party be notified of FEMA's review and results.

FEMA's Response: No Further Action Required

Explanation: NFIRA was written to encourage the borrower and the lender to work out their differences before coming to FEMA as the final arbiter.

Issue: Replacement cost coverage guidelines

Respondent's Recommendation(s):

The NFIP guidelines should be revised to reflect replacement cost coverage on the first lien to protect all lenders lending against the structures' value. An alternative might be to allow "contributing insurance," i.e., more than one policy in place, which is currently prohibited. This would allow the lienholder to force place coverage when the borrower refuses to increase limits (in the case of underinsurance) to cover the value of all the liens, up to 100 percent of replacement costs.

FEMA's Response: Assigned For Further Study

Explanation: FIA referred this issue to the Lender Compliance Work Group for review and recommendation in late 1999. FIA will also include the issue of mandatory purchase coverage amounts in the NFIP assessment study targeted for FY 2000.

Issue: Lender provision of FZD information to consumers/agents

Respondent's Recommendation(s):

Lenders should provide the consumers/agents with flood zone determination information to make writing the policies less costly and faster to process.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will encourage in FY 2000 lending regulators to require lenders to provide zone information to consumers, because consumers have, in most cases, already paid through the mortgage loan process. This information should also be available to consumers on (some) plat surveys. The WYO

Lender Compliance

Issue: Lender provision of FZD information to consumers/agents

company and FZD Companies are still responsible for ensuring they provide accurate underwriting. While this is not a requirement, this information can be provided upon request.

Issue: Insurance and disaster assistance in non-participating communities

Respondent's Recommendation(s):

The Act should be changed to remove the word “special” from the lender requirements, and, instead, require flood insurance in flood hazard areas as long as the community is participating the program. If the community is not participating, then no flood insurance and no flood disaster assistance is available. Require *Project Impact* communities to require flood insurance for all properties. For communities with 100 percent coverage, provide a special credit in the form of discounts.

FEMA's Response: Assigned For Further Study

Explanation: FIA will use the ongoing NFIP effectiveness study to look at removing the word “special” from the lender requirements. In FY 2000, FIA will need to examine whether this is feasible with Congress.

FIA will in FY 2000 refer to the CRS Task Force the issue of whether a community can be given CRS rating discounts for 100 percent community coverage. Activities, flood insurance coverage for all properties, etc., in *Project Impact* communities cannot be required because it is a voluntary program.

Issue: Impact of NFIP procedures on lending industry expenditures

Respondent's Recommendation(s):

Do not make further changes in the NFIP that would require additional changes to lender loan servicing requirements. System continuity should be the primary issue. Small changes could entail further expenditures, particularly in computer programming, and could require deferral of other

FEMA's Response: Adopted/Action Underway

Explanation: While sensitive to the impact of changes to the NFIP on the private sector, FIA will continue to weigh the costs and benefits of changes to the program, especially those that may impact Y2K compliance.

Lender Compliance

Issue: Impact of NFIP procedures on lending industry expenditures

projects. This concern is particularly relevant now that the banking industry is devoting considerable computer resources to ensuring Y2K compliance.

Issue: Examination criteria for lenders

Respondent's Recommendation(s):

Work with the various regulatory agencies to improve the level of compliance by making flood zone determination accuracy a required examination criteria.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA has participated with the NFDA to develop a standards and accreditation system for their members. The suggested product, a Certification Program, was unveiled at the NFDA Conference in March 2000. FIA will also investigate working with regulators in this area in FY 2000 to create a checklist to encourage FZD company accuracy.

Issue: Increased flexibility of MPPP

Respondent's Recommendation(s):

The MPPP policy should allow for coverage to be bound effective from the notification of an exposure, and contingent upon completion of the defined letter cycle parameters. Additionally, the flexibility of the existing letter cycle should be modified to indicate that the notice cycle should be completed within a specified time frame (i.e., 60 days), rather than dictating the specific terms. The number of letters in the notice cycle should be reduced from 3 to 2. Furthermore, we suggest that the legal language required in the letter be

FEMA's Response: No Further Action Required

Explanation: FIA will not adopt the recommendation because: 1) the 45-day time period allows the borrower to get flood insurance on their own; 2) FIA does not recommend this change because keeping the number of letters at three protects the borrower and gives them time to purchase flood insurance on their own; and 3) FIA is not in competition with Lloyd's. The rates are deliberately high to discourage forced placement.

Lender Compliance

Issue: Increased flexibility of MPPP

minimized so that the communication can be more borrower- or insured-friendly. The existing MPPP and Lloyd's of London rates should be reviewed to ensure the MPPP policy remains a competitive option in the marketplace.

Issue: Clarification of "affected area" for which lenders may charge for FZD

Respondent's Recommendation(s):

Parts 59.1, 65, and 70 of the NFIP regulations should identify "affected area or areas" as limited to those map panels which have had the SFHA changed. A letter should be sent to the regulators notifying them of this clarification and asking them to forward the information to the lenders they regulate. This would require FEMA and the NFIP to provide clear instructions to lenders so they can quickly identify which map panels they should be looking at. Where possible, the lenders should only do determinations in the vicinity of the changed SFHAs.

FEMA's Response: Adopted/Action Underway

Explanation: The mandatory purchase of Flood Insurance Guidelines recommends that lenders review their loans located within the geographic area(s) impacted by the changes as printed in the compendium of FIRM panel changes. FIA will consider revising the regulations in FY 2000 to define "affected areas" more clearly.

Issue: Uninsured flood damage resulting from lender non-compliance

Respondent's Recommendation(s):

Amend or adopt new legislation regarding the mandatory flood insurance purchase requirement to convey a private right of action to borrowers who suffer uninsured flood damage that would have been covered under the SFIP if the lender imposed the insurance as required.

FEMA's Response: Assigned For Further Study

Explanation: Through the comprehensive NFIP evaluation study to begin in FY 2000 and other analyses of lender compliance to be conducted in FY 2000, FIA will learn how widespread the problem is and whether a legislative initiative such as this is necessary.

Lender Compliance

Issue: Federal and non-Federal audits of mortgage lenders

Respondent's Recommendation(s):

The Single Audit Act and government auditing standards require audits of “financial assistance” and compliance with applicable laws. When a Federal or non-Federal audit involving Federal funds is conducted, the auditor is required to provide audit coverage of all Federal programs that meet certain OMB guidelines. Audits of mortgage lenders could include procedures to review loans that require flood insurance. These procedures could be patterned after FEMA’s current Disaster Assistance Single Audit Compliance Requirements and Suggested Audit Procedures. Inclusion of appropriate audit procedures would identify uninsured risks at minimal additional cost. The audit process could supplement the back-end review of uninsured losses to reduce the number of uninsured risks.

FEMA's Response: Assigned For Further Study

Explanation: FIA will initiate two studies regarding NFIP lender compliance in FY 2000: 1) one will be part of an overall NFIP assessment; and 2) the other will be a stand-alone study. FIA will review the Single Audit Act in FY 2000, and whether it applies to the Mandatory Purchaser Requirements. FIA will also raise the issue with the Federal Financial Institutions Examination Council (FFIEC) in FY 2000.

Issue: Calculation of minimum insurance required

Respondent's Recommendation(s):

The calculation formula should be revised in the law or by appropriate regulation or policy to provide more specificity and to ensure the bank will be fully covered in the event of a disaster.

FEMA's Response: No Further Action Required

Explanation: FIA will in FY 2000 refer to FFIEC (payment is based on the amount of coverage they acquired). This would require a legislative change based on loan documents. Lenders have the option to require more than the minimum established by law.

Lender Compliance

Issue: Payment of loss payees

Respondent's Recommendation(s):

Compliant lenders listed as loss payees should be paid before non-compliant lenders when disasters occur.

FEMA's Response: Assigned For Further Study

Explanation: FIA will review in FY 2000 whether a compliant lender can be paid before a non-compliant lender.

Issue: Lender notification requiring LOMAs or LOMRs

Respondent's Recommendation(s):

A mechanism or a note should be included in the original transaction or property deed to: 1) identify the flood hazard classification; and 2) as an advice of an existing LOMR determination. This note should only be used for quick identification of a flood hazard determination for a specific property, and should not automatically remove the flood insurance requirement until the determination is corroborated and updated. This is only to expedite the research that the property owner should do to investigate the flooding condition of the property. In case of a new owner, this would help clear up any decision to be made previous to continuing the transaction. There should also be a new subsection indicating that the lending institution must include a note in the property deed stating the property's zone designation; any LOMC determinations; and the dates of such determinations, if any. This would expedite any research about the property's flood hazard determination for any future transactions and provide borrowers with information [about the determination].

FEMA's Response: Assigned For Further Study

Explanation: FIA will contact the American Bar Association Property Law Committee in FY 2000, and determine whether other information could be included, i.e. the specific elevation of a structure. FEMA has produced the LOMA 2000 (a 1-page form, versus the letter), available online.

Lender Compliance

Issue: Use of technical evidence from local officials in FZD process

Respondent's Recommendation(s):

Revise procedures so that map determination companies are allowed to accept credible technical evidence from local government officials regarding the determination of flood insurance purchase requirements.

FEMA's Response: Adopted/Action Underway

Explanation: FZD companies may use all available data to augment but not substitute for the NFIP maps provided by FEMA to delineate flood insurance risk zones. FEMA does not regulate FZD companies.

Issue: Addition of flood insurance premiums to property tax bills

Respondent's Recommendation(s):

Provide information about a property's flood risk to county clerks to reduce costs and provide property owners with information about a property's risk. The flood risk determination would appear on a property's tax bill, next to its tax identification number. This would also prevent properties not financed from falling through the cracks and being unprotected from flood risks.

FEMA's Response: No Further Action Required

Explanation: The U.S. Congress created the NFIP in 1968 in the face of mounting flood losses and escalating costs of disaster relief to the general taxpayers. Prior to the Act of 1973, property owners could make their own decisions whether to purchase flood insurance. Although the intent of the statute is to require borrowers to purchase flood insurance, the Act's directives and prohibitions are directed to federally regulated primary lenders and secondary market entities involved in mortgage loan transactions. The law requires Federal agency lenders and regulators to develop regulations to direct their federally regulated lenders not to make, increase, extend, or renew any loan on applicable property unless flood insurance is purchased. The lending community has the vested interest in improved real estate and this is where the Federal interest lies for the protection of their investments through insurance against all hazards, including flood insurance.

Lender Compliance

Issue: Extension of property owner's timeframe to contest lender determinations

Respondent's Recommendation(s):

To avoid a burden to property owners and their financial institutions and possible damage to client/bank relationships, there should be a 60-day grace period after each remapping for rebuttal by affected property owners prior to the beginning of the 45-day force placement period. As both the property owner and financial institution are required to request a review by FEMA, both should be informed of FEMA's decision.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: It is the belief of the FIA that an extension beyond the current 45 days would further extend the period of time that the subject risk remains uninsured. FIA will discuss with the NLIC, Federal Regulators and NFDA in FY 2000 to determine if this is a large-scale problem.

Issue: FEMA-approved FZD

Respondent's Recommendation(s):

To ensure consistency, FEMA or the NFIP should make all determinations before the loss occurs. Alternatively, endorse approved zone determination companies.

FEMA's Response: No Further Action Required

Explanation: FEMA does not believe it would be appropriate for FEMA staff to make initial determinations, as there is already an industry that provides such services. The U.S. Congress rejected a suggestion to require standards for making flood zone determinations in view of allowing competition in the marketplace. Additionally, FEMA's digital mapping program will make flood risk information readily available and accessible to the public. FEMA has no legislative authority to regulate FZD companies; however, the NFIP does maintain a list of FZD companies, as a source of reference only, not for the purpose of endorsement. FEMA has established a partnership with the NFDA and other concerned parties to address mapping issues that contribute to the number of inaccurate flood zone determinations.

Lender Compliance

Issue: Clarification of loan transactions as “the making of a new loan”

Respondent’s Recommendation(s):

Modify legislation/regulations to identify home equity, second mortgage, and refinance loan transactions as “the making of a new loan.”

FEMA’s Response: Will Not Adopt/Other Actions To Be Taken

Explanation: In order to fulfill statutory requirements, the Federal Regulatory Agencies issued a joint final rule for Loans in Areas Having Special Flood Hazards. The joint final rule addresses which types of loans serve as a “tripwire” for compliance with the flood insurance purchase requirements. Home equity, second mortgages, and loan refinancing are defined as “designated loans” that are subject to the Act.

Issue: “Out as shown” letters

Respondent’s Recommendation(s):

Expand provisions to include letters designating a structure as “Out as Shown” as an acceptable way to change the map or overturn a determination, or eliminate this type of letter and include in the LODR process.

FEMA’s Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA has referred this to another FEMA office for action in FY 2000.

Lender Compliance

Issue: County official involvement in property transfer

Respondent's Recommendation(s):

The county registrar of deeds or similar official should require proof of flood insurance before a property could be transferred, and unpaid premiums should be a lien against the property. Thus, all future sales of property in flood hazard areas would be required to carry flood hazard protection through the NFIP.

FEMA's Response: No Further Action Required

Explanation: The intent of the statute is to require borrowers to purchase flood insurance in SFHA's; however, the statute's directives and prohibitions are directed to federally regulated primary lenders and to secondary market entities involved in mortgage loan transactions. The lending community has the vested interest in improved real estate; the compliance aspect of the NFIP rests with them.

Issue: Local government entity authority over flood insurance purchases

Respondent's Recommendation(s):

The NFIP should be implemented by a government entity and that entity be given authority to assure that flood insurance is purchased and reviewed.

FEMA's Response: No Further Action Required

Explanation: In 1968, flood insurance coverage was virtually unavailable in the private sector. The private insurance industry was then, and remains now, largely unwilling to underwrite and bear the risk of flood because of its catastrophic nature. Consequently, the U.S. Congress decided to provide coverage through a Federal flood insurance program to help reduce the costs of expensive disaster relief payments.

The history of flooding has indicated that there would not be a stable market for flood insurance outside of the Federal Government because of the purported adverse selection of the most desirable risks.

I Federal Insurance Administration

7 Rates

Rates

Issue: Change/eliminate grandfathering of rates

Respondent's Recommendation(s):

Several respondents recommended changing or eliminating the grandfathering rules for rating structures.

FEMA's Response: Assigned For Further Study

Explanation: An inquiry was submitted by FIA to the IBHS Flood Committee for technical assistance in reviewing the practice of grandfather rating of a policy based on an older map. Grandfathering was partially eliminated for PRP. The experience with that effort over the last year will be studied for how easily other grandfathering could be eliminated. Although limited to zone changes only, and not BFE changes, Q3 data will be used to study the impact of current grandfathering rules. The public policy aspects of grandfathering will be examined by FIA in FY 2001.

Issue: Quality control program to monitor accuracy of flood zone ratings

Respondent's Recommendation(s):

The most effective tool in the administration of local floodplain management laws is to deter unwise development through actuarial rating of flood insurance policies. A better system of review of policy rating must be established to insure that a development is properly rated.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA will investigate the expansion of our use of computer verification of zone rating based on digitized map and geocoded property in FY 2000. In the mean time, there are a number of efforts that already address this Issue. Routinely, geocoded property data are now matched with risk zone information to edit eligibility for PRP and for NFIP coverage in CBRA areas. Particular efforts were undertaken in the past year to use address software to edit and improve property address information submitted with policy data, which will make geocoding more accurate. FIA's condominium inspection program was implemented to examine post-FIRM properties. As it enters into

Rates

Issue: Quality control program to monitor accuracy of flood zone ratings

its second phase, FIA is contemplating using it to examine pre-FIRM properties also. In addition, operational reviews of WYO company underwriting and claims procedures were reinstated.

Issue: Common building/contents deductible on policies

Respondent's Recommendation(s):

Create a common building/contents deductible. This would make the NFIP policy more similar to the standard homeowners policy.

FEMA's Response: No Further Action Required

Explanation: This Issue was addressed by the FIA Committee working on the SFIP, which determined that the mandatory purchase of flood insurance is for building coverage only, and it is not practical to provide automatic contents coverage. Without such coverage, a single deductible would not be appropriate.

Issue: Consideration of risk-based rating system

Respondent's Recommendation(s):

Decide whether the percentage of properties at risk from flooding that currently have flood insurance is adequate, and whether that base of insureds, together with the current rate of growth on that base, is adequate to satisfy the intent and purposes of Congress when they created and expanded the NFIP.

If not, decide what percent of properties at risk should be insured under the NFIP and when. If that time frame is less than 30 years then consider other alternatives to the current complicated rating system. One alternative would be to develop a system that continues to be risk-based, but not map-based.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA is developing an overall plan in FY 2000 for evaluating the NFIP and addressing various public policy Issues. This Issue is one that will be incorporated into that structure. There are currently technical solutions that reduce the need to read maps. The best continued use of the risk information represented on the maps depends in part on the availability of funding to adequately keep the information up to date. The data for a building's lowest floor elevation, the other important risk indicator that introduces some complexity in the rating process, may also be subject to some

Rates

Issue: Consideration of risk-based rating system

Freeing up the agents and companies from the need to use maps in order to underwrite a risk would both simplify the system and go a long way towards normalizing the NFIP along the lines of other forms of property insurance. This creates a positive atmosphere with agents, which serves as an incentive for agents to treat and promote flood insurance the same as other forms of insurance. A task force could be assembled to review the option and determine its feasibility. The task force should be made up of FEMA and non-FEMA individuals with underwriting claims experience, property insurance rating background, and experience with, at a minimum, WYO company and insurance agent representation.

technical solutions, but they have not as yet been developed to the same extent as the map data. A set of pilot rating alternative demonstration projects will be undertaken in FY 2000.

Issue: Collection of Elevation Certificate at closing

Respondent's Recommendation(s):

Develop procedures with lenders so Elevation Certificates, which should be available to owners, are secured at the time of loan closing,. This would reduce the costs people incur to purchase flood insurance.

FEMA's Response: Other

Explanation: FIA is developing an overall plan in FY 2000 for evaluating the NFIP and addressing various public policy Issues. This Issue is one that will be incorporated into that structure. There are currently technical solutions that reduce the need to read maps. The best continued use of the risk information represented on the maps depends in part on the availability of funding to adequately keep the information up to date. The data for a building's lowest floor elevation, the other important risk indicator that introduces some complexity in the rating process, may also be subject to some technical solutions, but they have not as yet been developed to the same extent as the map data. A set of pilot rating alternative demonstration projects will be undertaken in FY 2000.

Rates

Issue: Preemption of rebating and surcharges

Respondent's Recommendation(s):

Preempt both surcharges and rebating levied by States or local governments.

FEMA's Response: Assigned For Further Study

Explanation: FIA has dealt with the matter of surcharges through language in the arrangement, in the hope that States and municipalities would accept such language and not levy companies with surcharges beyond State premium. That has been effective in most cases, though certain additional surcharges remain in place. Consideration was given to a legislative amendment to clearly preempt the program from such levies. It was removed from proposed legislation, though there is some thought that additional legislation is not required in order to pursue preemption. Before a final decision on preemption is made, the FIA needs to understand all the possible program ramifications of such a decision.

On the matter of rebating, FIA has refrained from addressing it directly on the basis of the conclusion that it is primarily a State regulatory matter.

Issue: Simplify rates structure to only with/without enclosure (no reference to equipment)

Respondent's Recommendation(s):

Simplify the rating structure so that there are only two different rates for an elevated building, depending upon whether there is an enclosure. This rating structure would mirror the with/without basement rates currently in place.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: As long as the NFIP covers the machinery and equipment, FIA believes that it is necessary to obtain information pertinent for rating. However, whether and how much such coverage should be provided in enclosures, considering the coordination of insurance coverage and disaster

Rates

Issue: Simplify rates structure to only with/without enclosure (no reference to equipment)

relief coverage and how insurance coverage should best be balanced with floodplain management objectives, will be included in the overall NFIP assessment project in FY 2000.

Issue: Phase out subsidy for flood policy after two or more losses

Respondent's Recommendation(s):

Remove the subsidy after the cumulative of both structure and contents claims paid exceeds a certain percentage of the structure's value, or after two or more losses.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA's repetitive loss strategy in FY 2000 includes rulemaking and legislation to charge full-risk premiums if a property owner refuses mitigation assistance under HMGP or FMA.

Issue: Standards for nonsupporting breakaway walls

Respondent's Recommendation(s):

Either change the standard and remove "nonsupporting breakaway wall" and add "open lattice work or insect screening only," or add a note in parentheses "(nonsupporting breakaway wall encompassing 300 square feet or more will significantly increase cost of flood insurance)."

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Buildings that are compliant with minimum NFIP standards can still represent different degrees of insurance risk. Therefore, FIA does not believe that there is necessarily an inconsistency in differentiating the insurance rates. The example provided by the submitter is the charging of higher rates for large enclosures (greater than 300 square feet) constructed with solid breakaway walls. A new coastal construction manual is currently under development. FIA will look at the entire Zone V rating system in light of that new manual in FY 2000.

Rates

Issue: Resolution of inconsistencies between insurance and floodplain standards

Respondent's Recommendation(s):

Undertake a careful review of the NFIP rules and regulations to look for requirements that are vague or inconsistent with the insurance aspects of the NFIP or are not enforceable.

Inconsistencies remain between the insurance and the regulatory side of the NFIP. For example, Section 60.3(c)(5) of the regulation states that enclosures below the lowest floor of an elevated building must either meet the opening requirements or the enclosure's design must be certified by a registered Professional Engineer. The *Flood Insurance Manual* only recognizes the opening requirements. Also, Section 60.3(e)(5) does not contain a limitation on the size of the space below a building's lowest floor. However, the *Flood Insurance Manual* requires that, where such space exceeds 300 square feet, the building must be submitted for rating.

FEMA's Response: No Further Action Required

Explanation: FIA agrees that inconsistencies should be resolved and will continue to do so. However, the two examples submitted for consideration do not appear to be inconsistent. Considering the size of an enclosure in insurance rating is not inconsistent with floodplain management regulations that allow enclosures of any size. FIA believes that there are differences in risk even among the allowable building practices. The other example relates to openings in enclosures and whether the insurance criteria appropriately recognize both standard and specially engineered openings. The insurance rating criteria do recognize both possibilities for openings.

Issue: Use of Diagram #8 on Elevation Certificates for structures with crawl spaces in winter climate areas

Respondent's Recommendation(s):

A new interpretation of flood regulations has caused crawl spaces to be rated as basements. Engineers use Diagram 2, Section C, Paragraph 1 of the Flood Elevation Certificate (FEMA Form 81-31), not Diagram 8 for this type of construction. Rating a crawl space as a basement causes a significant increase in flood insurance premiums. ICC coverage, effective June 1, 1997, states that a basement is described as any area of a building with its floor subgrade (below ground level) on all sides.

FEMA's Response: No Further Action Required

Explanation: The new FEMA Elevation Certificate makes it clear that a crawl space that is below grade on all sides is a basement under FEMA rules and that diagram #2 should be used. This is not a new interpretation. We have re-evaluated the risk that this type of construction presents, and have developed specific rates for it. These rates have been given to insurance companies and are lower than the rates that apply to other types of basement buildings.

Rates

Issue: Insurance premiums for policies purchased before map becomes effective

Respondent's Recommendation(s):

Change regulations so that insurance premiums will not change if flood insurance is purchased before a map becomes effective.

FEMA's Response: Other

Explanation: The NFIP currently follows this practice for post-FIRM buildings built in compliance with the superceded map and for policies where there is no break in coverage. Since May 1998 there is an exception to this; i.e. buildings covered by Preferred Risk Policies must still be located in an X zone upon renewal to maintain the lowest rate. Otherwise, they must at least be rated with the standard X zone rates. We will be looking at other appropriate grandfathering rule changes once we have examined the experience with the PRP change in FY2000.

Issue: Premium rate structure based on true risk and loss history factors

Respondent's Recommendation(s):

The rate that a homeowner pays for insurance should be relative to the risk factor. This risk factor is less in areas that have been filled to or above the BFE compared to areas that are below the BFE. Also, publish regulations to restructure premiums based on the true risk and loss history, as other insurance is.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: A number of risk factors are considered in rating flood insurance policies in addition to the flood risk zone. Most notable is the elevation of the building relative to the BFE. This risk factor is used for post-FIRM construction in most SFHAs. Pre-FIRM structures can also optionally be rated using this elevation factor if doing so produces a lower insurance rate. FEMA's repetitive loss strategy includes rulemaking and legislation to charge full-risk premiums if a property owner refuses mitigation assistance under FEMA's HMGP or FMA. Those rulemaking and legislative proposals will be pursued in FY 2000.

Rates

Issue: Insurance policy rates for pre-FIRM structures

Respondent's Recommendation(s):

Lower pre-FIRM insurance rates and market flood insurance to pre-FIRM property owners. This, along with greater use of ICC coverage, will lower disaster costs and hasten the conversion of pre-FIRM structures to compliant, post-FIRM structures.

FEMA's Response: No Further Action Required

Explanation: FIA is mindful of the issue of affordability versus rate adequacy for pre-FIRM structures. This class of business, on average, pays only about 38 percent of the estimated full-risk premiums. FIA will continue to explore options and make adjustments to the NFIP that contribute to the objectives of equitable distributing of flood recovery costs among those insured and the general public and encouraging appropriate use of the floodplain.

Issue: Mandatory purchase requirement for new structures in riverine erosion hazard zones

Respondent's Recommendation(s):

There should be a mandatory insurance purchase requirement for newly constructed structures in riverine erosion hazard zones. In the most dangerous erosion hazard areas, consideration should be made of not allowing insurance coverage for new structures.

FEMA's Response: Assigned For Further Study

Explanation: A study by the Heinz Center is underway to examine the erosion Issue for the NFIP, as authorized by the 1994 NFIP Reform Act. FIA will await the results and advice of that project in FY 2000 before addressing this Issue.

Issue: Flood insurance rating based on depth of flooding and flood history of building

Respondent's Recommendation(s):

Rate all flood insurance actuarially, based on depth of flooding and the flood history of the building.

FEMA's Response: No Further Action Required

Explanation: The nature of the flood peril is such that in relatively small areas, even a 20-year history of few losses may not be an accurate predictor of future losses. This is why the NFIP was implemented with the concept of

Rates

Issue: Flood insurance rating based on depth of flooding and flood history of building

using engineering studies to establish risk zones and why a nationwide policy base is important to the insurance pool. Assuming that the respondent is not taking Issue with the engineering studies themselves, then the following is illustrative. A building located at a 40-year flood elevation, average for pre-FIRM construction, has a 60-percent chance of suffering no loss in a 20-year period. Yet, the insurance rates charged pre-FIRM buildings are on average only 38 percent of full-risk rates. There are two ways that pre-FIRM buildings may obtain more accurate rating than the broader class rates provide. In the SFHA, a building can be optionally rated with an elevation certificate and post-FIRM rates, which may provide a lower premium. Outside the SFHA, a building with minimal to no losses is eligible for a PRP that is offered at lower premiums than a standard policy. Also, the CRS was implemented to recognize local efforts that can be expected to reduce flood losses and thus warrant premium reductions.

Issue: Renewal of provisionally rated policies

Respondent's Recommendation(s):

Allow provisionally rated policies to renew, allowing two choices for borrowers with elevated structures: 1) obtain an Elevation Certificate, which uses the existing rate tables for elevated dwellings; or 2) have a provisionally rated policy issued without elevation information and let this policy renew and stay on forever, offering the insured at each renewal the option to obtain the Elevation Certificate.

FEMA's Response: No Further Action Required

Explanation: FIA does not believe that those opting to retain the provisional rating could adequately price such coverage due to the adverse selection.

Rates

Issue: Schedule for program changes

Respondent's Recommendation(s):

To avoid confusion, FEMA should implement program changes only once or twice a year and make sure there is only one effective date for these changes.

FEMA's Response: Adopted/Action Underway

Explanation: FIA agrees this is the preferred way of implementing changes. Circumstances permitting, this will be followed in FY 2000.

Issue: Elimination of 3-year policies

Respondent's Recommendation(s):

Renewal rates are low for 3-year policies with additional administrative costs; therefore, eliminate 3-year policies.

FEMA's Response: Adopted/Action Underway

Explanation: FIA adopted this recommendation as of May 1, 1999.

Issue: Individual building insurance rating system

Respondent's Recommendation(s):

Develop an individual building insurance rating system, to examine a particular building's risk of flood from factors such as frequent small flood (e.g., 2- and 10-year flood) hazards, flash floods, or positively, use of flood-resistant materials and methods and other measures that are not necessarily NFIP compliant but that reduce risk. This could be linked to broader mapping and national mandatory flood insurance.

FEMA's Response: No Further Action Required

Explanation: A rating system must balance the level of precision regarding individual buildings with the cost and practicality of administering the system. Generally, individual risk rating for the size book of business the FIA strives for is not practical. Certain large risks have warranted the introduction of more individualized rating such as is available in Zone V, the inspection of condominium buildings and the submit-for-rating procedures used for post-FIRM buildings constructed below the BFE.

Rates

Issue: Reduction in cost of condominium insurance

Respondent's Recommendation(s):

Explore all possible avenues to reduce the cost of flood insurance, especially for condominium owners.

FEMA's Response: Assigned For Further Study

Explanation: This Issue will be reviewed as part of an overall review of NFIP condominium practices in FY 2000.

Issue: Changes in rates to discourage repetitive claims and encourage mitigation

Respondent's Recommendation(s):

The Government should promote rebuilding out of danger zones. If the insured chooses not to elect the rebuilding option, the Alliance believes the Federal Government should be allowed to either raise the insureds' rates appropriately or not continue to offer flood insurance or disaster relief.

FEMA's Response: Adopted/Action Underway

Explanation: As part of FEMA's Repetitive Loss Strategy, mitigation assistance will be offered to many of the highest-risk repetitive losses. If a property owner refuses a mitigation assistance offer, one of the consequences under consideration, is to henceforth offer insurance on that property at substantially higher rates, and possibly only at full-risk premium. Rulemaking and legislation are being pursued to clarify the specific procedures and to determine whether this should be implemented in FY 2001.

Issue: Introduction of payment plans

Respondent's Recommendation(s):

Introduce payment plans to enhance affordability.

FEMA's Response: No Further Action Required

Explanation: FIA remains very concerned over the seasonal nature of flooding and how this can lead under payment plans to nonpayment of the remaining premium once that season is over. Currently, the NFIP offers alternatives. The Program allows the use of credit cards for premium payment (and the Government absorbs the service fees, not the WYO companies) and

Rates

Issue: Introduction of payment plans

the 1994 NFIP Reform Act requires that, if a lender escrows other insurance premiums, the flood insurance premium must also be escrowed.

Issue: Premiums included in monthly mortgage payments

Respondent's Recommendation(s):

Flood premiums should be included in monthly mortgage payments.

FEMA's Response: Adopted/Action Underway

Explanation: Premium payments already can be escrowed. In cases where a lender escrows other insurance payments, the NFIRA requires the escrowing of flood premiums.

Issue: Rating of pre-FIRM homes

Respondent's Recommendation(s):

When a home is elevated, the risk for flood damage to that home decreases dramatically. Flood insurance rates should reflect that decrease.

FEMA's Response: Adopted/Action Underway

Explanation: The Program already does this and is not planning to change this practice.

Issue: Adjustment of condominium rating structure

Respondent's Recommendation(s):

The condominium insurance rating structure should be adjusted to reflect risk-based pricing based on the average risk to loss.

FEMA's Response: Assigned For Further Study

Explanation: This Issue will be reviewed as part of an overall review of NFIP condominium practices in FY 2000.

Rates

Issue: Rates for “disaster-proofing” a structure

Respondent’s Recommendation(s):

The NFIP should take the lead and provide credits for homeowners and businesses who voluntarily participated in retrofitting their structures to prevent natural disasters. Organizations, such as the various standing flood committees, should be enlisted to encourage insurance companies to consider various policy discounts for disaster-proofed homes and businesses. Providing a “Certificate of Completion” when homeowners or businesses complete the suggested steps to disaster-proofing a property. The certificate would be used to obtain the credit provided by the insurance companies and the flood program.

FEMA’s Response: Other

Explanation: The NFIP has taken a lead role in providing premium credits for structures that have been retrofitted. The Community Rating System recognizes these efforts on a community basis and the NFIP rate schedules recognize how structures have been elevated or flood-proofed on an individual basis. The CRS Task Force has shared information on what flood-related measures could be incorporated into the IBHS effort to implement a “Seal of Approval” for structures that have been retrofitted to prevent damage.

Issue: Incremental removal of subsidies

Respondent’s Recommendation(s):

Incrementally remove the flood insurance subsidy for properties after two or more losses. Remove subsidy after the cumulative of both structure and contents claims paid exceeds a certain percentage of the structure’s value.

FEMA’s Response: Will Not Adopt/Other Actions To Be Taken

Explanation: As part of FEMA’s Repetitive Loss Strategy, mitigation assistance will be offered to many of the highest-risk repetitive losses. If a property owner refuses a mitigation assistance offer, one of the consequences under consideration, is to henceforth offer insurance on that property at substantially higher rates, and possibly only at full-risk premium. Rulemaking and legislation are being pursued to clarify the specific procedures and to determine whether this should be implemented in FY 2001.

Rates

Issue: Formalized procedure for re-rating noncompliant structures

Respondent's Recommendation(s):

Use the submit-to-rate process as an additional and effective tool to achieve compliance. Establish a simple, formalized procedure so that noncompliant structures could be submitted for re-rating by either the FEMA Regional Office or the State. To provide closure, notify the FEMA Regional Office, the State, and the local community when the re-rating has been completed. The policyholder should be notified formally that the structure was re-rated, the reasons why the action was taken, and that when the policy is renewed, flood premiums will be rated based on different data.

FEMA's Response: Adopted/Action Underway

Explanation: A process for this is already available. FIA will provide additional information about the procedures to the Regional Offices in FY 2000.

Issue: Dry floodproofing for floodplain management in flood insurance rating

Respondent's Recommendation(s):

For nonresidential structures on which floodproofing measures have been undertaken, Subparagraph 60.3(c)(4) allows floodproofing to be considered in meeting elevation requirements. Furthermore, floodproofed nonresidential buildings often qualify for a reduced flood insurance rate. Extend these considerations to residential structures in all communities, provided a qualified registered professional engineer or architect to meet minimum NFIP criteria certifies the floodproofing. Although such measures should not eliminate the mandatory flood insurance requirement, the insurance rating should consider the protection afforded by floodproofing measures.

FEMA's Response: No Further Action Required

Explanation: Except under limited circumstances, FEMA does not believe floodproofing for new residential construction is appropriate. The maintenance requirements and warning time necessary to make floodproofing an effective mitigation measure are too problematic. With regard to existing construction, the CRS recognizes these actions. FEMA believes that this mechanism, rather than the individual rating of a building, provides an adequate level of recognition.

Rates

Issue: Rating of post-FIRM properties when no Elevation Certificate is available

Respondent's Recommendation(s):

Continue with an existing program, but develop a simple rate that is adequate to handle the potentially higher exposure. Allow lower rate on renewal if an Elevation Certificate is obtained later and results in a lower rate. This provision would eliminate much of the frustration and delay in Issuing post-FIRM policies, allowing insureds to close their loans speedily and eliminating the necessity of returning applications sent in without one. However, optional rates should be available for Issuing policies with FEMA Elevation Certificates.

FEMA's Response: Assigned For Further Study

Explanation: A provisional rating process is already available for post-FIRM properties when no Elevation Certificate is available, so that loan closing should not be held up. FIA is developing an overall plan for evaluating the NFIP and addressing various public policy Issues in FY 2000. This larger Issue of how best to obtain and use elevation data for post-FIRM properties is one that will be incorporated into that structure. The data for a building's lowest floor elevation, an important risk indicator that introduces some complexity in the rating process, may be subject to some technical solutions. FIA will undertake development of a set of pilot rating alternative demonstration projects.

Issue: Attachment to Elevation Certificate

Respondent's Recommendation(s):

Important information regarding structure-specific risk is left out of the Elevation Certificate and policy application. Develop an attachment to the Elevation Certificate to implement a more comprehensive rating process. The attachment should include an assessment of construction materials, techniques, and inspection practices for regionally varied preferences. The actual risk determination process can be implemented, by either a professional self-certification or submit-to-rate procedures administered by the FIA. The following list is a sample of the kind of data that would be helpful to a process that assigns risk to structures with basements: watershed size (for duration of flooding); height of lowest adjacent grade above (or below) BFE; soil

FEMA's Response: No Further Action Required

Explanation: FIA does not believe that individual risk rating is practical on a large scale. As part of the current submit-for-rate process, when necessary, additional risk and engineering information is considered in determining a proper insurance rate, although a particular form has not been developed.

Rates

Issue: Attachment to Elevation Certificate

type/horizontal buffer distances; foundation type; basement floodproofing measures (drain type, sump, auxiliary power, etc.); certified presence of individuals responsible for construction monitoring on floodproofing measures; and drain type (combined or separate storm and sanitary sewer).

Issue: State or regional adjustments to rate structure

Respondent's Recommendation(s):

Using actual claims history, Regional or State adjustments to the current rate structure should be published in a manner similar to that used by the auto insurance industry. The numerical difference in these adjustments may in fact be small; lower flood risk in the areas of the Nation's interior may not be as significant as some believe. However, the adjustment would deliver needed credibility in these markets.

FEMA's Response: No Further Action Required

Explanation: The engineering study approach was adopted for the NFIP because actual flood loss experience, even over a 20-year period, is not necessarily a credible predictor of future flood damage. Thus, it would be extremely difficult to quantify regional differences that are more meaningful than the current use of flood zones. Certain zone designations do represent regional differences in flooding conditions such as V zones on the coast and AO zones in the West. The CRS was implemented as a mechanism to adjust rates in an area based on an assessment of specific actions taken to reduce flood losses.

Issue: Adjustments to premiums in areas behind levees with insufficient freeboard

Respondent's Recommendation(s):

Develop a prorated system to adjust flood insurance premiums accordingly. Also, consider a system in which property owners would not be required to incorporate floodproofing requirements (which can be very expensive) when

FEMA's Response: Assigned for Further Study

Explanation: The CRS Task force is addressing this issue. An issue paper on structural measures and the NFIP, which is primarily a nonstructural program, was prepared for circulation to appropriate groups for comment. Of

Rates

Issue: Adjustments to premiums in areas behind levees with insufficient freeboard

the levees that protect them are adequate to contain the 100-year flood without freeboard.

particular interest to the Task Force is how such measures address currently identified NFIP loss problems such as repetitive losses and other losses in X Zones. Target for releasing the issue paper is winter 1999/2000.

Issue: Rating of policies for repetitive loss structures

Respondent's Recommendation(s):

NFIP rates should be based on actual damages and risk. Current rate schedules for mandatory flood insurance are not an equitable reflection of risk. Establish rates that reflect the risk, i.e. low risk equals lower rates – high risk merits higher rate. This would proportionately distribute the true risk of the flood hazard to the appropriate property owners.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: As part of FEMA's Repetitive Loss Strategy, mitigation assistance will be offered to many of the highest-risk repetitive losses. If a property owner refuses a mitigation assistance offer, one of the consequences under consideration, is to henceforth offer insurance on that property at substantially higher rates, and possibly only at full-risk premium. Rulemaking and legislation are being pursued to clarify the specific procedures and to determine whether this should be implemented in FY 2001.

Issue: Premiums for pre-FIRM buildings with enclosures below the lowest floor

Respondent's Recommendation(s):

Require that pre-FIRM buildings with enclosures (that have proper openings) below the lowest elevated floor remain pre-FIRM, or limit coverage on pre-FIRM buildings rated using post-FIRM rates. This would ensure that the correct premium is being charged for the appropriate amount of risk.

FEMA's Response: Adopted/Action Underway

Explanation: The Issue of appurtenant structures is being addressed by FIA in the policy rewrite that is to be completed in FY 2000.

Rates

Issue: Inequities in rating coverages for post-FIRM structures

Respondent's Recommendation(s):

Simplify the program by removing appurtenant structure coverage from the Dwelling Form. Restrict contents coverage to contents located in the insured building as defined on the application form, or at another location if they are removed due to imminent danger of flooding. Require a separate policy per building. Rate structures according to the lowest floor of the building and contents according to their exposure.

FEMA's Response: Adopted/Action Underway

Explanation: The examples provided by the submitter involving appurtenant structures are being addressed in the policy rewrite currently under development in FY 2000.

Issue: Simplification of the rating system

Respondent's Recommendation(s):

Simplify the rating system and make flood insurance more affordable.

FEMA's Response: Assigned For Further Study

Explanation: FIA strives to balance simplicity with what is necessary to reflect varying degrees of risk of insured properties. In the case of post-FIRM construction, it is integral to the goals of the NFIP to reflect the risk so that new construction building requirements are encouraged. The data for a building's lowest floor elevation, an important risk indicator that introduces some complexity in the rating process, may be subject to some technical solutions. A set of pilot rating alternative demonstration projects was conducted at the National Flood Conference, May 2000.

Rates

Issue: Development of a “claim history factor” for rating tables

Respondent’s Recommendation(s):

Develop a claim history factor which would consider both the dollar amount of the claims made and the number of claims.

Unlike other forms of insurance, flood insurance premium rates are not tied to the claim history of a structure. This leads to premiums which do not reflect the actual risk faced by a structure. The failure of premium rates to reflect the risk removes incentives to mitigate and creates huge drains on the NFIP through repetitive claims. Without the economic incentive of higher premium rates, mitigation is not considered a financially wise choice.

FEMA’s Response: Adopted/Action Underway

Explanation: As part of FEMA’s Repetitive Loss Strategy, mitigation assistance will be offered to many of the highest-risk repetitive losses. If a property owner refuses a mitigation assistance offer, one of the consequences under consideration, is to henceforth offer insurance on that property at substantially higher rates, and possibly only at full-risk premium. Rulemaking and legislation are being pursued to clarify the specific procedures and to determine whether this should be implemented in FY 2001.

Issue: Additions to post-FIRM structures

Respondent’s Recommendation(s):

Additions to post-FIRM structures that meet all NFIP requirements should not result in a significant increase in flood insurance premiums.

FEMA’s Response: Assigned for Further Study

Explanation: The example provided by the respondent involves a Post-FIRM building built outside the floodplain with a basement, where a deck is added that extends into the floodplain. The NFIP rules require such a building be rated as a Post-FIRM building in the floodplain with a basement. While we believe the principle that a building with part in one rating zone and part in another rating zone should be rated using the higher rated zone, this particular example does pose a problem. We will look into whether there is a feasible way to provide some relief in such situations.

Rates

Issue: Reduction/elimination of need for Elevation Certificates

Respondent's Recommendation(s):

Use a rate-averaging method for specific locations (communities) to reduce or eliminate the need for Elevation Certificates. If Elevation Certificates must be continued for certain types of properties in certain types of situations, then employ the most modern techniques and reduce the cost (which discourages the purchase of flood insurance).

FEMA's Response: Adopted/Action Underway

Explanation: FEMA is developing an overall plan for evaluating the NFIP and addressing various public policy Issues for FY 2000. This Issue is one that will be incorporated into that structure. There are currently technical solutions that reduce the need to read maps. The best continued use of the risk information represented on the maps depends in part on the availability of funding to adequately keep the information up to date. The data for a building's lowest floor elevation, the other important risk indicator that introduces some complexity in the rating process, may also be subject to some technical solutions, but they have not as yet been developed to the same extent as the map data. A set of pilot demonstration rating projects was conducted at the National Flood Conference, May 2000.

Issue: Enactment of an automatic inflation guard increase at renewal time

Respondent's Recommendation(s):

Enact an automatic inflation guard increase at renewal time, unless the insured specifically opts not to accept the new coverage limits. Recommend applying the Inflation Coverage Index to increase the limits of coverage on building coverage and the CPI for contents coverage.

FEMA's Response: Assigned For Further Study

Explanation: This will be referred to the IBHS Flood Committee for advice in FY 2000.

Rates

Issue: Software package to simplify rating process

Respondent's Recommendation(s):

Develop a software package that eliminates the visibility of rate complications and the need to use rate pages to any significant degree should be developed. Using average rates in communities should be considered.

FEMA's Response: Assigned For Further Study

Explanation: FIA will conduct a survey in FY 2000 to find out what is currently available among vendors and WYO companies, how much of the agent force has access to rating systems, and how much is not served. A set of pilot demonstration rating projects was conducted at the National Flood Conference, May 2000.

Issue: Prohibition of rebates of Federal flood insurance premiums

Respondent's Recommendation(s):

Prohibit rebating because it is detrimental to the growth and development of the entire flood program.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA is not inclined to override the State regulatory process. This Issue is primarily associated with flood insurance policies for condominiums where the agent commissions are large enough to invite rebating. FIA will consider this Issue in FY 2001 in connection with the WYO Expense Allowance and the commission allowance for condominiums.

Rates

Issue: Connection of Elevation Certificate to CRS class code

Respondent's Recommendation(s):

The requirement for obtaining Elevation Certificates should be tied to the CRS class code. For example, the Elevation Certificate would not be required for properties in a Class 6 community or below.

FEMA's Response: No Further Action Required

Explanation: This suggestion may have merit in the future, but for now, the potential population represents a small portion of the NFIP business. In addition, it should be considered that even current Class 6 communities may have been poor performers in the past. As for new Elevation Certificates, these documents should be readily available for construction taking place in CRS communities subsequent to their entry into the CRS.

Issue: Reduction in cost of RCBAP

Respondent's Recommendation(s):

Consider all possibilities that could translate into lower RCBAP costs.

FEMA's Response: Other

Explanation: This will be examined as part of an overall review of the condominium rating system in FY 2000.

I Federal Insurance Administration

8 Training/Education

FEMA's NFIP Call for Issues Status Report
June 2000

Training/Education

Issue: Improved training for lenders and insurance agents

Respondent's Recommendation(s):

More intensive and frequent training for all those involved at the local level is a must.

FEMA's Response: Adopted/Action Underway

Explanation: FIA is developing advanced training courses for agents and lenders as well as a seminar on the new Elevation Certificate. FIA is developing videotapes for use in training seminars and posting training materials on the NFIP Web site. In addition, FIA recently issued an interactive CD-ROM called the Basic Agent Tutorial. FIA will continue to work to improve agent and lender training, pursue various modes to reach these audiences, including the Internet, videotapes, CD-ROMs, and live courses and seminars. All of this will be made available/implemented in FY 2000. FIA will also work within FEMA to develop ways to better train surveyors, engineers, and local officials.

Issue: Improved lender training on procedures for dual zones

Respondent's Recommendation(s):

Make mortgage lenders aware of the rating procedure in dual zones by using a lender bulletin and reference in the Flood Manual, and indicate dual zones on the Flood Declaration page.

FEMA's Response: Assigned For Further Study

Explanation: FIA will ascertain in FY 2000 whether the problem described is widespread or isolated. If widespread, FIA will address this matter with the FFIEC, and in the revised Mandatory Purchase of Flood Insurance Guidelines in FY 2000. Regarding including dual zones on the declarations page, WYO companies have the ability to do this.

Training/Education

Issue: Inclusion of a separate Elevated Building section, diagrams, and ratings examples in the *Flood Insurance Manual*

Respondent's Recommendation(s):

Facilitate consistent and accurate rating of elevated buildings with attached garages, add rating examples of this type of property to the Building Drawings Section of the Manual. Add or separate Elevated Building Section to the *Flood Insurance Manual*.

FEMA's Response: Will Not Adopt/No Further Action Required

Explanation: The Work Group that established the organization of the Manual felt that it was more important to get all of the rates in the Rate Section and all of the rules in the Rules Section. The Drawings of Buildings Section of the Manual has 47 pages and covers the types of buildings that give people the most trouble. Every conceivable possibility cannot be covered.

Issue: Instruct agents, lenders, and map determination companies to use current FIRM in Mandatory Purchase Guidelines, *Watermark*

Respondent's Recommendation(s):

When the Mandatory Purchase Guidelines are revised or reprinted, include a clearly written statement that instructs the lender and map determination company to use the current effective FIRM as the basis for requiring flood insurance.

Publish a reminder notice or article in the next issue of *Watermark* to remind agents and lenders to use the current effective FIRM to rate flood insurance policies and to make flood zone determinations. It might also be helpful to agents and lenders to have a brief overview of the lengthy Flood Insurance Study adoption process and to understand that the preliminary information is subject to change until the process is completed and the maps become effective.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will instruct agents, lenders, and others to use the currently effective FIRM, not the preliminary FIS data, as the basis for requiring flood insurance. FIA will do this through the Mandatory Purchase Guidelines, *Watermark*, agent and lender workshops, and other vehicles in FY 2000.

Training/Education

Issue: Minimum training/certificate for insurance agents

Respondent's Recommendation(s):

Minimum hours of agent training in flood insurance and a certificate before writing policies should be required. Also require photograph of 4 sides of building.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Through FIA's work with State Insurance Commissioners, most States allow agents to earn Continuing Education Units (CEUs) for attending NFIP training, thus providing an incentive for agents to learn more about flood insurance. FIA is also working with the National Association of Insurance Commissioners (NAIC) to encourage them to include flood insurance questions on agent licensing exams. To broaden the results of these efforts and provide greater incentives for agents to become more knowledgeable about flood insurance, FIA will ask the WYO companies in FY 2000 to recognize "Master Flood Agents" who achieve a certain level of flood insurance knowledge/production/expertise/customer service/error-free underwriting (i.e. in news releases, on Web sites, and in *Watermark*).

Further, FIA will explore flood insurance competency designations with the CPCU training organization and university-based insurance programs in FY 2000.

Issue: Improve insurance industry education of agents and employees about CRS discount

Respondent's Recommendation(s):

Require the insurance industry to better educate their agents and workers about the CRS.

FEMA's Response: Adopted/Action Underway

Explanation: FIA is performing operational reviews of WYO companies in FY 2000 will consider assessing the agent training as part of these reviews. Further, the NFIP Bureau and Statistical Agent holds train-the-trainer sessions for WYO companies and vendors that conduct agent training, and FIA will ensure that the CRS discounts are included in those sessions in FY 2000.

Training/Education

Issue: Improve insurance industry education of agents and employees about CRS discount

Insurance agent trade associations also conduct flood insurance training and FIA will share this suggestion with them as well.

Issue: Educational program for insurance agents

Respondent's Recommendation(s):

Conduct educational training for insurance agents to stress overall coverage benefits of the NFIP, including homeowner mitigation efforts to reduce losses.

FEMA's Response: Adopted/Action Underway

FIA will involve FIPNC, IBHS, and other offices within FEMA in discussions in FY 2000 on ways to more effectively train insurance agents in flood insurance coverage benefits and homeowner mitigation efforts to reduce losses.

Issue: System for standards, training, compliance, and enforcement to reduce misrated policies by insurance companies

Respondent's Recommendation(s):

The NFIP needs a system for standards, training, compliance, and enforcement. The NFIP needs to update the NFIP policy Manual, provide copies to all NFIP State Coordinators, and train insurers in the NFIP's Leads Program.

The mortgage/lending business needs more training. Appraisers are the first line of defense when determining if a property is in the floodplain. Often, appraisers rely solely on the courthouse records for a map determination. Better mapping and required training would help administratively with property determination.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will assess in FY 2000 whether the Manual needs a full or a partial revision and will seek input from FIPNC and IBHS as to whether it needs reformatting. FIA will seek the cooperation of the Association of State Floodplain Managers (ASFPM) to help improve communication with State NFIP Coordinators. FIA will ask for ASFPM's input on the information and training State Coordinators need and want regarding flood insurance. FIA will invite State Coordinators to agent and lender training and NFIP mini conferences. FIA will also ask the State Coordinators to encourage local flood

Training/Education

Issue: System for standards, training, compliance, and enforcement to reduce misrated policies by insurance companies

In addition, the NFIP needs to be more aggressive in educating the local insurance companies about selling flood insurance. More educational visits, workshops, and public outreach regarding regulations locally by the NFIP are recommended. Adjusters also need more training in basic regulations, insurance, and the ICC. Currently, there seems to be no standard to apply to rating and enforcing how insurers write policies.

Require NFIP certification for adjusters. A certification process would train adjusters about policies and procedures for the rating of policies. Offer some type of incentive for each company that complies or is certified.

experts to participate in NFIP agent and lender training sessions where they can emphasize the severity of the flood risk.

FIA is pursuing ways to broaden the number of agents trained on flood insurance using various media.

FIA is also pursuing a more aggressive training program, in connection with our strategic partners.

The NFIP Direct requires adjusters to undergo flood insurance certification. The WYO companies can use their discretion in the adjusters they employ.

Issue: Timely updates to *Flood Insurance Manual*

Respondent's Recommendation(s):

Make certain that all policy statements that have an effect on a rule stated in the *Flood Insurance Manual* also generate a revision to the manual that is distributed in a timely manner.

FEMA's Response: Adopted/Action Underway

Explanation: FIA's annual cycle for issuing Manual changes occurs in May and October. FIA makes every attempt to fold policy issuances into the Manual, the *Watermark* and the Web site. Further, consolidation of all policy issuances is now underway to ensure they are in the Manual. FIA is looking at an array of mechanisms for maintaining the guidance that is not appropriate for the Manual.

Training/Education

Issue: Revised language in *Flood Insurance Manual* concerning map revisions

Respondent's Recommendation(s):

Currently, a policy can be cancelled using Reason 9, provided that the mortgagee confirms in writing that the insurance was required as part of the mortgage and the mortgage requirement for flood insurance no longer applies. Amend the required documentation to include a copy of the map revision showing a date subsequent to the issuance date of the policy.

FEMA's Response: Assigned For Further Study

Explanation: FIA's policy is that if a lender makes a mistake in a flood zone determination, it is the lender's responsibility to fix it. FIA will assess the extent of cancellations for Reason 9 and the severity of the problem of lender errors and discuss remedies with the lender trade associations and WYO companies. FIA has agreed to look into this with the NFIP Bureau, lender trade associations, and WYO companies in FY 2000.

Issue: Wind and flood adjuster certification

Respondent's Recommendation(s):

Creating a combined wind and flood adjuster certification. Assignment of all combined losses to the wind pools, regardless of who makes the assignment, should be made to adjusters who are qualified wind adjusters and certified flood adjusters.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA has agreed in principle to conduct joint workshops with the Florida Windstorm Underwriting Association. There are about 21 other coastal States that agree to use the Single Adjuster Concept and we will have joint workshops with some, but not all of them.

Issue: Revisions to adjuster certification training document to make it a modular format, allowing topics to be inserted or removed more easily

Respondent's Recommendation(s):

Structure the certification training plan in modules to allow topics to be inserted and removed as needed.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will revise the certification training material in FY 2000 so that topics can be inserted and removed as needed.

Training/Education

Issue: Improved agent knowledge about flood insurance

Respondent's Recommendation(s):

Improve agent knowledge about flood insurance.

FEMA's Response: Adopted/Action Underway

Explanation: FIA is working to develop more incentives to encourage agents to become more knowledgeable about flood insurance. In addition to live seminars, FIA will develop interactive training CD-ROMs, training modules for posting on the Web site, videotapes, and various online training sessions. Agent trade associations also work to educate their members about flood insurance via training seminars, magazine and newsletter articles, Web sites, etc. In operational reviews of WYO companies in FY 2000, FIA will assess companies' efforts to train and communicate with their agents.

Issue: Incentives to State Insurance Commissions for flood insurance questions on State licensing exams

Respondent's Recommendation(s):

Provide incentives to State Insurance Commissions to include a significant number of flood insurance questions on the State licensing exam and as part of continuing education for insurance agents.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: States receive \$30 million in NFIP premium taxes to assist them in their insurance activities related to overseeing companies writing flood insurance and agent licensing. FIA plans to better educate State Insurance Commissioners about these funds, which are paid by the NFIP to a State's general revenue fund.

FIA and its contractors work to encourage State Insurance Commissioners to provide CEU credits for flood insurance training and to include flood insurance questions on State licensing exams. FIA will ask the WYO Marketing Committee for assistance in contacting State Insurance Commissioners to encourage them to promote flood insurance education for agents.

Training/Education

Issue: Incentives to State Insurance Commissions for flood insurance questions on State licensing exams

Additionally, FIA is conducting an outreach effort to State Insurance Commissioners to ensure they have the flood insurance information they need to serve their constituents before, during, and after flood events.

Issue: System resources for WYO companies with overtolerance errors

Respondent's Recommendation(s):

Provide immediate system resources to work with WYO companies who have an overtolerance errors. This could expedite the resolution of the overtolerance error.

FEMA's Response: Adopted/Action Underway

Explanation: The NFIP Bureau and Statistical Agent is creating an online correction process that may solve this problem in FY 2000.

Issue: NFIP Policy Issuance Bulletin and *Flood Insurance Manual* update on use of electronic transactions

Respondent's Recommendation(s):

Create an NFIP policy issuance bulletin that provides WYO companies guidelines on the use of electronic transactions. Update the NFIP *Flood Insurance Manual*. Clarify record retention requirements in the Arrangement.

FEMA's Response: Adopted/Action Underway

Explanation: FIA submitted an inquiry to the IBHS Flood Insurance Committee regarding electronic transactions. In December 1999, FIA issued guidance on electronic signatures and other related matters. FIA also wants to ensure companies have the data required in files for audits and operational reviews.

With regard to the recommendation to clarify record retention requirements in the Arrangement, FIA is willing to streamline its requirements.

Training/Education

Issue: Certification of community officials for teaching flood insurance locally

Respondent's Recommendation(s):

Community officials should be certified to teach pertinent topics to adjusters, insurance agents, real estate agents, and lenders.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: Certification procedures are impractical for FEMA to administer. Rather, FEMA offers a number of training opportunities to insurance agents, lenders, adjusters, real estate agents, and others through live training sessions, conferences, mini conferences, as well as through the Internet, CD-ROM, videotapes, and other media. Local officials who are interested in teaching flood insurance topics can use these tools. Furthermore, the NFIP's CRS credits such efforts by local officials.

FIA recognizes the great need for training more NFIP stakeholders on the latest NFIP topics and is working to improve the training and the number of people reached.

Issue: FZD training for insurance agents/companies and lending institutions

Respondent's Recommendation(s):

FEMA/NFIP should become more proactive in educating insurance and lending institutions in the processing of flood insurance policies, which also includes training in properly obtaining floodplain determinations.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will use its Web site and other vehicles in FY 2000 to better explain who needs flood zone determinations, why, and how to obtain them. FIA has posted a list of companies that provide FZD services. Communities participating in the CRS Program can earn credits for performing FZD services.

Training/Education

Issue: Training liaison for State insurance commissioners

Respondent's Recommendation(s):

Appoint a person or persons in each State as a liaison, or have NFIP information more readily available.

FEMA's Response: Adopted/Action Underway

Explanation: FIA is in the process of expanding outreach to State Insurance Commissioners. Three FIA staff members have responsibility for coordinating with State Insurance Commissioners, and the NFIP regional staff also has ongoing relationships with the State Insurance Commissions. FIA will conduct a pilot flood insurance training through an online system with an insurance department staff in FY 2001. Based on the results of that effort, FIA will conduct similar training for other insurance commissions.

Issue: Improved adjuster training on NFIP

Respondent's Recommendation(s):

Adjusters need to be more educated about the NFIP.

FEMA's Response: Adopted/Action Underway

Explanation: FIA, through the NFIP Bureau and Statistical Agent (BSA), conducts more than 30+ adjuster workshops annually between January and June. In addition, some adjusting companies and WYO companies conduct "Train-the-Trainers" workshops or staff adjuster workshops. FIA/BSA has taken under advisement some suggestions to make the workshops a more enjoyable experience and in the last quarter of FY 2000, the workshops will concentrate on the newly rewritten policies that are projected to go into effect December 2000.

Training/Education

Issue: Advise lenders that homeowners of non-SFHA properties do not need to purchase insurance

Respondent's Recommendation(s):

Either advise lenders that coverage is not mandatory outside the SFHA or have the consumer purchase coverage. Based on current weather and claim statistics, not to mention the increasing costs to rebuild, it is wise to spread the risk a little further. This will probably bring the price down considerably for those in the SFHA and prevent a future deficit for the NFIP.

FEMA's Response: No Further Action Required

Explanation: FIA and the Federal regulatory agencies do inform lenders that flood insurance is only mandatory in SFHAs and that lenders may, as a business decision, require flood insurance outside those zones. Through the *Cover America* campaign, FIA encourages everyone to buy flood insurance because floods often extend beyond the boundaries of SFHAs.

Issue: Education for insurance industry on NFIP

Respondent's Recommendation(s):

Ensure that the insurance industry understands the NFIP and, in turn, adequately informs the customer.

FEMA's Response: Adopted/Action Underway

Explanation: FIA has been working throughout FY 2000 to inform insurance agents about the PRP through agent training seminars, CD-ROM, NFIP Web site, *Watermark*, and articles and advertisements in agent trade publications. FIA also works with agent trade associations to inform their members about flood insurance.

Issue: Replace post-flood claims workshops for adjusters with pre-flood workshops

Respondent's Recommendation(s):

Have the general adjusters go by history, review the claims data, find out which areas flood and when, and hold seminars before storms.

FEMA's Response: Assigned For Further Study

Explanation: FIA's practice is to conduct adjuster workshops in historically flood-prone cities, in addition to post-flood sessions. We will evaluate in FY 2000 whether this can be expanded.

Training/Education

Issue: Technical training program for adjusters separate from policy and rules training

Respondent's Recommendation(s):

Establish a technical training program for adjusters that is separate from policy and rules training.

FEMA's Response: Assigned For Further Study

Explanation: FIA will contact the writer to understand the distinction between technical training and policy and rules training and determine any necessary action to be taken in FY 2000.

Issue: Certification program for independent processing vendors

Respondent's Recommendation(s):

Develop a certification program for independent processing vendors.

FEMA's Response: No Further Action Required

Explanation: FIA does not believe training and certifying vendors used by the WYO companies would be appropriate. NFIP training at the Bureau and Technical Conference is open to all. Further, FIA holds WYO companies responsible for following program rules, and companies are free to choose any vendor they feel can do the job. Vendors are responsible for training their staff. FIA believes the marketplace determines the relationship between a WYO company and its vendor.

Issue: Certification process for NFIP representatives assigned to WYO carriers

Respondent's Recommendation(s):

Develop a certification process for NFIP representatives assigned to WYO carriers.

FEMA's Response: Adopted/Action Underway

Explanation: FIA has required the NFIP Bureau and Statistical Agent to develop and implement a development plan to improve the NFIP expertise of the program coordinators in FY 2000.

Training/Education

Issue: Training for local insurance carriers, mortgage companies, and environmental firms on flood map maintenance and reading

Respondent's Recommendation(s):

Require local insurance carriers, mortgage companies, and environmental firms to receive training to learn how to read and interpret the maps.

FEMA's Response: Adopted/Action Underway

Explanation: The ability to read and interpret flood maps is critical for WYO companies and their agents in carrying out their responsibility to rate policies and for mortgage companies in making flood zone determinations. It is also important for community officials, developers and others, including environmental firms, to be able to read and interpret flood maps and understand their community's flood risk.

FIA offers workshops and other training opportunities to WYO companies, mortgage lenders and other interested parties that cover how to read and interpret flood maps. Information on these workshops is posted on the insurance portion of FEMA's Web site (www.fema.gov/nfip). FIA also works through the professional association for WYO companies/agents and lenders to publicize the availability of the workshops.

FIA makes the workshops available and encourages participation in them. Participation is voluntary, not a mandatory requirement.

Issue: Annual training for States regarding flood policies, coverages, and deductibles

Respondent's Recommendation(s):

Train departmental staff on an annual basis. Provide the training at a location convenient to the staff and include general updates on changes to the flood policy coverages.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will develop a plan in FY 2000 to better inform State Insurance Departments regarding the NFIP. In addition, FIA will piggyback the NAIC meetings and set up 1- to 2-hour briefing sessions for

Training/Education

Issue: Annual training for States regarding flood policies, coverages, and deductibles

Commissioners and key staff. FIA will coordinate with the NAIC to set up these meetings and include them in the NAIC meeting brochures well in advance.

Issue: Establish a formal training program for flood map determination companies

Respondent's Recommendation(s):

Employees of flood certification companies should be required to attend a certain number of classroom training hours before they may make determinations and identification of the location of the structure should be required for determinations.

FEMA's Response: Will Not Adopt/Other Actions to be Taken

Explanation: FEMA will post on its Web site more information to assist consumers, lenders and others in reading and using FEMA flood insurance rate maps. Videotapes and other methods for educating people about flood maps will also be explored.

Issue: Rating systems and procedures training for agents and WYO companies

Respondent's Recommendation(s):

Investigate why so many rating errors occur. Possible causes include under-trained agents or inadequate auditing of new business. Agents and WYO companies should be educated thoroughly and systems and procedures should be studied and redesigned to reduce future error ratios.

FEMA's Response: Assigned For Further Study

Explanation: Agents and WYO companies are required to follow NFIP rules regarding rating coverage. Accurate rating for condominiums is part of that requirement. Over the past 2 years, FIA has conducted a study of the rating of NFIP policies on condominium property. Although the results are not yet final because of the need to verify such things as the effect of grandfathering, FIA is concerned about initial results that do show evidence of misrating. FIA is in the process of having these misratings corrected and determining how to address the problem. In late FY 2000, FIA will begin a review of its entire rating structure for condominium property. Any changes to

Training/Education

Issue: Rating systems and procedures training for agents and WYO companies

current policy that result from that review will be implemented in FY 2001 or 2002. This review will involve discussion with the WYO companies and agents that write NFIP policies on condominiums and representatives of the condominium industry.

Issue: Improve agent knowledge of flood insurance through targeted mass mailing

Respondent's Recommendation(s):

Require that all WYO companies supply FIA's advertising contractor with the names and addresses of their agents who sell flood insurance. Commit to mailing information about products and/or marketing to the list once a quarter. Include direct agents in the mailing as well. The mailing would need to be a high-impact piece to gain the attention of agents who are typically inundated with paperwork, and are not inclined to do extensive reading. A three-dimensional piece may be needed. By having the agent lists sent directly to the advertising contractor, WYO companies may be less threatened by the FIA. In addition, all quarterly mailings would be routed to WYO companies for review prior to production and mailing.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Due to companies' concerns about the proprietary nature of their agent lists, FIA does not believe that it should require them to disclose such information to FIA or its advertising contractor. Rather, FIA will continue in FY 2000 to develop informational and educational materials that agents can access directly or that WYO companies can provide to their agency force. In addition, WYO companies are paid a fee for selling and servicing policies under the NFIP. Part of those responsibilities include the marketing of the NFIP. FIA marketing efforts are intended to supplement not supplant those efforts.

Training/Education

Issue: Improved marketing of flood insurance

Respondent's Recommendation(s):

1. Publicize the loss situations involving heavy rains, snow melts, etc. in addition to the more catastrophic events.
2. Encourage FEMA to increase its mention of flood insurance whenever it is mentioning disaster assistance funds, especially from the standpoint of the dollars it would save taxpayers.
3. Contact all property and casualty insurance companies doing business in the U.S. and ask that they include with their direct bill customer billings a flyer on the subject of flood insurance.
4. Broaden the "Cover America" program to continue to zero in on agents, particularly in those areas where studies show that flood insurance is drastically undersold.
5. Include emphasis on local building departments. Encourage communities to include flood information with their utility bills and other mass mailings.
6. Many adjusters are not schooled in the intricacies and idiosyncrasies of flood insurance. We encourage additional schooling as well as "crash courses" at the scene of a catastrophe.

FEMA's Response: Adopted/Action Underway

Explanation: FIA agrees with the recommendations to improve the marketing of flood insurance and will work with its strategic partners to implement them in FY 2000:

1. Publicize the loss situations involving heavy rains, snow melts, etc. in addition to the more catastrophic events.
2. Encourage FEMA staff to mention flood insurance whenever they discuss disaster assistance funds, especially from the standpoint of the taxpayers savings.
3. Contact all property and casualty insurance companies doing business in the United States and ask that they include with their direct-bill customer billings a flyer on the subject of flood insurance.
4. Broaden the *Cover America* program to continue to zero in on agents, particularly in those areas where studies show that flood insurance is drastically undersold.
5. Include emphasis on local building departments. Encourage communities to include flood information with their utility bills and other mass mailings. FIA will use the CRS newsletter to encourage this practice.
6. Encourage additional schooling as well as "crash courses" at the scene of a disaster.

I Federal Insurance Administration

9 Underwriting

FEMA's NFIP Call for Issues Status Report
June 2000

Underwriting

Issue: Underwriting requirement for RCBAP

Respondent's Recommendation(s):

Adopt an underwriting requirement for RCBAPs that mirrors, to the best extent possible, the property insurance industry's own replacement cost estimate requirement, and adjust the details of that requirement to remove any differences between the NFIP and private coverage.

FEMA's Response: Assigned For Further Study

Explanation: FIA will publish new requirements in the December 2000 revisions to the *Flood Insurance Manual*. Examples of acceptable documentation will be included.

Issue: Policyholder self-certification for improvements and alterations

Respondent's Recommendation(s):

Require an annual policyholder self-certification to state that the property has not been altered, and should cancel the policy or assess a substantial penalty for false certification.

FEMA's Response: No Further Action Required

Explanation: We have determined that the expense and the administrative burden would be too great for the limited benefit to the NFIP.

Issue: Flood zone validation system for PRP renewal records

Respondent's Recommendation(s):

Apply the new flood zone validation system, or similar system, to all active renewal records 90–120 days prior to the PRP policy expiration dates. The edit would generate a list of policies not eligible to renew. The companies would have sufficient time to notify the agent and insured of the circumstances and acquire the additional underwriting data to issue the policy as a SFIP. This would avoid both the time-consuming tasks of fixing things after the fact

FEMA's Response: No Further Action Required

Explanation: It is the WYO companies' responsibility to verify the eligibility of their PRPs prior to expiration. FIA edits to ensure that the companies fulfill their responsibilities. FIA offers a way that companies can get their verification process approved so that FIA can turn off the edit.

Underwriting

Issue: Flood zone validation system for PRP renewal records

and the bad publicity that is being caused by the present process. The practice of validating flood zones on renewal records by effective date could be immediately suspended in favor of this recommendation and all errors identified to date could be set aside.

In addition, the processing procedures should be changed to allow data to be edited for correctness before renewal, so the renewal can be issued correctly. This avoids the complexity of canceling and rewriting, along with the consumer reaction to increasing premiums. Cancel/rewrite is being done on PRPs with invalid zones, causing much expense and confusion.

Issue: Assignment of account executives to assist WYO companies

Respondent's Recommendation(s):

Reorganize or assign more account executives to assist the WYO companies in their requests for assistance related to underwriting and changes in the NFIP.

FEMA's Response: Adopted/Action Underway

Explanation: The NFIP Bureau and Statistical Agent (BSA) will complete an assessment of WYO companies and vendors to match staff expertise and resources with company needs. The NFIP BSA has filled two account executive vacancies. Periodic Conference calls with companies experiencing data monitoring problems will be implemented to assist companies by the end of FY 2000.

Underwriting

Issue: WYO expense allowance

Respondent's Recommendation(s):

Revisit the WYO expense allowance. Part of the 32-percent or so the average company receives on its regular property business is used to pay expenses unrelated to flood insurance (e.g., statistical collection costs, advertising costs, trade association affiliation, etc.), so at least those expenses should be quantified and removed.

FEMA's Response: Assigned For Further Study

Explanation: In the absence of hard data (see note below) on the costs associated with selling flood insurance, FIA uses a proxy for similar lines (allied and fire) to determine what the flood costs should be. We met with WYO companies in January 1999 to discuss the expense allowance and to get their thoughts on the factors that affect the expense allowance. We made a decision from that meeting and from the comments submitted during rulemaking to lower the expense allowance. A key reason for lowering the expense allowance is that for years we had been using the Best's figures which include reinsurance. Since flood insurance doesn't involve reinsurance for the companies, we started to use Best's direct premium numbers, which do not include reinsurance costs. We will continue to examine costs and we will make any further adjustments based on the actual cost of writing flood insurance, but lowering the expense allowance using direct rather than net premiums is sound policy which has resulted in savings of \$20 million.

Note: Only recently have companies begun to report to States the costs associated with flood insurance.

Underwriting

Issue: Procedures for correcting flood zones on policies

Respondent's Recommendation(s):

Change the rules to allow correction of a zone within the present policy form to avoid reformation, which is confusing, expensive, and complex. Reformation of an insurance policy should only occur in rare situations when there is no other way to correct the policy within present rules.

FEMA's Response: No Further Action Required

Explanation: FIA's rules do not prohibit the endorsement of a policy to correct a zone. The only limitation is a lack of data in the company's files that limits its ability to endorse from a PRP to a standard rated policy.

Issue: Accuracy of rates used by WYO companies

Respondent's Recommendation(s):

WYO companies should provide data on all rating elements for each policy, including BFE, LFE, elevation difference, zone, occupancy type, etc. FIA may then check the accuracy of the rates used by the WYO company and servicing vendor, and, as part of post-disaster map review, identify areas where the flood level in a given event is inconsistent with the return frequency (e.g., 30-year, 100-year, 500-year) determined for that event. Such areas may need to be remapped.

FEMA's Response: No Further Action To Be Taken

Explanation: FIA has been requiring WYO companies to provide the BFE, lowest floor elevation, grade elevation, and diagram number since October 1997 with the intention of setting up a computer program to check the accuracy of the underwriting. Recent changes to the building diagrams relating to the new Elevation Certificate (EC), that no longer require the EC to show the reference level, will make this possible. Also, FIA is doing this with CRS communities and has developed a CD-ROM for EC use by CRS communities.

Underwriting

Issue: FIA monitoring of WYO compliance

Respondent's Recommendation(s):

WYO companies should identify the mortgagee of each insured property. FIA could then monitor compliance with mandatory purchase requirements in cases where policies are not renewed.

FEMA's Response: Assigned For Further Study

Explanation: While mortgagee information is requested on the flood insurance application, it is not included as a data field the WYO companies must provide in their required reporting. FIA has experienced difficulty obtaining accurate lender information for insured structures because of frequent mortgage selling and servicing changes in the lending industry. FIA will ask the NLIC and others in the fourth quarter of FY 2000 how accurate lender information is obtained and maintained for other lines of insurance so that renewal bills are sent to the current lender. FIA will determine whether those procedures can be applied to flood insurance.

Issue: FIA auditing of WYO vendors

Respondent's Recommendation(s):

WYO companies that have servicing vendors process their policies and/or claims should allow FIA auditors to audit the vendors directly. This would facilitate FIA's ability to identify and correct consistent error patterns.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA will conduct underwriting and claims operation reviews at vendors' offices and will be able to assess how the vendor processes the work.

Underwriting

Issue: Simplification of policy writing process

Respondent's Recommendation(s):

Several simplifications for policy writing should include:

1. Develop and provide a national database of known elevations and zones.
2. Offer 1-, 2-, and 3-year policies with reduced rates (besides no fees) for 2-year and 3-year policies.
3. Discount the premium for policies that have been continuously renewed 3 or more years without a loss (exclude 2- and 3-year policies).
4. Place the rating and flood zone determinations on the Internet. In this manner the CRS, rates, and rules would all be current.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FEMA believes that it is more appropriate for the private sector to develop a building flood elevation database capability and strongly encourages it to do so. The FIA had the concept of an all inclusive rating prototype demonstrated at the NFIP Conference in May 2000, encouraging those in attendance to consider pursuing the development of either such a database or the capability of providing such information to insurance agents/companies writing coverage under the NFIP.

Individual flood zone information is available from a number of sources in the private sector. FEMA maintains a list of those sources on its Web site for the NFIP in the portion on flood insurance. As such, FEMA sees no reason to develop such a duplicate database on its own.

The 3-year policy option was eliminated on May 1, 1999. FIA's review of the pros and cons of the 3-year policy option showed that there were pressing reasons to make the change from a rating, underwriting, and program revision standpoint.

The recurrence period for floods is so long, that being loss free for 3 years is not a creditable predictor of future losses, so this recommendation will not be adopted.

NFIP rates and underwriting rules are already on FEMA's Web site under the flood insurance portion and changes are posted to keep that information current as the changes become effective and the flood zone information is available from the private sector.

Underwriting

Issue: Cancellation of flood policies for paid-off loan

Respondent's Recommendation(s):

Allow 1-year flood policies to be canceled when the loan is paid off. This would eliminate the frustration felt by insureds and agents when the mortgagee requirement for coverage no longer exists, and they expect a premium refund. In the section of the Manual on cancellations, a cancellation reason could read, "Mortgage Paid Off During a 1-Year Policy – This reason issued to cancel a 1-year policy after the mortgage has been paid off. A statement from the mortgagee to this effect must be attached to the Cancellation/Nullification Request Form."

FEMA's Response: Adopted/Action Underway

Explanation: The change to allow 1-year policies to be canceled when a loan is paid off became effective on May 1, 1999.

Issue: Change arrangement with WYO carriers

Respondent's Recommendation(s):

Include stronger language in the Arrangement to preclude WYO carriers from being hit with assessment fees and taxes outside the premium tax.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: This issue has come up consistently for a number of years in connection with the WYO program. Changing the WYO Arrangement any further will not resolve the problem. We believe we have provided in the Arrangement the strongest possible language for companies to use in order to avoid such charges. We have always consented to pay State premium taxes since we rely on the States to regulate companies on business conduct and solvency issues. But when local assessments have arisen we try to deal with the unit of government at the request of the company to explain that in our view such assessments should not apply since the WYO program is a Federal program. We have through this approach been generally successful.

Underwriting

Issue: Legal action against insurance agents

Respondent's Recommendation(s):

The FIA as an “especial class,” or a FEMA employee as an individual, should sue two or three insurance agents (for costs plus \$1) who provide erroneous advice that results in a building owner suffering an uninsured loss. Or, FIA or a FEMA employee should seek an E&O claim against the agent(s) on behalf of the U.S. Treasury, because of the increased liability to the Federal Government for the damage and publicize these actions in insurance industry trade journals. That should get the attention of the agents and their E&O carriers, compelling them to learn more about the NFIP.

FEMA's Response: No Further Action Required

Explanation: FIA does not have the authority to take legal action against insurance agents who give erroneous advice to building owners that result in uncovered losses. The building owners have that right. They can and do sue agents for bad advice. Agents buy Errors and Omissions Insurance to protect themselves from these suits.

Issue: Vice President Gore's Plain Language Initiative

Respondent's Recommendation(s):

Comply with the Plain Language Initiative and incorporating the provisions of the Policy on Government-to-Government Relations with American Indians and Alaska Native Tribal Governments as you proceed with revisions to the NFIP.

FEMA's Response: Adopted/Action Underway

Explanation: FIA has followed the Vice President's “plain language” initiative in the proposed major rewrite of the SFIP. (One of the early versions of this rewrite was reviewed by a focus group specifically for its readability, which our customers confirmed.) We are applying plain language principles to all new documents and revisions of exiting ones. FIA has also incorporated and will continue to incorporate the provisions of the Policy on Government-to-Government with American Indians and Alaska Native Tribal Governments with each revision to and initiative for the NFIP.

Underwriting

Issue: Electronic signatures on insurance forms

Respondent's Recommendation(s):

Use electronic signatures as more insurance companies move toward automation and to reduce paperwork. Require any agency using electronic submission to sign a document stating that any electronic data records submitted by the agency are true to the best of the agent's knowledge, similar to what they are signing on each application, thereby eliminating the requirement for actual signature on each data record.

FEMA's Response: Adopted/Action Underway

Explanation: FIA published a Policy Issuance on 12-21-99, which details the guidelines for electronic flood insurance transaction processing. This document details the WYO companies' obligations. FIA will further establish its position regarding WYO company use of electronic interchange for processing and issuance of flood insurance, parameters for security of data and authentication of signatures, dates and receipt of premiums in FY 2000.

Issue: ACORD standards

Respondent's Recommendation(s):

Conform the flood application form to ACORD standards.

FEMA's Response: No Further Action Required

Explanation: ACORD has developed a flood application which agents and WYO companies are free to use. For legal reasons, FIA cannot require the use of this form.

Respondent's Recommendation(s):

Reformat the SFIP to make it look like the homeowners policy.

FEMA's Response: Adopted/Action Underway

Explanation: In FY 1999, FIA formed a work group from FEMA offices, IBHS, and FIPNC to reformat the SFIP to resemble the homeowners and to make the SFIP easier to read. The three forms of revised SFIP are scheduled to be effective December 31, 2000.

Underwriting

Issue: Software for automated flood zone lookups

Respondent's Recommendation(s):

Pursue development of mapping software as a means of facilitating the sale and rating of flood insurance. Mapping software would lead to significant simplification and improvement in the sales process and serve as an incentive for more agencies to sell flood policies. Agents would no longer have to secure zone determination from a third party, which would save the customer money. Such software would allow agents to open a program that contained a mapping utility; the agent would enter the address and look up the flood zone at the address. Software should also list the FIRM date, the BFE, and other relevant data. This information could then be transferred to a rating program that would provide quoted coverage options, and to a program containing the ACORD form for completion.

FEMA's Response: No Further Action Required

Explanation: FEMA believes that the private sector is engaged in developing the computer program(s) described. FEMA has and will continue to make available its maps and mapping data. Efforts to improve the mapping processes and employ current technologies in the production of new maps should also facilitate these kinds of activities.

Underwriting

Issue: Conformance of flood insurance policies to resemble fire and homeowners policies

Respondent's Recommendation(s):

Conform the flood policies to the policies of private industry, with the advice and counsel of professional policy writers. Under General Conditions, eliminate the Voidance, Reduction, and Reformation sections and include that terminology in the *Flood Insurance Manual*. Publicize the restrictions on sewer backup/land subsidence/seepage of water. Determine if there should be any reference to “mortgagee clause” or “mortgagee obligations” in the General Conditions of the RCBAP. Eliminate entirely the use of the 100-year and 500-year floodplains. Review the results of the Policy Work Group, which will include a complete rewrite of the three flood policies and will contain many revisions in addition to the ones above.

FEMA's Response: Adopted/Action Underway

Explanation: In FY 1999, FIA formed a work group from FEMA offices, IBHS, and FIPNC to reformat the SFIP to resemble the homeowners and to make the SFIP easier to read. The three forms of revised SFIP are scheduled to be effective December 31, 2000.

I Federal Insurance Administration

10 Other Insurance Issues

FEMA's NFIP Call for Issues Status Report
June 2000

Other Insurance Issues

Issue: Cutoff date for insurance eligibility

Respondent's Recommendation(s):

It is understandable that in historic communities built in close proximity to waterways people should be entitled to flood insurance coverage. However, given the current wealth of knowledge and information about the hazard of living in flood-prone areas, new suburban developments in 100-year floodplains should not be eligible for insurance. A cutoff date should be established that states that structures built in the 100-year floodplain, whether elevated, floodproofed, or not, are not eligible for Government-backed insurance. Communities that are not aggressively enforcing their floodplain management regulations are doing so at the expense of those communities that are, and that of the American taxpayers. Rather than spend liberal sums of money on an insurance program that, to some extent, encourages development in flood-prone areas, funding could be more wisely used for acquisition, relocation, and similar measures, which result in long-term or permanent solutions rather than shortsighted, temporary fixes.

FEMA's Response: No Further Action Required

Explanation: Land-use decision-making has always been the prerogative of State and local governments. The NFIP was never intended to be placed directly in the land use business. The NFIP was created to identify areas subject to flood risk, offer property insurance protection against that risk, and require local governments to adopt and enforce minimal building safety standards for new construction in the identified flood areas. Insurance availability is offered as a quid pro quo for sound floodplain management. Insurance rating for new construction directly reflects the degree of risk faced. The better the community does in promoting sound floodplain management the lower the rates. The reverse is also true. This relation between the Federal Government offering property insurance protection incentives and local governments providing sound floodplain management practices should prove over time to be the best combination aimed at creating safer communities and reducing the exposure of property and lives to loss from flooding.

Issue: Tax assessor notification of property owners

Respondent's Recommendation(s):

The tax assessor in each county should identify the property owners of all structures within the flood zone. The tax assessor would then write to each property owner advising them that the law requires that the property be insured against flood, and giving the owner three options: (1) the property owner may

FEMA's Response: No Further Action Required

Explanation: The NFIP's statutes only require flood insurance to be purchased in connection with a loan from a federally regulated lending institution in which case it is the responsibility of the lender, or in connection with Federal financial assistance in which case the Federal agency is

Other Insurance Issues

Issue: Tax assessor notification of property owners

purchase the coverage directly from the Federal Government; (2) the coverage may be purchased from any independent insurance agent through any of the WYO carriers; or (3) if the property owner fails to provide evidence of insurance, the tax assessor will purchase the coverage for them and the premium will be added to the property tax bill. The tax assessor then compiles a list of the “uninsured” properties, giving the name of the property owner, value of the structure(s), and the location. The insurance company issues just one policy in the name of the tax assessor and any property owner identified on the tax assessor’s list. The premium is established by one rate per 100.00 of insurance. The premium is paid to the insurance company by the county, who withholds a percentage to cover the cost of administration.

Claims are settled directly with the property owner. The insurance company appoints an agent in each county to act as liaison between the insurance companies, the property owners, and the tax assessor. Flood-damaged property is stricken from the rolls until repairs have been made. The premiums are not subject to prorating adjustment.

responsible for ensuring that flood insurance is purchased. There is no role for local governments to require the purchase of flood insurance unless they want to enact their own local requirements.

Issue: Elimination of expense constant

Respondent’s Recommendation(s):

Eliminate the Expense Constant. This provides another possibility for distributing the fixed expense portion – simply eliminate the current Expense Constant and add it to the Basic Limits Rates per hundred.

FEMA’s Response: No Further Action Required

Explanation: Because the expense constant mechanism works and there are other more pressing rating issues to address at this time, FIA has determined that no change is needed.

Other Insurance Issues

Issue: Elimination of 3-year policies

Respondent's Recommendation(s):

The way the 3-year policy is currently offered, the expense constant and FPF that those policyholders do not pay has to be spread over all policyholders. So when that fact is combined with the reality that those policyholders with the lowest annual premium are the individuals that are most likely to be able to pay the 3-year policy, the result is considered contradictory. That is, the individuals who have to pay the highest premiums end up paying even higher premiums because of the additional Expense Constant and FPF subsidy they pay. However, a 3-year policy might make some sense for the PRP.

FEMA's Response: Adopted/Action Underway

Explanation: New and renewal 3-year policies were eliminated as of May 1, 1999. No other uses for 3-year policies are being planned.

Issue: State flood insurance funds

Respondent's Recommendation(s):

Encourage the States to set up State flood insurance funds. State governments would retain a portion of the premiums to cover administrative expenses. In turn, the Federal Government would reinsure the State funds. The reinsurance arrangement with any individual State could be less than 100 percent, if the State didn't meet certain minimum requirements. The reinsurance rate would vary with that State's premium adequacy, claims handling procedures, mitigation activities, etc.

FEMA's Response: No Further Action Required

Explanation: While not assigned for further study at this time, this could be part of a larger assessment on how to best structure a flood insurance program. It may be part of the planned program evaluation.

Other Insurance Issues

Issue: Establishment of policy to pay NFIP policyholders back premiums on buyouts

Respondent's Recommendation(s):

NFIP could pay back the premiums, or better yet, apply a deductible, similar to the "first bite" applied to municipalities, to those in the buyout program who did not purchase flood insurance.

FEMA's Response: Assigned for Further Study

Explanation: FIA agrees that policyholders who are offered mitigation buyouts should get credit for owning flood insurance. This issue will be raised with other appropriate offices of FEMA in FY 2000.

Issue: WYO reimbursement formula

Respondent's Recommendation(s):

Change the formula and the approach to allow the companies to compete on one or more portions or components of the formula. Break the formula down to its various components and decide which components could/should be offered on an optional basis. Consider providing a basic fee for certain baseline services and then let each company decide which of the optional services it wants to provide. For each additional service they wanted to provide, the fee associated with it would be added to their basic fee. To do this, a certain level of effort would have to be developed for each service that would have to be agreed to by the company in order to be eligible for that fee. For example, marketing (including agent training and education) services currently represent about 3 percent of the fee formula, but there are no standards of performance. This service could be optional, and the company could buy it back. Commissions might be another optional fee. Some companies don't have agents, others clearly don't currently pay their agents what they receive as part of their fee formula.

FEMA's Response: No Further Action Required

Explanation: While FIA will continue to evaluate the WYO reimbursement formula, it would be very difficult to break the current formula down into various expense components, since data on discrete units of expense are limited. Furthermore, a formula tailored to each of the 90+ companies would be difficult to administer. Nevertheless, as information on such expense components becomes available, it will be factored into the ongoing evaluation process.

Other Insurance Issues

Issue: WYO reimbursement formula

Claims services, although the associated costs are reimbursed on a separate basis, could likely be purchased directly by the FIA from the same adjustment firms and possibly at a lower cost. This service could also be offered as an option.

State and local taxes could be offered as an option as in the early 1980s. Either a flat fee could be included in the basic formula as it currently is, or FIA, regardless of the total cost of such fees incurred by the company, could remove it from the formula and pay such taxes directly to the appropriate jurisdictions.

Issue: Payment of State/local premium taxes on policies

Respondent's Recommendation(s):

Review the current practice of paying State and local premium taxes indirectly by including a factor in the WYO reimbursement formula, then determining what the services are and whether they are worth the cost. If they are determined to be worth the cost, then notify, at least on an annual basis, each insurance department and/or Governor of the revenue the State collects from NFIP premiums, the number of policies in effect in that State, the NFIP activity in that State, and the program needs/support that FEMA/FIA would like from that State in support of the NFIP. If they are determined not to be worth the cost, then notify the States that FEMA is considering changing or eliminating paying of these taxes.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will review the current practice of paying State and local premium taxes in FY 2001.

Other Insurance Issues

Issue: NFIP independence from FEMA

Respondent's Recommendation(s):

Two respondents suggested the NFIP become independent of FEMA. One suggested this to ensure the NFIP's continuity in an atmosphere of Congressional budget cuts. The other suggested making the NFIP a governmental chartered entity with a goal and timetable of making it a viable, quasi-private insurance mechanism. This would end flood insurance claim payment inconsistencies between States in similar continuous lake flooding situations.

FEMA's Response: No Further Action Required

Explanation: FIA does not believe it is appropriate to make the organizational structure of the NFIP independent of FEMA. The recommendation will not be adopted. One of the primary reasons for creating FEMA was to pull together many of the disaster-related programs that had been scattered throughout the Federal Government to have them more centralized and afford the opportunity to improve the efficiency and effectiveness of those programs. The NFIP was considered essential to this effort. FEMA continually reviews its NFIP loss history and adjusts NFIP rates to reflect risk. FEMA is working with the U.S. Congress to develop a plan on further reducing or eliminating the declining subsidy on pre-FIRM structures to achieve a long-term goal of making the NFIP self-supporting and actuarially sound. The floodplain management and risk identification components of the NFIP also serve as a major building block in FEMA's comprehensive natural hazard mitigation program. FIA believes the insurance and mitigation efforts of the NFIP have benefited the Nation and are essential elements of FEMA's overall goals and objectives.

Federal programs by their very nature are created by the U.S. Congress to address some problem or issue that cannot be addressed by the private sector. This affords both the legislative as well as executive branches with opportunities to address issues further on a more localized basis to reflect the possible unique and limited nature of these issues.

Other Insurance Issues

Issue: Comprehensive evaluation of NFIP effectiveness

Respondent's Recommendation(s):

Consider a serious evaluation of the full range of NFIP activities (including both the insurance and floodplain management sides of the program) to specifically determine the impact of the program on floodplain occupancy, on the net economic value of floodplain lands, and on the natural and beneficial functions of floodplains.

FEMA's Response: Adopted/Action Underway

Explanation: FIA has developed a series of assessment questions, a statement of work has been drafted, and funds have been set aside for FY 2000. FIA presented a proposal to the academic community at the Natural Hazards Workshop in Boulder in July 1999.

Issue: Increased flexibility of MPPP

Respondent's Recommendation(s):

The MPPP policy should allow for coverage to be bound effective from the notification of an exposure, though contingent upon the completion of defined letter cycle parameters. Additionally, the existing letter cycle should be modified to indicate that the notice cycle should be completed within a specified timeframe (i.e. 60 days), rather than dictating the specific terms. Additionally, the number of letters in the notice cycle be reduced from three to two, and that the legal verbiage required in the letter text be minimized so the communication can be more "borrower/insured friendly."

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FIA believes the borrower must be given sufficient time to respond to the lender's notice. Coverage can then only begin following receipt of the premium and after the appropriate waiting period. The existing mortgage clause and renewal provisions of the NFIP are sufficient to allow a lender that monitors the renewal of existing policies on loans in its portfolio to renew that policy on behalf of the mortgagor within a limited period of time after the policy expires to avoid any lapse of coverage to protect the interests of the lender.

FIA believes that sufficient leeway already exists to minimize the legal verbiage messages. The MPPP Guidelines and Requirements state, "The lender/servicer [or their authorized representative] may add their own messages, make minor editorial modifications to the messages to conform to the style and practice of the WYO company or lender and structure the letter to

Other Insurance Issues

Issue: Increased flexibility of MPPP

their liking, but they may not alter the meaning or intent of the messages listed here for any of the letters.”

Modifying the number of letters in the notification cycle would not be in the best interest of the MPPP and would compromise the safeguards designed to protect the borrower.

Issue: Financial goals and incentives for WYO companies

Respondent’s Recommendation(s):

Several respondents suggested consider the following in setting growth goals and incentives: Number of new policies written relative to a company’s policy base. Requirements or incentives that are independent of the expense allowance (needed to cover administrative expenses).

FEMA’s Response: Adopted/Action Underway

Explanation: The 1999–2000 WYO Arrangement provides for a 2-percent incentive above the base expense allowance, tied to new policy growth and policy retention (1.5-percent maximum for new policies and .05 percent for retention). The final formula was reached in consultation with a WYO company task force.

Issue: FIA act as final authority rather than State courts

Respondent’s Recommendation(s):

For cancellations, nonrenewals, and rescissions that are not for nonpayment of premium or fraud, FIA should act as the final authority, subject to appeal in Federal Court.

FEMA’s Response: No Further Action Required

Explanation: State courts are increasingly taking jurisdiction of flood litigation cases. FEMA’s Office of General Counsel works with WYO companies on a case-by-case basis regarding when removal from State court to Federal court should be sought.

Other Insurance Issues

Issue: Lowered PIF percentage growth goals for large companies

Respondent's Recommendation(s):

Adopt a more equitable approach to measuring Policies in Force (PIF) growth goals for WYO companies. Companies with the greatest number of PIF should have percentage goals somewhat lower than companies with smaller PIFs in order to realize an equitable growth goal in PIFs. For example, a WYO company with 100,000 policies could have a growth goal of 7 percent or 7,000 policies, while a company with 20,000 policies could have a growth goal of 10 percent or 2,000 policies.

FEMA's Response: Adopted/Action Underway

Explanation: There is no differentiation between companies on the basis of size. However, all companies will receive the full base expense allowance, the bonus is in addition to the base.

Issue: Reconfiguration of base expense percent and growth bonus

Respondent's Recommendation(s):

Consider options for reconfiguring the base expense percentage and growth bonus for insurance companies. If it is an expense reduction measure, give marketing bonuses to all companies regardless of size. Graduate the expense reimbursement according to the size of the writings. Give smaller companies the full 32.6 percent reimbursement and larger companies smaller reimbursements, not to go below the 31.6 percent already established.

- 0 – 50,000 PIF = 32.6 percent base plus bonus for marketing growth.
- 50,001 – 100,000 PIF = 32.3 percent base plus bonus for marketing growth.

FEMA's Response: No Further Action Required

Explanation: There is no differentiation between companies on the basis of size. However, all companies will receive the full base expense allowance, and the bonus is in addition to the base.

Other Insurance Issues

Issue: Reconfiguration of base expense percent and growth bonus

- 100,000 – 150,000 PIF = 32 percent base plus bonus for marketing growth.
- 150,001 and up PIF = 31.6 percent base plus bonus for marketing growth.

If it is a marketing campaign, it should be aimed at the agents. The agents should receive any extra amounts for their contribution to growth.

Issue: Devolution to private companies, including underwriting (French model)

Respondent's Recommendation(s):

The NFIP should be further devolved to private insurance companies, not just for administration, but for actually underwriting insurance. The Federal Government only needs to be involved in the system in the event of major flooding events. To accomplish this, FIA should be reorganized into a re-insurance organization. The French have a system of governmental reinsurance that can be used as a basic model for reforming the NFIP.

The implementation of this concept in France is through strict control of the private insurance industry. The heart of the program is the “catastrophes naturelles” scheme, implemented by the law of 13 July 1982. This scheme attaches an obligatory “rider” onto the basic insurance policy covering property damage. This rider insures property against “uninsurable direct material damage, the determining cause of which is the abnormal intensity of a natural agent.”

FEMA's Response: Assigned For Further Study

Explanation: FIA will look at other ways of structuring the NFIP as part of the NFIP assessment study targeted for late in FY 2000.

Other Insurance Issues

Issue: Devolution to private companies, including underwriting (French model)

The State fixes the premiums for this extra insurance, with an eye less toward actuarial soundness, and more toward solidarity – spreading the costs across the nation. Since the premiums are not actuarially based, the State provides reinsurance through the Caisse Centrale de Reassurance (CCR), a State-owned reinsurer. CCR has an unlimited authority to draw funds from the State treasury to pay claims. The scheme is not a comprehensive insurance program, nor is it designed to be. It is, somewhat, a voluntary system – individual property owners who do not wish to purchase insurance coverage do not have to, and some property owners choose to self-insure their property (i.e., do not purchase outside insurance against risks.)

If private insurance companies undertake the underwriting of flood insurance, it is likely that they will be able to offer flood insurance within the basic homeowner's insurance policy. A significant portion of the uninsured population is uninsured because it believes that flooding is covered under their regular homeowners policy. This uninsured base could become insured fairly easily if flooding is written into the basic insurance. Additionally, private insurance companies can become heavily vested in the success of the system, and will have a greater incentive to be innovative and progressive.

As a more limited reinsurer, the Government can still use pricing power to influence communities to pursue active flood mitigation projects, as it has done through the CRS. The CRS might become even more effective, as insurers in each community will have a significant incentive to lobby State and local governments for these projects.

Other Insurance Issues

Issue: Increased emphasis on certain repetitive loss structures

Respondent's Recommendation(s):

Place intensive management emphasis on certain categories of repetitive loss structures to:

1. Establish criteria by which certain structures would be designated as "special risk."
 - a. An owner of a special structure would lose the opportunity to purchase flood insurance, unless the owner complied with local ordinances regarding elevation;
 - b. Failure to elevate would cause not only loss of flood insurance, but also denial of all other FEMA assistance
2. Cap the amount of claims to be paid on any structure.
3. Increase deductible amounts.
4. Establish criteria that would call for increased premiums in the amount of claims reached as a designated percentage of property worth.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: As part of FEMA's Repetitive Loss Strategy, mitigation assistance will be offered to many of the highest-risk repetitive losses. If a property owner refuses a mitigation assistance offer, one of the consequences under consideration, is to henceforth offer insurance on that property at substantially higher rates, and possibly only at full-risk premium. Rulemaking and legislation are being pursued to clarify the specific procedures and to determine whether this should be implemented in FY 2001.

Other Insurance Issues

Issue: Requirement for developing permit and Elevation Certificate with flood insurance policy applications

Respondent's Recommendation(s):

If the policy for obtaining flood insurance were changed to include a copy of the development permit along with the Elevation Certificate, this would be beneficial in assuring compliance with the Flood Damage Prevention Ordinance.

FEMA's Response: No Further Action Required

Explanation: The existence of a building permit system is a minimum floodplain management requirement for community participation in the NFIP. The need for a development permit has not been deemed necessary for insurance rating or the floodplain management purposes of the NFIP. It is, however, the prerogative of State and local governments to adopt all measures they deem necessary to support and comply with their Flood Damage Prevention Ordinances, and they are strongly encouraged to do so.

Issue: Designation of regional NFIP data processing technicians

Respondent's Recommendation(s):

Designate regional data processing technicians to closely monitor and collaborate with WYO data processing personnel in the resolution of errors and rejections. These individuals should also maintain a close coordination with the WYO companies regarding changes and trends in the data processing field that could benefit both parties.

FEMA's Response: No Further Action Required

Explanation: FIA does not believe that designating regional data processing technicians to closely monitor and collaborate with WYO personnel is practical or necessary. FIA is concerned that such regional assignments would unduly restrict the assignment of staff. The NFIP Bureau and Statistical Agent contractor is tasked to deliver as much staff support as it reasonably can to WYO companies. Assistance to companies is coordinated by their Account Executive. Both Account Executives and data processing staff have provided extensive assistance to companies, including onsite assistance when required.

Other Insurance Issues

Issue: Flood insurance for all structures in mapped non-participating communities

Respondent's Recommendation(s):

Whether secured by a federally regulated home loan or not, all properties located in mapped nonparticipating communities should be required to maintain flood insurance. Additionally, those mapped non-participating communities should face assessment by the NFIP to help cover losses sustained by homes not covered by flood insurance. This would help force communities into participating in the NFIP, as well as protect taxpayers from paying for flood losses in non-participating communities. We hope that the NFIP and FEMA will take the lead in urging Congress to enact legislation to deal with non-participating communities.

FEMA's Response: No Further Action Required

Explanation: FEMA may consider taking the lead in urging the U.S. Congress to enact legislation regarding non-participating communities in the future. Indications are that the number of high-risk properties in non-participating communities represent only a small percentage of the national total and current sanctions for non-participation are probably adequate. The NFIP was intended to be voluntary and serve as a quid quo pro for the availability of Federal financial assistance in SFHAs.

Issue: Requirement for condominium associations to maintain adequate flood insurance coverage

Respondent's Recommendation(s):

No mechanism exists to require condominium homeowners associations to maintain a master policy covering the buildings' common area. In the loan origination process, lenders must verify the existence of a master flood insurance policy on condominium buildings located in SFHAs. If the homeowners association refuses to carry flood insurance, then lenders cannot fund the loan. Another problem can arise after the loan has been made if the homeowners association allows the flood insurance to lapse. Lenders do not have the ability to ensure continuous flood insurance coverage by homeowners associations and, if the insurance lapses, the borrower and lender are at risk.

FEMA's Response: Assigned For Further Study

Explanation: FIA agrees that sometimes condominium associations do not purchase or maintain adequate flood insurance that meets mortgage loan requirements for unit owners. FIA does not agree, however, that seeking a legislative change to require associations to maintain such adequate coverage is the solution. FIA believes that additional work needs to be done with the condominium industry to convince them of the need to treat other forms of hazard insurance governed by their documents. FIA will pursue such efforts in FY 2000 with advertising, communication, and training and education efforts.

Other Insurance Issues

Issue: Requirement for condominium associations to maintain adequate flood insurance coverage

The NFIP and FEMA should take the lead in urging the U.S. Congress to enact legislation that would require condominium associations to maintain adequate flood insurance.

Issue: Broadened definition of SFHA for insurance purposes

Respondent's Recommendation(s):

There is no question that FEMA needs to maintain maps that show the 100-year flood level, and such maps if kept reasonably up to date would be an important tool for establishing territory definitions. The respondent questions the need to always follow the 100-year flood line. This is a particularly important matter, as projections for the future are rather pessimistic with respect to the increasing frequency of dangerous storms and related flooding. For insurance purposes, however, FEMA needs to both broaden the definition of the SFHA and simplify its application for insurance purposes.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: FEMA is developing an overall plan for evaluating the NFIP and addressing various public policy issues in FY 2000. The issue of broadening the definition of the SFHA will be incorporated into that structure. There are currently technical solutions that reduce the need to read NFIP maps. The best continued use of the risk information represented on the maps depends in part on the availability of funding to keep the information up to date. The data for a building's lowest floor elevation, the other important risk indicator that introduces some complexity in the rating process, may also be subject to some technical solutions, but they have not as yet been developed to the same extent as the map data. A set of pilot rating alternative demonstration projects was presented at the National Flood Conference, in May 2000.

Other Insurance Issues

Issue: Marketing plan changes

Respondent's Recommendation(s):

Control the marketing of flood insurance and not be solely dependent on insurance companies and agents to produce business. FIA spends millions of dollars annually on an excellent advertising campaign and then turns it over to uninterested companies and agents to implement. In addition to existing approaches, FIA should contract with a sophisticated marketer to aggressively sell flood insurance policies.

FEMA's Response: No Further Action Required

Explanation: FIA has worked with the insurance industry since 1983 to establish and maintain the WYO program, and believes that it would be inappropriate to create another entity to compete with that program. Rather, companies compete with one another for flood insurance business.

Issue: Improved State and local access to flood insurance activity, claims, and enforcement data

Respondent's Recommendation(s):

Following an event, limited data are available for Federal, State, or local disaster recovery and mitigation program managers. The available data are usually in a format that is unusable during DFO operations, and are rarely available electronically. State and local officials are told that the availability of data is restricted because of privacy issues. However, State and local entities are responsible for enforcement of duplication of benefits, various other disaster program compliance issues, FMA, and related initiatives that require strategic planning and impact analysis. During disaster recovery operations, it is critical to have access to claims data for the declared area. Therefore, FEMA should:

1. Modify data systems to allow for electronic transfer of policy and claims information in a declared area or State.

FEMA's Response: Adopted/Action Underway

Explanation: Procedures and guidelines for coordination with DFOs are established. FEMA Regional Offices and DFOs have access to the FEMA systems' insurance database. During the Flood Insurance Conference, FIA met with the WYO companies, FEMA Regional Office staff, and others to discuss expedited reporting of data in disaster situations. A design for this reporting was presented and FIA is awaiting the response of the companies. FIA believes it may be possible to implement the needed changes. Release of data to States is governed by the Privacy Act and published "routine use" notices, as opposed to policy provisions, and these are in place with respect to duplication of benefits and mitigation purposes.

Other Insurance Issues

Issue: Improved State and local access to flood insurance activity, claims, and enforcement data

2. Ensure NFIP liaison has the ability and authority to secure data on flood insurance activity, claims, and enforcement of standards with WYO providers.
3. Modify policy language to allow for the distribution of data to entities involved in disaster recovery and mitigation activity.

Issue: Removal of mandatory purchase requirement in Zone AR

Respondent's Recommendation(s):

A property owner indicated the mandate that changed the flood zone code for Long Beach and other nearby communities to Zone AR was ridiculous and recklessly disregarded the hardship placed on homeowners. Reverse this coding immediately and notify the lenders and community leaders involved.

FEMA's Response: No Further Action Required

Explanation: FIA lowered the rates in Zone AR in 1998 to accommodate cost concerns. FIA will not remove the mandatory purchase requirement because the Zone AR designation recognizes the inadequacy of the levees to provide adequate flood protection. The mandatory purchase requirements are statutory and can only be amended by the U.S. Congress.

Issue: Elimination of the NFIP Direct Program

Respondent's Recommendation(s):

There is sufficient WYO company capacity to write all NFIP flood policies, and the Direct Program is unnecessary. Provisions could be included to place all producers with "assigned" WYO carriers if they are not enrolled with a WYO company. This assignment of producers works successfully in Workers' Compensation and Automobile residual markets.

FEMA's Response: No Further Action Required

Explanation: The Federal Insurance Administration will not adopt this recommendation. FIA examined the need for retaining the "direct" facility through which insurance agents and brokers are able to write NFIP policies directly with the Federal Government. (That examination was conducted before the latest procurement for the NFIP Servicing Agent Contractor for

Other Insurance Issues

Issue: Elimination of the NFIP Direct Program

Direct operations.) The reason for the decision to retain the direct-side included the need to provide a market for producers not affiliated with any Write Your Own (WYO) insurance company. The Direct facility also accepts flood insurance risks that WYO companies might decline. The Direct facility also offers a cost-effective means opportunity to undertake some, unique critical low-volume flood insurance activities, such as the Group Flood Insurance Policy for certain disaster recipients (i.e., recipients of Individual and Family grants following a presidentially declared disaster).

Issue: Extension of Financial Arrangement with WYO Companies to 2 years

Respondent's Recommendation(s):

The current annual Arrangement does not foster stability in the WYO Program because of its length and the uncertainty of the expense levels paid to the WYO companies. Long-term planning and commitment by WYO companies are difficult, and this affects the success of the Program. FIA believes the Arrangement should be at least 2 years.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will implement an extension of the Financial Agreement with WYO Companies to 2 years for the 2001–2003 Arrangement years.

Other Insurance Issues

Issue: Use of Zone AR policy funds for restoring discredited levees

Respondent's Recommendation(s):

All premiums collected because of a Zone AR rezoning should be placed into a separate trust fund and used toward immediately restoring 100-year level of flood protection for discredited levee. This would assist communities in getting the mandatory flood insurance requirement lifted at the earliest opportunity.

FEMA's Response: No Further Action Required

Explanation: FIA does not believe a change should be made to allow premiums collected in Zone AR to be used for levee restoration. Insurance premiums are required for paying claims. To use them for levee repair is contrary to the very concept of insurance.

Issue: Expanded incentives and disincentives for flood insurance purchase and flood mitigation practices

Respondent's Recommendation(s):

Explore and expand creative, attractive incentives/disincentives for flood insurance purchase and flood mitigation practices. For example, a scaled system of deductibles might be an incentive for taking mitigation measures without serving as a deterrent to the purchase of flood insurance. Recognize and reward successful, proactive efforts.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will explore and expand incentives and disincentives for flood insurance purchase and flood mitigation practices in FY 2000. The NFIP generally has tried to reward mitigation efforts (e.g., CRS, ICC, rating structure). This concept is also built into FEMA's repetitive loss strategy.

Issue: Federal preemption on local premium taxes and other assessments

Respondent's Recommendation(s):

Implement Federal preemption on local premium taxes and other assessments.

FEMA's Response: Adopted/Action Underway

Explanation: FIA is considering this recommendation for incorporation into proposed legislation in FY 2000.

Other Insurance Issues

Issue: Changes in restricted accounts

Respondent's Recommendation(s):

Restricted accounts are considered Government funds, but the financial risk is still delegated to the WYO company. If all restricted accounts were owned by the NFIP, they could be required to reside at an NFIP-chosen financial institution and combined for account analysis and investment purposes, resulting in vastly improved case management for the program overall.

FEMA's Response: Assigned For Further Study

Explanation: FIA will explore changing restricted accounts in FY 2000 so that they may be owned and guaranteed by the Federal Government. FIA recognizes this has significant implications for WYO companies, but believes the idea merits exploration.

Issue: Exclusion of flood peril from residential insurance policies

Respondent's Recommendation(s):

Do not make any legislative or regulatory attempt to require the addition of flood insurance coverage by endorsement to a privately issued homeowner insurance contract. Absent a complete rethinking of the public policy behind the program, a dual regulatory system could result. This in turn would increase costs and regulatory burden on participating companies.

FEMA's Response: No Further Action Required

Explanation: FIA believes flood insurance should be provided through the private sector to the extent possible. However, FIA recognizes the industry is not prepared to assume a larger role at this time.

Issue: Privatization of flood insurance

Respondent's Recommendation(s):

Privatizing the NFIP could potentially result in dual regulation that would be both burdensome and expensive for insurers. One example of possible conflict would be in the area of rate and form regulation. Another example would be the process by which communities are judged eligible for the program.

FEMA's Response: Adopted/Action Underway

Explanation: FIA believes that flood insurance should be provided through the private sector to the extent possible. However, FIA recognizes that the industry is not prepared to assume a larger role at this time.

Other Insurance Issues

Issue: Privatization of flood insurance

Current Federal regulation imposes eligibility standards for entry into the Program. Unless these standards were removed as a part of a reorganization that privatized the program, insurers could be expected to enforce these standards for State and local governments. Private insurers do not have the authority or resources to replace the Federal Government in this capacity.

Issue: Increased actuarial soundness of NFIP

Respondent's Recommendation(s):

Make NFIP actuarially sound by increasing borrowing authority beyond the \$1 billion currently allowed by the U.S. Congress and requiring insurance in 500-year zone to obtain a better spread of the flood insurance risk.

FEMA's Response: No Further Action Required

Explanation: FEMA has asked the U.S. Congress for increased borrowing authority. The issue of requiring flood insurance in B, C, and X zones is among the issues that FIA will consider as part of an overall NFIP assessment study that will begin in FY 2000.

Issue: Increased local management of flood insurance programs to minimize unprotected buildings

Respondent's Recommendation(s):

When unprotected buildings reach a certain percentage within a community, then a penalty should be imposed against the community.

FEMA's Response: Assigned For Further Study

Explanation: The issue of the level of community compliance with NFIP requirements and whether mechanisms beyond those used currently, such as probation and suspension, will be examined as part of the overall NFIP assessment, which is being initiated in FY 2000.

Other Insurance Issues

Issue: Disaster assistance waiver for property owners without flood insurance

Respondent's Recommendation(s):

More education of the insuring public is needed as they continue to build and purchase homes in high-risk coastal areas and high-risk flood zones. If these people's expectation is for the Federal Government bail them out, than a waiver of disaster benefits needs to be developed and agreed to by owners during the home purchase or building permit process. Taxes should not be used when people had the opportunity to protect themselves and rejected it.

FEMA's Response: No Further Action Required

Explanation: The National Flood Insurance Reform Act (NFIRA) of 1994 has several provisions that already address the issue. First, the NFIRA establishes penalties for lending institutions that fail to require flood insurance as a condition for federally related financing for property in special flood hazard areas. In this way those who borrow money to buy or build property in special flood hazard areas must protect themselves through flood insurance and not rely on the Federal taxpayer for Federal disaster relief. The NFIRA also prohibits future Federal disaster relief, for flood damage, for a recipient of Federal disaster who fails to buy or maintain flood insurance coverage as a condition for the assistance. In addition, the agency is establishing tracking mechanisms that track compliance of recipients of Federal disaster assistance in meeting their obligations to buy and maintain flood insurance coverage.

Issue: Add the provisions found in 44 CFR 62.3 to settle preemption question

Respondent's Recommendation(s):

Add the following preemption clause, which is already a part of the Federal regulations concerning the Federal Crime Insurance Program, to the regulations governing the NFIP:

“No Federal Crime Insurance Policy issued by or on behalf of the insurer shall be subject to any State or local tax or insurance law or regulation, nor shall any agent, broker, or servicing company be subject thereto with respect to any

FEMA's Response: Assigned For Further Study

Explanation: This issue is one of several significant issues arising in WYO claims litigation: jurisdiction, governing law, allocation of risk of adverse judgements, and litigation reporting obligations. FIA and the FEMA Office of General Counsel are reviewing, in consultation with WYO companies, what possible changes in the Standard Flood Insurance Policy and the WYO Arrangement can be made to address these issues. Also under consideration are publication of policy guidance and litigation digests.

Other Insurance Issues

Issue: Add the provisions found in 44 CFR 62.3 to settle preemption question

monies received or action taken in providing insurance to the public under the authority of this sub chapter;....”

As currently operated, citizens of certain States are routinely being afforded greater benefits under the NFIP than are citizens of other States. Specifically, citizens in those Southern States comprising the original United States Fifth Circuit Court.

Issue: Federal Court jurisdiction for cases against WYO carriers

Respondent’s Recommendation(s):

Nothing in the NFIP enabling legislation, or in the applicable Federal regulations, or within the SFIP, plainly and explicitly establishes when cases relating to flood insurance arising against WYO Carriers are to be litigated in the Federal courts, as opposed to in the State courts. Many flood insurance claimants file their suits against the SFIP in State court. Even more unclear than the breach of contract cases are the cases involving claims that do not, on their face, include a direct claim under an SFIP. The need to clarify jurisdictional issues with regard to WYO Program carriers is the single greatest cause of unnecessary litigation expenses involving the NFIP today. Beyond the issue of expense, a lack of clarity on this point is at odds with FEMA’s need to have the Courts enforce a uniform national rule. This problem could be solved in a number of ways. First, FIA could take action effectively end all State law claims and thus solve the problem. Another method, though more complicated, would be to seek a Congressional amendment to 42 USC 4072 to clarify that it applies to all types of claims

FEMA’s Response: Assigned For Further Study

Explanation: This issue is one of several significant issues arising in WYO claims litigation: jurisdiction, governing law, allocation of risk of adverse judgements, and litigation reporting obligations. FIA and the FEMA Office of General Counsel are reviewing, in consultation with WYO companies, what possible changes in the Standard Flood Insurance Policy and the WYO Arrangement can be made to address these issues. Also under consideration are publication of policy guidance and litigation digests.

Other Insurance Issues

Issue: Federal Court jurisdiction for cases against WYO carriers

relating to flood insurance arising against WYO Program carriers. Third, FIA's position could be stated formally and published in the Federal Register, on the authority of 44 CFR 61.14.

Issue: Regulatory change regarding WYO carrier risk of no reimbursement

Respondent's Recommendation(s):

Under 44 CFR 62.23(g), (i)(1), (i)(5), (i)(6), and (i)(11), it would seem that the WYO carrier is to have the final word with regard to any litigation brought against the carrier in the context of the NFIP. However, these provisions also require reporting to FIA and the extension of cooperation to FEMA's Office of General Counsel. They thus imply that a WYO carrier would be incurring risk if it decided to settle a flood insurance lawsuit without prior FEMA/FIA blessing. These provisions are particularly problematic for defense counsel who represent a WYO Program carrier. This could be rectified by using the provisions of 44 CFR 61.14. The Director should publish an announcement stating: "In any flood insurance lawsuit arising, in whole or in part, against the Program, the WYO carrier will not face a risk of no reimbursement in a later audit, provided there is any good faith and articulable basis for the settlement."

FEMA's Response: Assigned For Further Study

Explanation: This issue is one of several significant issues arising in WYO claims litigation: jurisdiction, governing law, allocation of risk of adverse judgements, and litigation reporting obligations. FIA and the FEMA Office of General Counsel are reviewing, in consultation with WYO companies, what possible changes in the Standard Flood Insurance Policy and the WYO Arrangement can be made to address these issues. Also under consideration are publication of policy guidance and litigation digests.

Other Insurance Issues

Issue: Clarification of FEMA requirements regarding WYO carriers requirement to keep FEMA fully apprised of pending litigation

Respondent's Recommendation(s):

FEMA must choose to either accept no more information than that which would be revealed by examining the record of the lawsuit at the courthouse, or institute a substantive rule of law prohibiting discovery of such matters.

FEMA's Response: Assigned For Further Study

Explanation: This issue is one of several significant issues arising in WYO claims litigation: jurisdiction, governing law, allocation of risk of adverse judgements, and litigation reporting obligations. FIA and the FEMA Office of General Counsel are reviewing, in consultation with WYO companies, what possible changes in the Standard Flood Insurance Policy and the WYO Arrangement can be made to address these issues. Also under consideration are publication of policy guidance and litigation digests.

Issue: Clarification of WYO companies' status as agents of Federal Government

Respondent's Recommendation(s):

Upon authority of 44 CFR 61.14, publish an announcement in the Federal Register explaining the intent behind these two provisions, and thereby explaining why they are not in conflict.

FEMA's Response: Assigned For Further Study

Explanation: This issue is one of several significant issues arising in WYO claims litigation: jurisdiction, governing law, allocation of risk of adverse judgements, and litigation reporting obligations. FIA and the FEMA Office of General Counsel are reviewing, in consultation with WYO companies, what possible changes in the Standard Flood Insurance Policy and the WYO Arrangement can be made to address these issues. Also under consideration are publication of policy guidance and litigation digests.

Other Insurance Issues

Issue: Consistent statute of limitations to all parts of flood program

Respondent's Recommendation(s):

All flood regulations should have a 3-year statute of limitations. It is hoped this would eliminate future confusion regarding this issue and help reduce costs when companies are asked to reconstruct records over 3 years old.

FEMA's Response: No Further Action Required

Explanation: Clear and consistent requirements already exist. Therefore, FIA does not believe a change is necessary. The requirement for retention of Federal records is 6 years and 3 months. This requirement does apply to NFIP Direct business, but does not apply to WYO Insurers. WYO carriers are governed by the terms of the Arrangement. The Arrangement calls for retention of NFIP policy records for at least 3 years and retention of claims records for at least 3 years from the date of final settlement. FIA does not see a need to increase the length of time requirement that is set forth in the WYO Arrangement.

Issue: Removal of WYO carriers from Standards Committee

Respondent's Recommendation(s):

Any and all WYO carriers sitting on the Standards Committee should be removed. It is not proper for business practice to have the NFIP share confidential company information with another competing company.

FEMA's Response: No Further Action Required

Explanation: The WYO Standards Committee was established by regulation to oversee the operation of the WYO Financial Control Plan and performance of companies under that plan. FIA believes it is vital for this committee to include industry executives along with Federal executives in order to assess performance and make recommendations regarding appropriate remedial actions. Members of the committee are not acting as representatives of their respective companies but are participating as individuals. Further, all deliberations and information brought to the attention of the committee are held in confidence.

Other Insurance Issues

Issue: Unification of insurance and floodplain management risk identification components of the NFIP under FIA

Respondent's Recommendation(s):

To better meet the goals of the NFIP and better serve all NFIP stakeholders, the NFIP should be reunited under the FIA.

FEMA's Response: No Further Action Required

Explanation: While a reuniting of the functional elements of the NFIP could facilitate the coordination of NFIP activities, this would be at the expense of the efficiencies and other benefits of an all-hazards approach to mitigation.

Issue: Set up centralized location to provide settlement information for IFG claims following disaster

Respondent's Recommendation(s):

Provide States with information regarding a FEMA Flood Insurance Claims Office (FICO) if one is opened following a presidentially declared disaster? Regardless of whether there is a FICO, having one centralized location to provide settlement information would expedite the processing of IFG claims.

FEMA's Response: Will Not Adopt/Other Actions To Be Taken

Explanation: There are established procedures and guidelines for NFIP setup and coordination of FICO operations including publicizing their opening, location etc. However, the FICO is not designed to be the source for Agency data regarding insurance coverage required for IFG claims processing. Rather, State access to needed information is designed into the "NFRA" (National Flood Insurance Reform Act) element of FEMA's National Emergency Management Information System (NEMIS), which is currently under development.

Issue: Investigation of Lloyds' programs

Respondent's Recommendation(s):

Programs such as Lloyds have written flood coverage since the mid 1980s. Evaluate the reasons why these programs are attracting business from the flood

FEMA's Response: Adopted/Action Underway

Explanation: In FY 2000, FIA will explore the reasons that Lloyd's programs are attracting business from the NFIP and determine if they include

Other Insurance Issues

Issue: Investigation of Lloyds' programs

program. Explore these reasons, features, underwriting rules, and coverages and determine if they are viable elements to incorporate within the current flood program.

viable elements to incorporate within the NFIP. It is important to note that most private sector residential flood insurance exists because of the NFIP. Further, policyholders reimbursed for losses through such policies do not need to rely on taxpayer-funded disaster relief, thereby helping to accomplish one of the major goals of the NFIP.

Issue: Assessment of the complete set of effects on resource use and vulnerability of the NFIP

Respondent's Recommendation(s):

An assessment of the complete set of effects on resource use and vulnerability of the NFIP should be undertaken as soon as possible. An integrated and comprehensive approach, using sample areas of the Nation, should be planned and completed. Such an effort would allow FEMA and its partners to diagnose and prescribe modifications for congressional and administrative changes that will benefit the taxpayers, those who are at risk of flooding, and those who will purchase land and structures that may be at risk of future flooding. Such an evaluation should begin with collection of information on how many structures exist in the nation's flood hazard areas and their vulnerability. The broad picture of the NFIP, as part of a national strategy to reduce flood losses and disaster costs, must be included. The issue of requiring flood insurance for all structures, or for structures in the 0.2 percent floodplain, also should be evaluated.

FEMA's Response: Other

Explanation: FEMA is in the process of planning and designing a comprehensive assessment of the NFIP in FY 2000. The scope, approach, and methodologies for the overall assessment and for individual studies have not yet been determined. FEMA will seek the involvement of the various NFIP stakeholders.

Other Insurance Issues

Issue: Balanced disaster and flood insurance approach to flood loss reduction

Respondent's Recommendation(s):

Work with the U.S. Congress and its partners to support a balanced disaster and flood insurance approach to reducing the Nation's flood losses. Also, establish a working group on insurance to include its local, State, and Federal government and private sector partners, to review a myriad of topics, including:

1. Requiring residual risk insurance behind levees and below dams, both conditions which lead to catastrophic losses and disaster claims when failure occurs;
2. Adding a provision that would require communities and States to insure infrastructure;
3. Resolving problems with the rating structure;
4. Eliminating "grandfathering" of insurance rates for structures when conditions change;
5. Reviewing and changing Section 1316, which is extremely difficult to use and implement, to make it a compliance and cost-saving tool;
6. Updating and distributing the NFIP Policy Manual;
7. Improving the process for considering and supporting NFIP compliance with post-disaster funds; and
8. Clarifying consequences in disaster assistance for public buildings that are not covered by flood insurance.

FEMA's Response: Assigned For Further Study

Explanation: FEMA is in the process of planning and designing a comprehensive assessment of the NFIP for FY 2000. The scope, approach, and methodologies for overall assessments and for individual studies have not yet been determined. Many of the topics proposed for consideration will be investigated during this assessment. Results and proposals will be made available and coordinated with the U.S. Congress and other NFIP stakeholders.

Other Insurance Issues

Issue: Interest-bearing accounts for benefit of NFIP

Respondent's Recommendation(s):

Based on a study of bank accounts set aside to handle FEMA funds, the respondent indicated that an average balance of approximately \$3,000,000 exists. On an annual basis these accounts, if they were interest bearing and earned interest at 5 percent, would generate interest for the NFIP of approximately \$150,000. If the entire program had interest bearing accounts on behalf of the NFIP, there would be the potential for over \$3,000,000 in interest income.

FEMA's Response: Assigned For Further Study

Explanation: FIA will explore the feasibility of allowing premiums and monies drawn down for insurance claims to be placed in interest-bearing accounts to benefit the NFIP in FY 2000. The FEMA Inspector General has expressed informally the same opinion. FIA recognizes this involves a potentially large impact on WYO accounting systems, but believes the idea is worth exploring.

Issue: Repairs handled by insureds

Respondent's Recommendation(s):

Omit the allowance for overhead and apply a flat percentage on all items on the building estimate if the insured is completing their own repairs. This would create a more uniformed claim process and reduce the amount of complaints from insureds.

FEMA's Response: No Further Action Required

Explanation: When an insured does his own repairs, the amount of effort and time is different in each case. It would be inequitable to set a standard percentage for each case not only to the NFIP policyholder but also the flood insurance fund.

Other Insurance Issues

Issue: Form 81-93 as attachment to flood insurance policy applications

Respondent's Recommendation(s):

Because mortgage companies are required to determine the zone of the property, FEMA Form 81-93 should be attached to the flood insurance application as verification of the correct zone.

FEMA's Response: No Further Action Required

Explanation: The insurance agent and the insurance company have independent responsibilities to determine the correct zone for rating, talking into account the NFIP grandfathering rules. We do not think that this suggestion would help in meeting their responsibilities.

Issue: Tougher restrictions to address repetitive loss problem

Respondent's Recommendation(s):

Underwrite risks so that repetitive loss properties would not be paid more than two or three times. There is a point where payment on these repetitive loss properties should stop. Penalize repetitive loss properties where corrective measures are rejected. Institute mitigation measures, which, if not followed, would cause flood insurance to be discontinued. Develop a political strategy to sell these "get tough" policies to Congress.

FEMA's Response: Adopted/Action Underway

Explanation: FIA will consider developing tougher restrictions to address repetitive losses in FY 2000, including underwriting risks so that damages to properties are not paid more than two or three times; penalizing the insured when corrective measures are rejected; and denying insurance coverage if mitigation measures are not taken. FIA also will develop a political strategy to sell "get tough" policies to the U.S. Congress.

Other Insurance Issues

Issue: Continuation of the Flood Insurance Interagency Task Force

Respondent's Recommendation(s):

Continue the Flood Insurance Interagency Task Force beyond the time limit placed by legislation.

FEMA's Response: Adopted/Action Underway

Explanation: As indicated in the Executive Summary to the Final Report of The Flood Insurance Interagency Task Force, submitted to the U.S. Congress in September 1998, the majority of the members agreed to continue informal communications to ensure a coordinated approach to compliance with the NFIRA. FIA agrees with the recommendation to request Task Force Members to continue to be available for consultation on a volunteer basis.

II Mitigation

1 Floodplain Management – Community Eligibility and Compliance

FEMA's NFIP Call for Issues Status Report
June 2000

Floodplain Management – Community Eligibility and Compliance

Issue: Make legislation/regulations for addressing non-compliance structures more flexible

Respondent's Recommendation(s):

The respondent recommended that applying Section 1316 could be more effective than enlisting FEMA probation or suspension measures to bring non-compliant structures into compliance.

FEMA's Response: Adopted/Action Underway

Explanation: The denial of flood insurance by enforcing Section 1316 is generally intended to be applied in those cases where a property owner has deliberately violated the local floodplain development ordinance. However, in many cases, violations of the local ordinance may not be due to the deliberate fault of the owner. Rather, they may be do to any number of reasons. Furthermore, applying Section 1316 against a structure does not make it safer or less resistant to flood damage, which is a goal of the NFIP. In those cases where warranted, the 1316 process is available and communities through the assistance of the NFIP State Coordinator Office and FEMA Regional Offices can consider using the Section 1316 process to help leverage compliance.

A major objective of the NFIP is to ensure that participating communities are achieving the flood loss reduction standards of the program. In order to address community performance, FEMA is developing a comprehensive Community Compliance Strategy. This strategy will identify a broad range of actions that will be taken to improve community compliance. Various elements are identified as critical to this process such as building partnerships, identifying additional resources, seeking new outreach opportunities, providing better training, and a prioritization of communities needing technical assistance. FEMA looks forward to implementing this strategy as an important action plan that will help us to “work smarter” in giving our communities technical assistance and gaining compliance.

Floodplain Management – Community Eligibility and Compliance

Issue: Establish team to develop compliance benchmarks and performance standards in each region and throughout the U.S.

Respondent’s Recommendation(s):

The respondent recommended establishing a team similar to the Territorial Closeout Teams to develop compliance benchmarks and performance standards in each Region that are consistent across the country.

FEMA’s Response: Adopted/Action Underway

Explanation: The respondent’s suggestion of establishing a coordination team fits in line with FEMA’s desire to have better-understood, well-coordinated approach to dealing with community floodplain management. FEMA is encouraged by this suggestion and anticipates the formation of a territorial compliance coordination work group. Initially, the group would function in an advisory role among other peers.

A major objective of the NFIP is to ensure that participating communities are achieving the flood loss reduction standards of the program. In order to address community performance, FEMA is developing a comprehensive Community Compliance Strategy. This strategy will identify a broad range of actions that will be taken to improve community compliance. Various elements are identified as critical to this process such as building partnerships, identifying additional resources, seeking new outreach opportunities, providing better training, and a prioritization of communities needing technical assistance. FEMA looks forward to implementing this strategy as an important action plan that will help us to “work smarter” in giving our communities technical assistance and gaining compliance.

Floodplain Management – Community Eligibility and Compliance

Issue: Implement a more aggressive NFIP compliance program, exercise authorities for probation and suspension, and limit disaster assistance

Respondent's Recommendation(s):

Seven respondents voiced the following concerns:

- When communities are turned over to FEMA for possible suspension or probation; FEMA fails to follow through.
- A stronger compliance standard is needed by FEMA.
- FEMA must develop a strong and effective compliance program tied to effective incentives, such as no disaster assistance, an increased cost-share for disaster relief, or mitigation funding (or even other Federal program funding, like CDBG, SBA, etc.) on the part of the State or community. The program must identify and support a strong State role in compliance, since FEMA staff is far too small to oversee 20,000 communities. The program must include a means of monitoring and a means to quickly and effectively sanction non-compliant communities.
- Compliance must include not only adoption of NFIP standards and requirements, but construction must also be monitored.
- A program for grading community codes and compliance, such as done by IBHS, deserves support.
- FEMA must have a policy of “zero tolerance” for non-compliance.
- Stiff penalties and incarceration need to be included so that local, county, State, and Federal employees do not abuse their positions.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA faces a variety of challenges in providing adequate floodplain management assistance to communities and gaining compliance from those communities whom are not consistently implementing their floodplain management program. In dealing with poorly performing communities, FEMA finds itself having to prioritize according to the most serious non-compliant communities. Once a community demonstrates the need for closer scrutiny, a period of fact-finding and data verification is necessary. While this prolongs the time period a community needs to correct its deficiencies, FEMA finds this as necessary to ensure the collection of defensible data.

A major objective of the NFIP is to ensure that participating communities are achieving the flood loss reduction standards of the program. In order to address community performance, FEMA is developing a comprehensive Community Compliance Strategy. This strategy will identify a broad range of actions that will be taken to improve community compliance. Various elements are identified as critical to this process such as building partnerships, identifying additional resources, seeking new outreach opportunities, providing better training, and a prioritization of communities needing technical assistance. FEMA looks forward to implementing this strategy as an important action plan that will help us to “work smarter” in giving our communities technical assistance and gaining compliance. Additionally, the compliance strategy will explore new avenues to implement the existing

Floodplain Management – Community Eligibility and Compliance

Issue: Implement a more aggressive NFIP compliance program, exercise authorities for probation and suspension, and limit disaster assistance

- Communities and States that sign up for emergency programs must strictly adhere to FEMA’s floodplain regulations.
- Compliance does not occur often enough, nor does the compliance process happen on a timely basis.
- There needs to be more consequences for non-compliance such as no public assistance.
- Non-compliance leads to development, which puts public dollars at risk, and often causes higher flood elevations on other properties.
- The NFIP does not enforce the suspension option.
- FEMA must develop an effective monitoring and compliance process that has real teeth and is tied to effective incentives, like no public assistance for non-compliant communities.
- Implement the probation/suspension compliance mechanisms.
- At the onset of community probation, require an immediate, prorated payment of the \$50 policy premium surcharge, rather than waiting until the time of renewal on the policy.
- Examples need to be made of communities that are not enforcing their ordinance.
- Make all public assistance contingent on NFIP participation.
- Make changes to the Stafford Act that provides incentives to States and counties to ensure they participate in the NFIP.

probation/suspension process. For example, under the current regulation FEMA will be looking at how to expedite the suspension process where a community has acknowledged its desire to not meet the community partnership responsibilities of the NFIP but has not taken the step to withdraw.

Recognizing the responsibility local communities have to implement floodplain management programs, FEMA offers a range of floodplain management and emergency management training. Training is available through FEMA’s Emergency Management Institute (EMI) in Emmitsburg, MD, through NFIP workshops coordinated by State NFIP Coordinator offices, in addition to training by FEMA Regional Offices. The mitigation curriculum at EMI provides training for Federal, State, and local government and private sector employees who are working to eliminate or reduce the long-term risk to human life and property posed by floods and other natural disasters.

By taking advantage of these opportunities, local communities can upgrade their floodplain management programs to meet or exceed the minimum expectations of the NFIP and provide individually designed floodplain management strategies based on the unique needs of each community. It is FEMA’s view that local communities must take advantage of these training opportunities to best implement a local floodplain management program and avoid violations.

FEMA’s Public Assistance Program is one way Federal disaster assistance is provided to State and local governments and to certain private nonprofit organizations. The Public Assistance Program enables these recipients of assistance to respond to disasters, to recover from their impact, and to mitigate

Floodplain Management – Community Eligibility and Compliance

Issue: Implement a more aggressive NFIP compliance program, exercise authorities for probation and suspension, and limit disaster assistance

- Give communities accurate flood maps that truly reflect an accurate regulatory floodplain.
- Develop a sliding scale or formula for financial awards.

the impact of future disasters. While these grants are provided to governments and organizations – their final goal is to help a community and all its citizens recover from the devastation of natural disasters. Other forms of disaster assistance are limited to participating communities in the NFIP. Under Section 202(b) of Public Law 93-234, if a presidentially declared disaster occurs as a result of flooding in a non-participating community, no Federal financial assistance can be provided for the permanent repair or reconstruction of insurable buildings in Special Flood Hazard Areas. However, as stated above, eligible applicants may receive those forms of disaster assistance that are not related to the permanent repair and reconstruction of buildings. FEMA recently undertook a review of this issue and decided to take no action at this time since it would impact so few communities.

The NFIP's Community Rating System (CRS) recognizes community efforts that provide a level of protection from flooding that exceeds the Federal minimum requirements of the NFIP minimum standards. This recognition is in the form of reduced flood insurance premiums for the community's property owners. The discounts may range from 5 to 45 percent. The discounts provide an incentive for new flood mitigation and planning and preparedness activities that can help save lives and protect property in the event of a flood. The CRS encourages State, local, and private programs and projects that preserve or restore the natural state of floodplains and protect their floodplain functions. There are now nearly 900 communities receiving flood insurance premium discounts based on their implementation of local mitigation, outreach, and educational activities that go well beyond minimum NFIP requirements. The CRS also provides a tool to improve community

Floodplain Management – Community Eligibility and Compliance

Issue: Implement a more aggressive NFIP compliance program, exercise authorities for probation and suspension, and limit disaster assistance

enforcement in those cases where a community joined the CRS but has subsequently allowed itself to become non-compliant with the minimum requirements of the NFIP. In such a case, the CRS status is withdrawn from the community and it reverts to a class ten community thereby losing its CRS designation and premium discount. This action by FEMA usually motivates a community to become compliant.

The probationary process for a non-compliant community affords a community an opportunity to correct their program deficiencies and re-establish their commitment to sound floodplain management. Historically, this process effectively motivates communities to improve performance and remain in the NFIP. The probationary process is an important due-process opportunity for communities to be given a chance to correct their deficiencies. FEMA is considering options to expedite the suspension of communities in those cases where a community is flagrantly non-compliant with the minimum criteria of the NFIP. This will be considered as FEMA works to implement a NFIP compliance strategy beginning in March 2000.

Issue: Develop new tools to improve community compliance

Respondent's Recommendation(s):

The respondent suggested the following improvements:

- The current tools available to gain compliance of a community are not adequate.

FEMA's Response: Adopted/Action Underway

Explanation: A major objective of the NFIP is to ensure that participating communities are achieving the flood loss reduction standards of the program. In order to address community performance, FEMA is developing a comprehensive Community Compliance Strategy. This strategy will identify a

Floodplain Management – Community Eligibility and Compliance

Issue: Develop new tools to improve community compliance

- We suggest withholding Public Assistance funds in communities not in “good standing” with the NFIP; develop a “negative CRS” rating and other strategies that are not as cumbersome and staff-time consuming.

broad range of actions that will be taken to improve community compliance. Various elements are identified as critical to this process such as building partnerships, identifying additional resources, seeking new outreach opportunities, providing better training, and a prioritization of communities needing technical assistance. An original focus of the strategy is to fully maximize the training resources FEMA has available as a device to effect change and improvement of floodplain management practices at the local level. Additionally, the strategy will explore new tools and approaches that could be leveraged to gain improved community performance. Currently the CRS Task Force, a managing body that recommends policy direction for the CRS, is actively discussing a negative rating option.

In the process of implementing a NFIP compliance program nationwide, many FEMA Regional Offices have developed innovative and effective approaches to have communities correct violations or improve their practices. The new NFIP Compliance Strategy is designed to promote these successes so that they can be implemented nationwide. Through *Project Impact*, FEMA has learned that communities do have a rekindled commitment to become more disaster resistant. This has resulted in tremendous innovation and originality on the part of communities. It is hoped that some of these approaches that work well for communities will be applied to compliance.

Current statutes and regulations allow for limitations of Public Assistance disaster assistance but only in those cases of an insurable structure in a Special Flood Hazard Area. Expanding disaster assistance limitations beyond these criteria may require new authorities from Congress.

Floodplain Management – Community Eligibility and Compliance

Issue: Establish and implement a fee structure for recovering FEMA staff time funds expended working with communities to correct deficiencies and violations

Respondent's Recommendation(s):

The respondent expressed two concerns:

- The regulations need to be changed to permit the recovery of costs associated with compliance activity.
- Modify the NFIP Resolution To Join and the CFR to allow for recovery of costs for staff time working with the community to correct deficiencies and violations. A standard billing for services can be developed similar to what other Federal agencies have for hourly charges assisting the public.

FEMA's Response: No Further Action Required

Explanation: Although it is recognized that there are staff costs and resources expended when working with poorly performing communities, FEMA also has a responsibility to give these communities technical assistance. Many communities feel the responsibility to participate in the NFIP is a burden as the program currently exists. Any fees charged to these communities may encourage them to withdraw. This may not be in the best interests of the community's citizens, the financial solvency of lending institutions, or the National Flood Insurance Program.

Issue: Change Biennial Reports to Annual Reports and make them part of the CAP process

Respondent's Recommendation(s):

A respondent had specific comments on the Biennial Report, including:

- Lack of punctuality with Biennial Report.
- The Biennial Report forms are often filled out incorrectly.
- Transfer the report methodology to be a part of the CAP. An NFIP official (FEMA or State) could initiate the report process with a phone call, discuss/explain, and then send the form to the local official.
- Consider making the Biennial Report an Annual Report.

FEMA's Response: Addressed in Program/Other Actions To Be Taken

Explanation: The Biennial Report is an important data collection tool that contributes to decisions concerning the NFIP. It is envisioned that as part of a State's role as a CAP partner that the Biennial Report data would be verified during the routine community assistance process. Should errors in the data be found, revisions to this data would be provided to FEMA. In an effort to minimize the time it takes to provide FEMA the information gathered for the Biennial Report, it is not an annual report. Currently we are considering combining the Biennial Report data collection process with the "Five-year map re-study survey."

II Mitigation

2 Floodplain Management – General Construction Requirements

FEMA's NFIP Call for Issues Status Report
June 2000

Floodplain Management – General Construction Requirements

Issue: Use model building codes as an alternate means to meet the building construction requirements of the NFIP

Respondent's Recommendation(s):

Two respondents commented on using model building codes as an alternate means to meet the building construction requirements of the NFIP. One respondent suggested recognizing the Building Officials and Code Administrators (BOCA) National Building Code. One respondent suggested including these requirements in the International Building Code that is being created by the International Code Council (ICC). BOCA is a member of ICC.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA agrees that the building code requirements of the NFIP, when incorporated into model building codes, provide an effective means to meet the building construction requirements of the NFIP. In the past, FEMA worked extensively with BOCA and other building code and standards producing organization to ensure that model building codes and consensus standards and NFIP regulations were largely compatible. FEMA has worked closely with the ICC to ensure that the International Building Code and the International Residential Code comply with NFIP regulations. FEMA has developed a guidance document that will describe how communities can use these codes to meet the NFIP floodplain management regulations. FEMA has also worked with the National Evaluation Service (NES) to develop an "Evaluation Plan for Determination of Flood-Resistance of Building Elements." In addition, FEMA is committed to working with all codes and standards producing organizations to further an all hazard mitigation approach.

Issue: Shallow flooding in A-Zones in coastal areas can present significantly different hazards than flooding in A-Zones affected by riverine flooding

Respondent's Recommendation(s):

The respondent suggested that velocity and wave action of these coastal A-zones can cause significant damage to buildings that is not recognized by current map designations.

FEMA's Response: Evaluation/Study Required

Explanation: In post-disaster assessments, FEMA continues to see damages to buildings in A-zones in coastal areas that appear to result from the velocity of the floodwaters or from wave action. These damages include scour and

Floodplain Management – General Construction Requirements

Issue: Shallow flooding in A-Zones in coastal areas can present significantly different hazards than flooding in A-Zones affected by riverine flooding

collapse of short crawl-space walls that are not usually seen in shallow riverine flooding. The revised Coastal Construction Manual (FEMA 55, 3rd edition) specifically recognizes hazards that may be present in A-zones in coastal areas. While FEMA doesn't plan a rule change at this time, we agree that this issue needs evaluation and continue to develop technical guidance and re-evaluate coastal building foundation systems based on post-disaster assessments. FEMA has conducted laboratory research to complete FEMA Technical Bulletin 9-99, *Design and Construction Guidance for Breakaway Walls Below Elevated Coastal Buildings*. This bulletin clearly identifies the extreme loads that can be transmitted to buildings by breaking waves outside of identified V-zones. Also, FEMA worked to revise the American Society of Civil Engineers standards ASCE 7 and ASCE 24 to include breaking wave loads on piles and vertical surfaces. FEMA continues to monitor post-disaster performance of coastal building foundation systems and will use this information if required changes to the rule become needed. In addition, FEMA is considering future research to test masonry walls under breaking wave loads as well as other coastal and riverine targeted studies.

Issue: Residential basements in Special Flood Hazard Areas (SFHAs)

Respondent's Recommendation(s):

Residential basements cannot be constructed in SFHA's, except when a community is granted an exception as provided by the specific requirements as stated in the Code of Federal Regulations, 44 CFR 60.6 (c) (1). One

FEMA's Response: No Further Action Required

Explanation: FEMA must consider two main criteria in evaluating whether a community should be granted an exception to allow floodproofed basements. These are 1) specific flood characteristics are met and 2) the community

Floodplain Management – General Construction Requirements

Issue: Residential basements in Special Flood Hazard Areas (SFHAs)

respondent suggested expanding or eliminating the prohibition on basements if specific engineering requirements are met. The other respondent suggested eliminating the exception and disallowing the construction of basements under all circumstances because of the amount of damages that continues to occur in basements.

adopts an ordinance that specifically controls how basements are constructed and used. This exception is intended to recognize for reasonable and administratively different floodplain management practices that are consistent with reducing flood losses and protecting the public. This exception recognizes those specific flooding conditions and construction methods where basement construction will not reasonably put private property or the public at risk. However, the regulations also recognize that with more severe flooding, when warning times are not adequate or when basements do not receive specific engineering and construction attention for flooding conditions, basements can result in significant risks to private property or the public. In addition, designing floodproofed basements requires specific detailed design professional attention that is not present in most residential construction.

In the 1997 flooding of the Red River of the North in Minnesota and North Dakota, FEMA sent an engineering team to investigate the performance of basements. Since some communities had been granted basement exceptions, this offered the opportunity to determine if the basement exception was successful. A detailed inspection was made of 111 basements. The team only found one engineered basement (that have been built under a basement exception) that had failed. This failure resulted from buoyancy forces not being addressed as required by the exception – the basement floated. There was considerable damage to pre-FIRM basements and their contents in SFHA's, especially where these basement areas had been finished to use as living spaces. In addition, because there was considerable flooding outside the SFHA, the team saw significant structural damage to basements outside the SFHA where engineering attention was not given to the effects of flooding on basement design or construction. Based on this investigation, FEMA

Floodplain Management – General Construction Requirements

Issue: Residential basements in Special Flood Hazard Areas (SFHAs)

concluded that the existing regulation allowing a residential basement exception is specific enough to allow a reasonable exception for local conditions, but that a broader exception could put a significant number of buildings at risk.

Issue: Change regulations to allow one toilet/sink below the BFE

Respondent's Recommendation(s):

The respondent recommended that the regulations be changed to allow one toilet/sink below the BFE with a cut-off/check valve.

FEMA's Response: No Further Action Required

Explanation: FEMA regulations currently allow only storage, access and parking as uses for areas below the BFE. This comment would provide for a bathroom below the base flood elevation. FEMA believes that this would encourage the use and conversion of the lower level for recreational or habitable purposes. In addition the reliable use of a backflow device on a sanitary line requires human intervention. Lack of intervention could result in either backflow of raw sewage or floodwater entering the sanitary system. Hose bibs, or potable water that is appropriately protected from backflow are not disallowed by NFIP regulations. However, providing sanitary facilities below the BFE has the potential to create environmental problems as well as easing the illegal conversion of this space into habitable areas. A new FEMA publication *Protecting Building Utilities From Flood Damage* FEMA 348 contains guidance on sewage management systems and potable water systems for structures located in flood-prone areas in order to comply with the NFIP floodplain management requirements.

Floodplain Management – General Construction Requirements

Issue: Allow for floating houses when properly engineered

Respondent's Recommendation(s):

The respondent suggested allowing the use of foundation systems in houses to allow them to float on floodwaters.

FEMA's Response: No Further Action Required

Explanation: FEMA has found that requiring human intervention to prevent flood damages is not reliable, especially for residential buildings. Ensuring that barges or ships will float (a close analogy to what is being proposed) requires a high degree of annual maintenance, periodic inspection (by the Coast Guard) and considerable expertise of the owner. A homeowner does not have the expertise to perform similar functions for a floating home.

There are innumerable other difficulties with this system. These include but are not limited to:

- this system would encourage the homeowner to stay home during a flood situation putting his/her family at risk;
- this could put emergency management personnel, who might need to respond, at risk;
- qualified individuals who have to ensure that the operation of the floating home might not be available when needed;
- there are considerable technical difficulties, such as ensuring that the center of buoyancy of the house would be located above the center of gravity;
- this system can only be tested in a flood to see if it performs as expected;
- this system could be extremely vulnerable to lateral loads from winds, earthquakes or high velocity floodwaters or waves, and

Floodplain Management – General Construction Requirements

Issue: Allow for floating houses when properly engineered

- quality control and enforcement would be non-existent since there are no codes or consensus standards to follow.

More importantly existing methods of elevating houses on conventional foundation systems permanently and reliably meet the NFIP objectives to remove the house from the risk of flooding from a base flood event. FEMA will not consider allowing floating homes unless it can be clearly demonstrated that such technology is equal, in effect, to permanently elevated structures.

Issue: Require specific certification of breakaway walls by a design professional

Respondent’s Recommendation(s):

Two respondents recommended requiring specific certification by design professionals for breakaway walls. One respondent suggested a certification be required that the breakaway wall meets the specific requirements of 44 CFR 60.3(e)(5) (i) and (ii) for all breakaway walls. The other respondent suggested that this certification be required for solid breakaway walls.

FEMA’s Response: No Further Action Required

Explanation: Currently, NFIP floodplain management regulations require that, breakaway walls that are designed to breakaway at loads in excess of 20 pounds per square foot must be specifically certified as breaking away at the load less than the combined load of a 100 year flood and with loads as prescribed by local codes.

In addition in coastal high hazard areas the NFIP regulations require the local community to also to also insure (in 44 CFR 60.3(e)(4)), “a registered professional engineer or architect shall develop or review the structural design, specifications and plans for the construction, and shall certify that the design and methods of construction to be used are in accordance with accepted standards of practice for meeting the provisions of paragraphs (e)(4)(i) and (ii) of this section.”

Floodplain Management – General Construction Requirements

Issue: Require specific certification of breakaway walls by a design professional

Guidance on constructing breakaway wall is available in FEMA Technical Bulletin 9-99 *Design and Construction Guidance for Breakaway Walls Below Elevated Coastal Buildings*. In addition, the engineering standard, ASCE 7-98, *Minimum Design Loads for Buildings and Other Structures*, provides guidance to design professionals on calculating flood loads and on considering how the flood load should be analyzed in combination with other loads, such as wind loads.

We believe there is sufficient guidance to both communities and design professionals on the design and construction of breakaway walls. Many communities have not had problems with the designs of breakaway walls. If a community believes it has a problem with breakaway wall design or construction, the community can amend its local floodplain management regulations to address this issue as long as this meets or exceeds the minimum requirements of the NFIP regulations.

II Mitigation

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Floodplain Management – Policy Review

Issue: NFIP policy guidance

Respondent's Recommendation(s):

Three respondents recommended that a standardized NFIP policy document be developed for distribution to FEMA regions and State partners.

FEMA's Response: Adopted/Action Underway

Explanation: We realized that sound floodplain management could be encouraged through a consistent and unified implementation of the NFIP regulations. In support of consistency, there are currently nine NFIP Technical Bulletins and one NFIP Floodplain Management Bulletin that provide guidance and clarity to NFIP policies. In addition, policy guidance can also be found in many NFIP publications. An available resource for policy guidance is the *Managing Floodplain Development Through the National Flood Insurance Program (NFIP)* independent study course. This independent study course is designed to provide technical, in-depth information to community officials who have responsibility for administering floodplain development.. However, we are currently exploring ways to standardize policy issues and to distribute consistent guidance to regional and State offices.

Issue: Manufactured home permanent foundation

Respondent's Recommendation(s):

Two respondents indicated that floodplain management and flood insurance standards require a manufactured home located in the special flood hazard area to be placed or affixed to a permanent foundation. The respondents recommended that FEMA should define what constitutes a permanent foundation.

FEMA's Response: Adopted/Action Underway

Explanation: The NFIP requires that manufactured homes in special flood hazard areas are elevated on and anchored to a permanent foundation to resist flotation, collapse and lateral movement during a flooding event. This requirement is intended to be a general performance criterion and not a specific design standard. The local floodplain permit official must determine whether the proposed foundation meets the NFIP performance standards for

Floodplain Management – Policy Review

Issue: Manufactured home permanent foundation

resisting flood forces at the site. If the NFIP performance requirements are met for resisting flotation, collapse and lateral movement, generally the property will meet the broader requirements for insuring the manufactured home. The various State and local requirements for the placement of manufactured homes indicate a need for pre-engineered foundation designs that would meet the NFIP criteria. We are rewriting FEMA-85 a publication entitled *Manufactured Homes Installation in Flood Hazard Areas* starting this year. We have completed several post-flood damage assessments recently and will include findings and new foundation technology in this multi-hazard publication. Further study is required.

Issue: Building utilities

Respondent's Recommendation(s):

The respondent recommended that FEMA work with EPA to create a coordinated septic system standards.

FEMA's Response: Adopted/Action Underway

Explanation: Generally, sewage systems are regulated through a combination of building, land use, health or sanitary ordinances, laws and regulations. These regulations are often, administered by State and local departments of environmental health. Communities that participated in the NFIP must meet or exceed the requirements of the NFIP floodplain management regulations that require utilities, which includes the sewage management system; to be located and designed to minimize or eliminate flood damages. To assist communities with technical guidance for the placement of utilities in floodplains, FEMA has developed a publication entitled *Protecting Building Utilities from Flood Damages*. The overall objective of this document is to assist in the construction and protection of

Floodplain Management – Policy Review

Issue: Building utilities

utilities systems that are built in the flood hazard areas. The development of this document included a state-of-the-art search that identified current Federal, State and local regulations and requirements pertaining to the design and construction of septic systems.

Issue: Critical facilities

Respondent's Recommendation(s):

Three respondents recommended that the NFIP require communities to adopt portions of 44 CFR Subpart C to minimize location of critical facilities in flood-prone areas. Two respondents recommended changing the definition of residential structure. Another respondent recommended the development of a technical bulletin on the placement and protection of critical facilities.

FEMA's Response: Evaluation/Study Required

Explanation: The location of critical facilities is a concern to the NFIP. For example, it is critical that emergency facilities, such as fire and police stations, need to be operable during flood disasters. Nursing homes are a concern due to short warning times and rapidly rising floodwaters that would prevent evacuation in a safe and orderly manner. These facilities should be located outside the special flood hazard area or well above the base flood elevation, such as to the 500-year level of protection. The NFIP floodplain management regulations currently do not require such protection. However, the Community Rating System provides additional credits to communities that have regulations that are tailored to protect critical facilities. The NFIP also provide communities with additional planning considerations that encourage the adoption of an overall comprehensive management plan for flood-prone areas that would minimize the location of critical facilities. The adoption of these standards is not mandatory, but is encouraged when communities are developing its floodplain management regulations. The International Building Code and the International Residential Code encourage greater protection for critical facilities by requiring freeboard. In addition, under Executive Order

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Issue: Critical facilities

11988, Floodplain Management, Federal agencies must consider the implications of the occurrence of a flood larger than the 100-year flood on the economics and safety of a proposed floodplain action. Federal agencies must determine whether certain actions are considered a “critical action” which is defined as an activity for which even a slight chance of flooding is too great. These actions should be subject to a higher standard. The 500-year flood is the standard used to evaluate critical actions. Actions, such as facilities producing and/or storing highly volatile, toxic or water-reactive materials, hospitals, schools, nursing homes, facilities housing essential irreplaceable records, and utilities and emergency services, are considered critical actions when evaluated against the potential impact from flooding on life and property. In these situations, Federal agencies must give consideration to the larger floodplain when the impact on life and property is too great. We agree that this could be considered in a regulatory review of the program.

Issue: Freeboard

Respondent’s Recommendation(s):

Seven respondents made recommendations to add freeboard to the base flood elevation and require that new construction and substantial improvements are elevated or floodproofed to that higher elevation. Specific recommendations include: 1) incorporating the surcharge resulting from designation of a floodway into the BFE, 2) adding one or two feet of freeboard to the BFE for regulatory purposes, and 3) doing both. A major concern is that, because we allow a one foot surcharge when we designate a floodway, buildings built to

FEMA’s Response: Evaluation/Study Required

Explanation: FEMA believes that requiring freeboard or incorporating the floodway surcharge into the BFE are worthwhile ideas that deserve further investigation. We will consider it for future incorporation into the NFIP floodplain management regulations. In the interim we will continue to encourage adoption of freeboard through the flood insurance rates, through the Community Rating System (CRS), and through our various publications and our training and outreach efforts. In addition, the International Building Code

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Issue: Freeboard

the BFE can ultimately be subject to up to one foot of flooding during the base flood (note this is related to recommendations on adopting a zero-rise floodway criteria). Other arguments in support of freeboard include accounting for uncertainties in study methodologies and future increases in BFE due to effects of urbanization and other hydrologic and hydraulic changes, providing an extra margin of safety, and accounting for waves and debris blockages. Other considerations cited include:

- Many States and communities have adopted freeboard requirements.
- Some communities may not by State law exceed NFIP minimum requirements.
- Flood insurance rates for buildings built at one foot or more above BFE are substantially lower than rates for buildings at BFE.
- Floodplain management requirements and flood insurance rates for floodproofed buildings would be consistent.

One recommendation cited the need for freeboard to prevent damages to wood framing members, plywood, ductwork, and insulation below the top of the lowest floor of a building. This is already addressed by NFIP requirements. Section 60.3(a)(3) requires use of flood resistant materials below the BFE and that mechanical and utility equipment is elevated or protected from floodwater entering or accumulating within the system components.

(IBC) requires freeboard for certain buildings. The IBC adopts, by reference, ASCE-24 that requires freeboard for buildings in certain categories, including critical facilities.

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Issue: Zero-rise floodway

Respondent's Recommendation(s):

Two respondents recommended that FEMA revise its floodway criteria to require communities to designate a floodway that causes no increase in flood stages (also called a “zero-rise floodway”).

FEMA's Response: Evaluation/Study Required

Explanation: Currently, communities can designate a floodway that causes up to a one-foot increase in flood stage. The one-foot rise criteria was a compromise that allowed some level of development to occur in the floodplain yet minimized increased damages to upstream properties. Zero-rise floodways in effect limit development in the floodplain to those areas that do not carry floodwaters. There are two concerns with the current requirement. First, allowing a one-foot increase in flood stage causes additional damages to existing structures over current conditions. Second, new construction must only be elevated to the BFE and would eventually be subject to up to one foot of flooding during the base flood. Several States and many communities have adopted floodway requirements that are more restrictive than NFIP minimum requirements (they commonly use no-rise, .1 feet, or .5 feet). In the past FEMA has mapped more restrictive floodways in those States that have a statutory or regulatory provision requiring the use of a more restrictive standard. It generally has not mapped more restrictive floodways in States that do not. Communities continue to be able to adopt a more restrictive floodways than that on the FEMA map, although some may be reluctant to do so in the absence of a FEMA standard. However, communities that are Cooperating Technical Communities (CTC) now have considerable latitude on how their floodways are designated and could map zero-rise floodways. Communities receive credit under the Community Rating System (CRS) for adopting a more restrictive floodways. Note that an alternative way to address this issue for new construction would be to require freeboard or to incorporate the increase in flood stage into the regulatory BFE. FEMA will consider adopting a more restrictive floodway standard or allowing communities to request that FEMA

Floodplain Management – Policy Review

Issue: Zero-rise floodway

map a more restrictive floodway. And we may consider, requiring one-foot freeboard in communities that have floodways that allow a one-foot rise in the flood fringe. In the interim, FEMA will continue to map more restrictive floodways in those States with higher regulatory requirements and encourage communities to adopt more restrictive floodways through the Community Rating System (CRS).

Issue: Grandfathering of existing manufactured home parks and subdivisions

Respondent's Recommendation(s):

Two respondents recommended that FEMA revise NFIP floodplain management criteria to end the grandfathering of existing manufactured home parks and subdivisions (those built prior to the community's adoption of its floodplain management ordinance) when a 10-year "grace" period ends in 1999.

FEMA's Response: Evaluation/Study Required

Explanation: Under current requirements new manufactured homes placed in existing manufactured home parks and subdivisions can be elevated on 36-inch reinforced piers instead of being elevated to the BFE (the "grandfathering"). If a manufactured home is substantially damaged by a flood on a particular site, that site is no longer grandfathered. Manufactured homes placed in new manufactured home parks; expansions to existing manufactured home parks or outside of manufactured home parks must be elevated to or above the BFE. The current requirements were a compromise reached with the manufactured home industry in 1989 after lengthy consultations with the industry and other interested parties. FEMA had tried to end the grandfathering in 1986, but Congress suspended the implementing regulation. The concern had been the difficulties in elevating individual manufactured homes in narrow confines of most existing manufactured home parks. There was no 10-year "grace" period. However, FEMA did indicate in its proposed rule published in the Federal Register on May 19, 1989 that it

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Issue: Grandfathering of existing manufactured home parks and subdivisions

would re-evaluate the issue in 10 years to see if the new regulatory requirements and natural attrition were addressing the problem. The test was to be whether or not inordinate levels of damages in existing manufactured home parks continued. FEMA will query NFIP claims data and disaster assistance data to determine if current levels of manufactured home damages in existing manufactured homes parks are significant enough to warrant consideration of regulatory changes.

Issue: Floodway analysis for subdivisions and other development in Zone A

Respondent's Recommendation(s):

One respondent recommended that FEMA revise the requirement at 44 CFR 60.3(b)(3) so that a floodway analysis is required for subdivisions and other development. The current requirement is that proposals for subdivisions and other development greater than 5 acres or 50 lots (whichever is less) in unnumbered A zones include BFE data.

FEMA's Response: No Further Action Required

Explanation: The rationale for the requirement is that the level investment required for subdivisions and large-scale development and the property at risk warrants the costs required of developing the BFE data. Most communities put the burden on the applicant to provide this information. Floodway analyses were not required originally to minimize costs placed on these applicants. There was also a concern that FEMA had decided not to develop detailed studies for these A zone areas and it was not equitable to require substantial investments by permit applicants to develop the data. However, many of the currently available models used to develop BFEs for small reaches of stream (including FEMA's model) can also perform a floodway analysis. The idea is worth further consideration since currently available models allow this information to be developed at minimal additional cost.

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Issue: Repetitive loss

Respondent's Recommendation(s):

The respondent recommended that FEMA establish weighted categories of repetitive loss risk based upon the percentage of damage as shown against the insured value of the structure.

FEMA's Response: Evaluation/Study Required

Explanation: FEMA has developed a ranking system for all of our target repetitive loss properties (those with four or more losses and those with two to three losses where the cumulative total of the claims exceeds the building value). These are the properties at the highest risk from repetitive flood damage. The ranking is based on the projected average annual damages as a percent of building value. The top 500 ranked repetitive loss properties have been provided to every State to assist in developing Hazard Mitigation Grant or Flood Mitigation Assistance project applications. We will continue to review the repetitive loss list to ensure we are effectively reducing the flood risk nationwide.

Issue: Enclosures below the lowest floor of elevated buildings

Respondent's Recommendation(s):

Eight respondents made recommendations regarding enclosures below the lowest floor of elevated buildings, including the following:

- FEMA should establish a reasonable size limit for enclosures to discourage conversion to uses for other than parking, access, or storage or prohibit solid wall enclosures and only allow the use of wood lattice or insect screening to enclose areas below the BFE.
- FEMA should establish a system of requiring communities to monitor use of enclosures and require property owners to verify the status of the enclosure. FEMA should use the flood insurance policy to make

FEMA's Response: Evaluation/Study Required

Explanation: The issue of using the enclosed area below elevated buildings in A zones and V Zones for other than parking, building access, or storage, is a concern to FEMA because of the increased flood damages to the enclosure and potential increased damages to the elevated portion of the building as a result of improperly constructed enclosures. If the ground-level enclosure is finished with living spaces, there is an increased risk to lives, particularly in areas with little flood warning. FEMA recognizes that once a building is permitted, constructed and a certificate of occupancy issued, some communities find it difficult to monitor and enforce compliance with their floodplain management ordinance when the use and the construction of enclosures are illegally

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Issue: Enclosures below the lowest floor of elevated buildings

clear to property owners that they must provide access to local, State or Federal officials to inspect the property. FEMA should deny the flood insurance claim and disaster assistance for illegal construction on the property.

- FEMA should define what is meant by “storage” in 44 CFR 59.1.
- The NFIP Regulations are unclear regarding the location of mechanical and electrical equipment relative to enclosures and the lowest floor.
- The NFIP floodplain management requirements and the insurance rates pertaining to openings are inconsistent. The *Flood Insurance Manual* only recognizes the opening criteria established at 44 CFR 60.3(c)(5); it does not recognize openings that are certified by a professional engineer or architect.
- The floodplain management requirement at 44 CFR 60.3(e)(5) does not contain a size limitation for enclosures below the lowest floor, yet the *Flood Insurance Manual* requires that when the enclosure exceeds 300 sq. ft. with a breakaway wall, it must be a submit for rate which can be an extremely high rate. Either delete breakaway walls from the criteria or add a note in the floodplain management requirements that the flood insurance premium will significantly increase with the construction of a breakaway wall enclosure over 300 sq. ft.

modified. FEMA agrees that the enclosure issue needs to be addressed and that the recommendations concerning enclosure size, definition of storage, existence of mechanical and other utilities in enclosures below the Base Flood Elevation, and the ability of communities to effectively enforce when improper enclosures are constructed deserve further investigation as part of a study on enclosures. Floodplain management issues concerning enclosures would need to be reviewed in conjunction with insurance coverage and underwriting issues related to enclosures.

Floodplain Management – Policy Review

Issue: Define crawl space

Respondent's Recommendation(s):

Three respondents believe that basements and crawl space construction continue to confuse local officials, leading to floodplain management violations and flood insurance rating problems. NFIP regulations define a basement as the area of the structure below grade on all sides. Crawl space construction is a common form of construction. Since the NFIP does not define “crawl space,” compliance problems often develop. If the interior grade of the crawl space is below the exterior grade, the crawl space is considered a “basement” under the NFIP definition for “basement.” Crawl space construction may become violations if landscape-grading results in the interior grade of the crawl space floor below the exterior grade. Also, crawl space heights of 6–8 feet are not uncommon due to soil conditions and local building codes. We also received suggestions that the openings should be at the lowest adjacent grade to address the issue of building sites on sloped land. It was further recommended that at least one opening be located at ground level at the lowest adjacent grade to allow floodwaters to drain out and prevent standing water to cause health hazards and structural problems and that a 6 inch drain pipe with one way flow be required to allow drainage inside the crawl space. Using this approach will also allow the other flood openings to be located at 1.5 or 2 feet above grade which can then serve also as the air vents required in building codes.

FEMA's Response: Evaluation/Study Required

Explanation: Residential crawl space construction has been a longstanding issue for the National Flood Insurance Program. A specific concern to the program is buildings constructed with below-grade crawl space floors. FEMA's longstanding policy has been that buildings with crawl space floors that are subgrade (where the interior grade is below the lowest adjacent grade on all sides) are considered “basements” under the NFIP definitions. This policy is based on the increased hydrostatic and soil loadings placed on the foundation that could occur during flood conditions. A specific issue that has been raised to FEMA is that we should allow below grade residential crawl space construction since it is standard construction practice. Another issue that has been raised with FEMA is that the flood insurance rates are too high and do not reflect the flood risk to below residential grade crawl space construction. Under the NFIP, new or substantially improved non-residential buildings in A Zones can have the lowest floor below the Base Flood Elevation provided the building has been designed, constructed, and certified to be floodproofed to or above the Base Flood Elevation (floodproofing means making a building watertight, substantially impermeable to floodwaters).

Effective May 1, 1999, FEMA revised the flood insurance rates for crawl space construction. Previously, the rates that were used for below grade crawl space construction were the rates used for a full 8-foot basement. In reviewing the rate structure, FIA determined that the basement rates were inappropriate for below grade crawl space floors that were only 1 or 2 feet below grade. As a result, an actuarial rate to address this issue was developed to address this unique risk. As of May 1, 1999, rates for crawl space construction that has its interior floor 1 or 2 feet below grade on all sides will be an enclosure loading

Floodplain Management – Policy Review

Issue: Define crawl space

for these buildings that is significantly less than a basement rate. The additional premiums range from \$140 to \$260 dollars depending on the size of the crawl space area and whether the crawl space is 1 or 2 feet below grade. If the crawl space is more than 3 feet or more below grade, it will be rated using the “with basement” rate tables in the *Flood Insurance Manual*.

For buildings constructed on extended foundation walls or have other enclosures below the Base Flood Elevation, openings are required in the walls in order for the walls to withstand hydrostatic pressure. The NFIP Floodplain Management Regulations require a minimum of two openings having a total net area of not less than one square inch for every square foot of enclosed area subject to flooding and that the bottom of all openings shall be no higher than one foot above grade. If the floor of the crawl space is above the BFE, then no openings are required. If a building is located at a sloped site, local officials should require that sufficient openings be provided in walls on the downhill side of the building. Openings are not located at ground level so that the crawl space area does not get wet on a frequent basis from surface waters during normal rainfall. Also, because of problems with vermin, local building officials may not allow openings to be at ground level openings due to building code requirements. Therefore, it may be necessary to pump out the remaining one foot of water inside the crawl space. If the local official allows ground level openings then it can be done. FEMA would not consider allowing the height the openings to be higher than 1 foot above grade to satisfy venting requirements under building codes because it defeats the purpose of releasing hydrostatic pressure and reduces the factor of safety built into the requirement. Further guidance on openings can be found in FEMA’s Technical Bulletin 1-93 *Openings in Foundation Walls*.

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Issue: Define crawl space

With regard to the floodplain management requirements for crawl space construction, FEMA intends to evaluate crawl space construction. This study will include evaluating the flood damage potential of below grade crawl space construction. This study will also look into issues of standing water inside the crawl space. The results of this evaluation will be used to determine whether adjustments are needed in the NFIP Floodplain Management Regulations, such as defining “crawl space” construction, and whether additional guidance is needed. If warranted, we will also reevaluate the flood insurance rates based on the results of this study.

Issue: Substantial improvement/substantial damage

Respondent’s Recommendation(s):

Fifteen respondents commented on strengthening and improving enforcement of the substantial improvement/substantial damage requirement. Several of the comments focused on the need to use “replacement cost” versus “market value” for determining substantial improvement/substantial damage. Those favoring this indicated that “replacement cost” is easier to calculate, would address regional differences, and is used by insurance industry and others. Concern was expressed that both have been used in the past resulting in inconsistent enforcement of the requirement and it was recommended that FEMA should evaluate their use, select one method, and consistently apply it. The use of square footage was also recommended as an alternative to using market value for calculating substantial improvement. We also received several comments on the need to strengthen the definition of substantial

FEMA’s Response: Evaluation/Study Required

Explanation: Under the NFIP, communities are responsible for making NFIP substantial improvement/damage determinations and notifying property owners of the requirement. We agree with many of those commenting that local officials face tremendous challenges following a flood disaster and that the NFIP substantial damage requirement is probably one of the most difficult issues facing local floodplain management officials and property owners. The role of the local community is critical to the effectiveness of the program and the implementation of the substantial improvement/damage requirement. Critical to the successful enforcement of land use measures and building code requirements, such as the substantial damage requirement, is that buildings be treated similarly and consistently. The requirement must apply to insured and non-insured buildings. Making substantial improvement or damage

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Issue: Substantial improvement/substantial damage

improvement to address incremental improvements to buildings. Recommendations were made on the need for a “cumulative” substantial improvement requirement including establishment of a timeframe within which improvements would be counted. Other recommendations included:

- Requiring communities to provide information about substantial improvement or damage to property owners.
- Relaxing the substantial improvement requirement on buildings that are not substantially or repetitively damaged to allow the owner to improve their property.
- Requiring FEMA/NFIP certified insurance adjusters to determine substantial improvement/substantial damage since it is not a standard local government function.
- Improving the timeframe in which flood insurance claim information is provided to State and local officials.
- Providing more training on evaluating and calculating substantial improvements and substantial damages.

determinations conforms to local official responsibility in enforcing similar requirements under the building code and the zoning ordinance for non-conforming buildings and uses. The authority to regulate floodplain development rests solely with the State and local government. FEMA has no land use authority. Therefore, FEMA cannot delegate substantial damage determinations to adjusters.

As to the recommendation for relaxing the substantial improvement requirement to allow any improvements, FEMA will not consider this recommendation. The 50 percent threshold was selected on the basis that it does not make sense to pay flood losses on the same property over and over again. This threshold was chosen as a reasonable compromise between the extremes of 1) prohibiting all investment to structures in flood hazard areas which does not meet the minimum NFIP floodplain management requirements and 2) allowing structures to be improved in any fashion without regard to the flood hazard present.

The NFIP definition of substantial improvement requires that determinations be made on an individual basis using the 50 percent threshold. At this time, FEMA is not considering including a cumulative definition for substantial improvement in the NFIP because of the continued difficulties of communities unable or unwilling to enforce the minimum NFIP requirement for substantial improvement/damage. However, if a community, of its own volition, or as required by State law, adopts a more restrictive standard for substantial improvement in its floodplain management ordinance, certainly the more restrictive standard would take precedence and must be adhere to by the community. Adoption of a “cumulative” requirement is also a creditable activity under the Community Rating System. While “cumulative” is not

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Issue: Substantial improvement/substantial damage

specifically required by the NFIP for naturally occurring incremental situations, the intentional phasing of improvements over a one or two year period circumvents the intent and the letter of the substantial improvement requirement. A community has several options to address the intentional phasing of permits to deter circumvention of the requirement such as adopting a timeframe (one or two years) for reviewing permits for substantial improvement and carefully reviewing the scope of work presented in the permit application. Because of local peculiarities, FEMA has left it to the community's discretion on adopting and implementing procedures that prohibit the intentional phasing of improvements to elude compliance.

The issue of use of "market value" versus "replacement cost" has been a long-standing issue to the program. FEMA's emphasis around 1989/1990 on enforcing the substantial improvement/substantial damage requirement and efforts to make floodplain management and flood insurance work together brought issues, such as determining the value of the structure, to the surface. We have had numerous discussions on this issue with various NFIP constituents with no overriding consensus for using one method over the other. While some NFIP constituents are in favor of using "replacement cost" because it is viewed as an easier value to determine and less subjective, others view "market value" as more restrictive and achieving more mitigation. For some States, a requirement to use "replacement cost" would be contrary to the State statute and/or the State model floodplain management ordinance that requires use of "market value." Another consideration would be that if a change to the substantial improvement definition makes it more restrictive, it would trigger rulemaking. Still another consideration is the extent to which increased funding such as through the Hazard Mitigation Grant Program and Increased

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Issue: Substantial improvement/substantial damage

Cost of Compliance Coverage, has improved substantial damage determinations.

FEMA does not believe that a square footage method is a better alternative to determining substantial improvement/damage over a value method. Because of extreme variability in building types, a square footage method would be cumbersome to implement. However, FEMA is willing to look into the issue of determining structure value and the use of “replacement cost” over “market value.” Consideration of the above issues needs to a part of this review.

FEMA provides extensive guidance, especially during the post-disaster period, and onsite training for local officials in enforcing the 50 percent rule. We have provided a computer software tool that communities can use to estimate whether homes have been substantially damaged along with training on the tool. The new *Homeowners Guide to Retrofitting* gives homeowners easy to read information on ways to prevent future flood losses and information on resources and where to get assistance. FEMA continues to explore ways to get information concerning flood losses communicated more efficiently to State and local officials to help them identify substantially damaged buildings. FEMA will also continue to explore training needs on substantial improvement and substantial damage and develop necessary materials to help communities administer the requirement.

Floodplain Management – Policy Review

Issue: Stricter State law

Respondent's Recommendation(s):

Two respondents indicated that the NFIP regulations should encourage more strict State and local floodplain management standards. In addition, the NFIP floodplain management regulations should be revised to encourage more effective enforcement of the regulations.

FEMA's Response: No Further Action Required

Explanation: Many States and communities choose to adopt a more comprehensive level of standards based on its knowledge and assessment of the hazard. The NFIP supports these more restrictive floodplain management requirements by acknowledging at CFR 60.3(d) of the regulations that these higher standards would take precedence over the minimum criteria of the program. The NFIP's Community Rating System (CRS) encourage community's efforts to adopt flood standards beyond the minimum criteria by reducing flood insurance premiums for property owners. CRS discounts on flood insurance premiums range from 5 percent up to 45 percent. Those discounts provide an incentive for flood protection activities that exceed the minimum NFIP requirements. The comprehensive planning that is encouraged through our *Project Impact* initiative also encourage communities to adopt higher standards of flood protection. Because of these efforts we feel that no further requirements are necessary.

Issue: Elevation Certificate

Respondent's Recommendation(s):

Two respondents indicated that the NFIP regulations should be amended to require local governments to complete Elevation Certificates for all construction in the special flood hazard areas. The requirement to issue floodplain development permit is confused with the Elevation Certificate. The regulations should also require communities to complete and keep them on file for eventual use by property owners.

FEMA's Response: No Further Action Required

Explanation: When a community joins the NFIP, it must require permits for development in the special flood hazard area to ensure that construction materials and methods used will minimize future flood damage. An element of this requirement is that the community obtain the elevation of the lowest floor (including basement) of all new and substantially improved buildings, and maintain a record of such information. This data becomes a part of the

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Issue: Elevation Certificate

floodplain development permit file, which would contain all documentation that substantiates how buildings are actually constructed. The community is required to maintain this information as a part of the community records. The International Building Code, Appendix Chapter 31-1, Section 103.3 and the International Residential Code Chapter 1, Administration, Section R106.3 will require communities to maintain elevation information. Even though the NFIP require communities to obtain elevation data, it only mandates that this data is collected by the use of the FEMA Elevation Certificate when the community is participating in the Community Rating System. Elevation information is necessary to ensure compliance with community floodplain management ordinances, to determine the proper insurance premium rate, and to support a request for a Letter of Map Amendment or Revision (LOMA or LOMR-F). The Elevation Certificate only provides a way for a community to collect elevation data and should never be confused with the basic requirement to obtain and maintain a development permit for proposed construction in the floodplain.

Issue: Structures in/out floodplain

Respondent's Recommendation(s):

The respondent recommended that FEMA's policy on the matter of "if any portion of a structure is within the floodplain, then all of the structure is within the floodplain" needs to be reconsidered.

FEMA's Response: No Further Action Required

Explanation: Under the NFIP, communities have a responsibility to evaluate the flood hazard and the flood risk in all official actions and require a permit or other development in the Special Flood Hazard Area (SFHA). If a portion of a building is to be located in the SFHA or an existing building is located just outside the designated SFHA, but a proposed addition or

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Issue: Structures in/out floodplain

extension, such as a deck, is to be located in the SFHA, NFIP communities have a responsibility to evaluate these proposed developments to ensure that the building or the addition or extension complies with the NFIP floodplain management requirements and with the community's floodplain management ordinance. Any additions or extensions should also be evaluated ensure that they do not increase the flood damage potential to the existing building even though the existing building is located outside the SFHA.

Under the NFIP flood insurance rating rules, buildings located in more than one flood zone must be rated using the more hazardous zone. These rating rules also apply in cases where an addition or extension located in the floodplain is attached to a building located outside the SFHA. Our loss experience has demonstrated that these additions can cause damage to the original portion of the building during floods, and this must be reflected in the rates charged.

Under the Mandatory Purchase Requirement, the pushes of flood insurance and notice requirements apply to the entire building even though part of the building is outside the designated SFHA. The Mandatory Purchase Requirement also applies to the entire building even if that part of the building within the SFHA is not subject to coverage, (e.g., deck).

Issue: Floodplain management ordinance

Respondent's Recommendation(s):

The respondent recommended that FEMA provide incentives to integrate floodplain management regulations into land use regulations to reduce the

FEMA's Response: No Further Action Required

Explanation: Communities vary considerably both within a State and across the country on how they regulate floodplain development. Many

Floodplain Management – Policy Review

Issue: Floodplain management ordinance

incidence of free standing NFIP ordinances being overlooked in community planning. Another respondent indicated that communities joining the NFIP should adopt the California model ordinance for NFIP participation rather than the provisions contained in the Code of Federal Regulations governing floodplain management.

communities that participate in the NFIP have adopted a single ordinance to address most, if not all, of the minimum requirements of the NFIP. In some cases, the NFIP provisions may be the only ordinance in the community that governs land use. The extent to which communities are successful in coordinating their stand-alone ordinance with their building codes and other health and safety codes varies from State to State and from community to community. As an alternative, many communities have integrated floodplain management functions in separate agencies such as the planning department, zoning department, building code department, and public works department. Even with this approach, close coordination between departments is vital to achieving a comprehensive approach to floodplain management.

Each State has its own statutes and regulations, which may require or limit how a community approaches floodplain management regulations, planning, zoning, building codes, and other health and safety codes. Therefore, regulating floodplain development cannot be approached, on a national basis, as a “one size fits all” process.

While specific programs and functional organizations may vary from community to community in how floodplain development is regulated or managed, FEMA provides incentives to communities to address their flood hazards comprehensively through the Community Rating System (CRS). The objective of CRS is to reward communities that are doing more than meeting the minimum NFIP requirements to help their citizens prevent or reduce flood losses. It also provides an incentive for communities to initiate new flood protection activities such as integrating floodplain management into comprehensive plans, stormwater management programs, and zoning for open space protection.

Floodplain Management – Policy Review

Issue: Disincentives for coastal areas and incentives for limiting development

Respondent's Recommendation(s):

One respondent recommended that FEMA create disincentives to development in vulnerable coastal areas, while another recommended changing the NFIP to emphasize and provide incentives for communities that limit or eliminate development in Special Flood Hazard Areas.

FEMA's Response: No Further Action Required

Explanation: While FEMA strongly supports efforts by States and communities to limit floodplain development, its ability to require them to do so is limited. The authority to regulate land use lies with State and local government. The NFIP floodplain management regulations are primarily designed to protect buildings constructed in floodplains from flood damages and to protect the occupants of these buildings. FEMA will continue to explore possible incentives and disincentives that could encourage States and communities to discourage development in hazardous areas. This is a goal of *Project Impact: Building Disaster Resistant Communities*. FEMA also is working with States and communities through *Project Impact* and other initiatives to implement local incentives that will deter building in the 100-year floodplain. We also encourage communities to adopt stronger building codes for all development in floodplains, especially critical facilities.

The NFIP flood insurance rates are based on the degree of the flood risk, which ensures that the costs associated with new or substantially improved buildings, in high-risk areas, are borne by those that occupy the floodplain, not by the taxpayers at large. The NFIP rate structure, limitations on Federal assistance in communities that do not participate, and the mandatory flood insurance requirement make it more expensive to develop in flood hazard areas and will tend to discourage development in many areas. However, for other areas the economic forces driving floodplain development are far greater than any incentive or disincentive that could be provided.

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Issue: Disincentives for coastal areas and incentives for limiting development

The idea to promote community and insurance rating in support local ordinances that limit or eliminate development in identified FHA's is embodied by the NFIP Community Rating System (CRS). The CRS is a public/private partnership that encourages communities to adopt land-use policies that reduce or eliminates flood hazards. Currently 900 communities receive flood insurance premium discounts between 5 and 45 percent for programs that go beyond the minimum NFIP requirements. In addition, FEMA will continue to be advised by the Community Rating Task Force made up of local, State, Federal, and private professional practitioners, such as the NEMA and the ASFPM, on for ways to provide more incentives through CRS to discourage floodplain development.

Issue: Elevation requirements in unnumbered A Zones

Respondent's Recommendation(s):

The respondent recommended that a requirement be added at 44 CFR 60.3(b) that all new construction and substantial improvements in unnumbered A zones have their lowest floors at least 2 feet above the highest adjacent grade. The argument is that, if buildings do not have their lowest floors two feet above highest adjacent grade, insurance rates will be extremely high.

FEMA's Response: No Further Action Required

Explanation: While this is true, a lower flood insurance rate would be available by obtaining or developing a base flood elevation and constructing the building to or above that elevation. Most buildings in unnumbered A zones are currently being rated using these locally developed BFEs. FEMA believes that a two-foot minimum requirement would become a de facto maximum elevation in many communities. Two foot of elevation provides inadequate protection in most floodplains. Under current regulations the community must obtain and use BFE data if it is available and BFEs must be developed for subdivisions and other development above established thresholds. If no BFE is available, the building official is responsible to ensure

Floodplain Management – Policy Review

Issue: Elevation requirements in unnumbered A Zones

that the building is reasonably safe from flooding and that they be constructed using practices that minimize flood damages. We believe that this generally will provide a higher level of protection than if a two-foot requirement was adopted. FEMA believes that current requirements, when properly enforced, result in a higher degree of flood protection than the suggested change.

Issue: Exceptions to NFIP criteria

Respondent's Recommendation(s):

The respondent recommended that FEMA make greater use of the provisions at 44 CFR 60.6(b) and (c) that allow communities to apply for exceptions to NFIP criteria. The argument is that there may be instances where nationwide minimum standards such as those in the NFIP may not be suitable for a geographic area and may cause hardships or endanger the health or safety of the public.

FEMA's Response: No Further Action Required

Explanation: Section 60.6(b) allows for exceptions to be granted if there would be hardship or gross inequity for the community if the exception were not granted provided there was no adverse impacts on public safety or the environment. Section 60.6(c) allows exceptions for construction of floodproofed basements in communities that have specified flooding conditions. FEMA has been open to requests for exceptions in instances where alternative methods can be used to provide a level of protection equivalent to that provided by NFIP minimum requirements. However, in recent years there have been few inquiries about exceptions. NFIP requirements are primarily performance standards that provide considerable latitude in construction practices and we believe that most communities are able to comply. Furthermore, the standards have proven to be highly effective in reducing flood losses. No action is required at this time. Section 60.6(b) continues to be available as these types of issues arise. If in the future, we determine that there is a need for greater flexibility in the NFIP floodplain management regulations, we will reconsider this issue.

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Issue: Allow communities to not designate a regulatory floodway under certain circumstances

Respondent's Recommendation(s):

The respondent suggested allowing communities to not designate a floodway if it intends to apply the no-rise requirement throughout the floodplain.

FEMA's Response: No Further Action Required

Explanation: The NFIP requirement is that communities designate a regulatory floodway. It does not have to be the floodway that FEMA includes on the Flood Insurance Rate Map (FIRM) provided that the floodway at least meets the minimum criteria at 44 CFR 60.3(d)(3). If the community wishes to apply floodway requirements to the entire floodplain, it can do so by designating the entire floodplain as floodway. In some instances we have not designated floodways in areas where conventional floodways do not work well if the community agrees to apply standards that better preserve the carrying capacity of the floodplain. Communities that are Cooperating Technical Communities (CTC) also have considerable latitude as to how their floodways are designated. We believe that this recommendation can be done under existing regulations and policy. No action is required. Participating communities can already do this.

Issue: Develop a plan for addressing endangered species under the NFIP

Respondent's Recommendation(s):

The respondent stated that several of the salmon runs in the Pacific Northwest may be listed as endangered and are thus subject to requirements under the Endangered Species Act. Communities in the Northwest may be developing Habitat Conservation Plans and placing additional restrictions on floodplain development beyond those required by the NFIP and the concern is that there

FEMA's Response: No Further Action Required

Explanation: We are aware of the issue, but feel that it is premature to act until the potential conflicts can be better identified.

Floodplain Management – Policy Review

Issue: Develop a plan for addressing endangered species under the NFIP

may be conflicts between requirements. The respondent recommended that the community begin to plan for this listing although the commentator indicated that it may be too early to identify all issues.

Issue: Limiting increase in flood stage in unnumbered A Zones

Respondent's Recommendation(s):

A respondent recommended that FEMA revise paragraph 44 CFR 60.3(b)(4) to also require communities apply paragraph 60.3(c)(10) in unnumbered A zones. Paragraph 60.3(b)(4) requires that communities obtain and reasonably use Base Flood Elevation data from any sources in unnumbered A zones.

FEMA's Response: No Further Action Required

Explanation: FEMA has not provided BFEs for these areas, but considerable data exists from other agencies. FEMA does not require that communities or permit applicants develop this data if none is already available except for subdivisions and other development that exceed thresholds where the level of the investment at risk warrants the cost of an engineering study. We do encourage communities to develop BFE data for use in these areas and provide Community Rating System (CRS) credits for those who do. Paragraph 60.3(c)(10) requires that communities obtain encroachment analyses in those areas designated as zone AE where FEMA has provided BFE data, but not floodway data. The recommendation would in effect require that an encroachment analysis be conducted for all development where there is a BFE available from any source.

FEMA will not mandate development of BFE data and conduct of an encroachment analyses in unnumbered A zones for other than subdivisions and large developments due to the burden that would be placed on small communities and individual property owners. We will continue to encourage States and communities to develop BFE data where appropriate through the CRS and through our outreach and training efforts. FEMA provides guidance

Floodplain Management – Policy Review

Issue: Limiting increase in flood stage in unnumbered A Zones

on developing BFEs in unnumbered A zones in its publication *Managing Floodplain Development in Approximate A Zone Areas*, FEMA-265. Through the implementation of the Cooperating Technical Community (CTC) program, communities will also be encouraged to develop additional data.

Issue: E.O. 11988 Floodplain Management

Respondent's Recommendation(s):

Four respondents stated that there needs to be improved coordination, acceptance, and consistency among Federal agencies regarding the minimum NFIP floodplain management requirements. Section 264.18(b) of the Environmental Protection Agency's regulations is cited as an example of the inconsistent application of the NFIP requirements. This provision allows the siting of a hazardous waste facility as long as the owner can demonstrate that procedures are in effect which will cause the waste to be removed safely before floodwaters can reach the facility. It was recommended that E.O. 11988 be amended to include a provision that Federal and State agencies be required to obtain a local floodplain development permit prior to undertaking an activity in the floodplain. It was also recommended 1) that FEMA work with all Federal agencies on an ongoing basis to ensure agency policies and programs are supportive of the NFIP; 2) that Executive Orders or other measures be updated as needed; and 3) that measures tie Federal funds to compliance with NFIP, not only for disaster relief, but to other Federal programs like Small Business Administration, Housing and Urban Development, etc.

FEMA's Response: No Further Action Required

Explanation: In 1977, E.O. 11988, Floodplain Management was issued which has brought about beneficial changes in Federal floodplain activities. However, with time and experience, it has become apparent that the E.O. 11988 needs to be updated. The 1994 publication, *Sharing the Challenge: Floodplain Management into the 21st Century*, the final report of the Interagency Floodplain Management Review Committee, cites aspects of E.O. 11988 that need to be updated and strengthened. A coordinated effort between Office of Management and Budget (OMB), Council on Environmental Quality (CEQ), and several Federal agencies to revise E.O. 11988 was initiated in 1998, but a final decision has not been made to revise the E.O.

FEMA's role under the Executive Order is a consultation role. E.O. 11988 directs Federal agencies in preparing their procedures to consult with FEMA and update procedures as necessary. FEMA has no oversight or regulatory authority over other Federal agencies as it pertains to implementing E.O. 11988; however, FEMA does provide Federal agencies guidance and assistance in implementing E.O. 11988 at their request. FEMA will continue

Floodplain Management – Policy Review

Issue: E.O. 11988 Floodplain Management

to carry out its responsibility under the E.O. to provide consultation to other Federal agencies.

E.O. 11988 does not explicitly recognize the existence of local or State floodplain management regulations or the effect Federal actions may have on them; however, Federal agencies are encouraged to coordinate with State and local community floodplain management officials concerning actions in floodplains.

Under E.O. 11988, agencies are mandated to take a leadership role in carrying out actions, which affect the floodplain. As to the issue of acceptance and consistency in applying the minimum NFIP floodplain management requirements, Federal agencies must assure that their actions do not undermine the NFIP. However, an agency's application of the NFIP requirements does not comprise full compliance with the E.O. 11988. Application of the NFIP requirements comes after the agency has completed its avoidance, evaluation of no practicable alternatives, and minimization responsibilities under E.O. 11988. Furthermore, E.O. 11988 recognizes the limited scope of the NFIP requirements and thus, emphasis in the E.O. is on the NFIP as the minimum. Because the NFIP requirements are directed toward protection of property, the other two areas of concern (protection of lives and floodplain values) must also be addressed.

Floodplain Management – Policy Review

Issue: Excluding property from floodplain

Respondent’s Recommendation(s):

The respondent recommended that the NFIP regulations (60.3 (c)(2) and (3)) clearly indicate that compliance with the NFIP floodplain management requirements does not exclude the property from the special flood hazard area.

FEMA’s Response: Addressed in Program/Other Actions To Be Taken

Explanation: The NFIP regulations require that all new construction and substantial improvements of residential structures have the lowest floor (including basement) elevated above the base flood level. By meeting this provision, the structure is not excluded from the special flood hazard area. If a structure is being impacted or surrounded by water, a significant risk of damage still remains and flood insurance is still required. The only NFIP procedures that will remove a property from the special flood hazard area are the Letter of Map Amendment (LOMA) or Letter of Map Revisions (LOMR). These procedures allow property owner’s who believe that his property has been inadvertently included in the designated floodplain to provide technical or scientific data that would support the allegations. When a property owner receives a LOMA or LOMR the property is then remove from the floodplain and no flood insurance is required. As modifications are made to the floodplain management regulations, this procedure may be clarified.

Issue: NFIP definitions

Respondent’s Recommendation(s):

The respondent recommended that FEMA revise critical terms and definitions contained within the NFIP floodplain management regulations to ensure public understanding.

FEMA’s Response: Addressed in Program/Other Actions To Be Taken

Explanation: We realize that the general public may have difficulty understanding several terms adopted by the NFIP. In our obligation to the public to clarify the concept of floodplain management, we make every effort to incorporate definitions of critical terms in correspondence and our daily

Floodplain Management – Policy Review

Issue: NFIP definitions

conversations with the public. During any future changes to the NFIP regulations, all definitions will be reviewed for clarity and program consistency.

Issue: Maintenance of the flood carrying capacity of channels (44 CFR 60.3 (B)(7))

Respondent's Recommendation(s):

Paragraph 44 CFR 60.3(b)(7) requires that communities “assure that the flood carrying capacity within the altered or relocated portion of any watercourse is maintained.” This means that they must not only assure that the altered or relocated watercourse has at least the same carrying capacity as before the alteration or relocation, but they also assume an ongoing maintenance responsibility. If the altered or relocated watercourse is not maintained, it could silt up or begin to meander resulting in increased flooding. There is no requirement to maintain natural channels or those altered prior to the community’s adoption of its NFIP floodplain management ordinance.

Four respondents recommended the following:

- Expand channel maintenance requirements to all channels, man-made or natural.
- Expand the application of (b)(7) to apply to the entire floodplain in unnumbered A zones, not just an altered or relocated watercourse.
- Clarify what “alteration of a watercourse” means. Does it include only the watercourse itself or the adjoining floodplain areas?
- Use of poorly compacted dredged materials to repair channels.

FEMA's Response: Addressed in Program/Other Actions To Be Taken

Explanation: FEMA has always interpreted this provision as applying to the watercourse only and not the adjoining floodplain. Applying it to the entire floodplain would be tantamount to placing floodway restrictions on unnumbered A zones and would require that an engineering analysis be done for all development. This is a financial burden we have been and are unwilling to impose on permit applicants since FEMA has not provided engineering information for these areas. Likewise, we believe that imposing a maintenance requirement on natural channels and on manmade channels that pre-date the NFIP would also impose a burden on communities although we encourage that this be done. In addition, there are many environmental concerns that need to be taken into consideration. Using poorly compacted dredged fill material for channel repair is a local issue that is best handled at the community level. No action is required at this time. The recommended changes, although they have some merit, would place undue burdens on communities and property owners. FEMA will consider further clarifying the provision the next time a major revision of NFIP requirements is undertaken.

Floodplain Management – Policy Review

Issue: Revise and reorganize the NFIP floodplain management requirements in a floodplain management ordinance format

Respondent’s Recommendation(s):

The respondent recommended that FEMA reorganize and re-write the NFIP floodplain management regulations in an ordinance format. The format suggested was that of the California Model Floodplain Management Ordinance.

FEMA’s Response: Addressed in Program/Other Actions To Be Taken

Explanation: While there is merit to the idea of re-stating individual requirements so that they more closely track the language that would be used in an ordinance or building code, we do not believe they should be formatted like a model ordinance. There are number of ways communities can comply with NFIP requirements. They adopt freestanding floodplain management ordinances or use provisions in their comprehensive zoning and subdivision ordinances or building codes, and health and sanitary regulations to meet NFIP requirements. Particularly with the new International and Residential Building Codes, we anticipate that more and more communities will opt to use the later approach. Using an ordinance format may help some communities, but not others. FEMA will not re-format the NFIP requirements in ordinance format. It will consider re-drafting the requirements so that they more closely track the language that would be used in a zoning ordinance or building code the next time major changes are made to the FEMA floodplain management regulations.

Floodplain Management – Policy Review

Issue: Definition of recreational vehicle

Respondent’s Recommendation(s):

Two respondents stated that many recreational vehicles (RVs) have permanent attachments, additions, or other improvements that render them a “permanent structure” for floodplain management purposes. RV’s with attachments or additions cannot be easily or quickly detached and moved, yet they are not required to meet the community’s adopted elevation and anchoring standards. FEMA needs to expand the definition of “recreational vehicle” under the NFIP definitions under 44 CFR Part 59 to discourage additions or improvements that would render the RV immobile. The definition should include a statement that the RV does not have any permanent additions, improvements or structural attachments that cannot be easily or quickly disconnected or that would preclude it from being licensed and road ready.

FEMA’s Response: Addressed in Program/Other Actions To Be Taken

Explanation: We believe the reference to having “no permanent additions or improvements” is satisfactorily addressed in the floodplain management provision at 44 CFR 60.3(c)(9): “A recreational vehicle is ready for highway use if it on its wheels or jacking system, is attached to the site only by quick disconnect type utilities and security devices, and has no permanently attached additions.” Under the NFIP, if an addition or other improvement is attached to a recreational vehicle, that recreational vehicle would no longer be “ready for highway use” and would be subject to the elevation and anchoring requirements for manufactured homes that apply to the zone where the vehicle is located. However, we recognize that this requirement may not be well understood. We believe this issue can be addressed appropriately in a Floodplain Management Bulletin that specifically focuses on recreational vehicles.

II Mitigation

4 Floodplain Management – Technical Assistance, Training, Communications, and Publications

FEMA's NFIP Call for Issues Status Report
June 2000

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: NFIP repetitive loss data

Respondent's Recommendation(s):

One respondent stated that FEMA should provide NFIP flood insurance repetitive loss data to State Coordinators and State Hazard Mitigation Officers for floodplain management purposes. Another respondent stated that FEMA should provide NFIP flood insurance repetitive loss data to communities and States to facilitate proper floodplain management. Another respondent stated that FEMA should provide Community Rating System (CRS) communities with more detailed NFIP repetitive loss information (i.e., amount and reasons for loss for community floodplain management purposes).

FEMA's Response: Adopted/Action Underway

Explanation: Historically, FEMA has supplied repetitive loss information to communities and States for floodplain management purposes upon written request subject to privacy act restrictions. In response to the Director's National Repetitive Loss Strategy and based on a request from the Association of State Floodplain Managers (ASFPM), in January 1999, FEMA released the full repetitive loss listing by property in every affected community to the State NFIP Coordinators. Our goal is to make corrections to the addresses in our national repetitive loss property inventory, and to annotate the listings when mitigation techniques have reduced losses to the buildings.

In addition, based on customer comments, the State's repetitive loss property information as well as the separate mailing to CRS communities included much more detail about each repetitive loss property (for example flood zones, insurance payments, building values etc.). We are continuing to receive and review further refinements to the data contained on these lists.

FEMA will be making these data available to States via a "protected" Internet site (updated monthly) for their floodplain management needs. The States may then make them available to communities. In addition, this information will continue to provide more detail as requested by States and communities. CRS participating communities annually receive, review, and update their listings as part of the CRS participation requirements. Non-CRS communities should continue to request this information through FEMA, if they do not receive them from the States, when the Internet system becomes available.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Foster training and develop certification program of floodplain managers

Respondent's Recommendation(s):

One respondent stated that this community and neighboring communities understand little about implementing the NFIP. The respondent would like a certification for local floodplain building code administrators with adequate training to assist in the implementation of the NFIP. It should be run at the State level. A State program would benefit communities more than the broad issues addressed at the national level.

One respondent recommended that FEMA develop a floodplain manager certification course that focuses on complex issues. This would better serve those working in the field and help spawn new ideas and approaches. The basic NFIP floodplain management course is too basic and is not fully able to be applied, given the nature and complexities of floodplain management issues – an issue those in the field must work with on a daily basis.

One respondent recommended that FEMA encourage and support certification of floodplain managers through a national certification program. This could apply to adjusters, insurance agents, and other professionals. Untrained and unknowledgeable floodplain managers lead to poor local floodplain management decisions, at risk development, and to more flood damages and disaster relief costs. There is a need to develop a cadre of well-trained floodplain managers to help the nation reduce its flood losses.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA recognizes the importance of local official education as one of the most important ingredients of a disaster resistant community. In support of this, FEMA – in partnership with the U.S. Army Corps of Engineers and the National Oceanic Administration – is jointly funding the startup phase of a professional floodplain managers certification program in cooperation with the Association of State Floodplain Managers. Through the certification program local officials will have an incentive to take advantage of floodplain management training opportunities. This will ultimately produce safer communities. More about the certification program is available on the ASFPM Web site at www.floods.org. Local officials are encouraged to contact the ASFPM and learn more about this opportunity for floodplain management professionals.

Additionally, FEMA is working to develop an advanced level of course content to bolster the existing floodplain management course offered by the Emergency Management Institute or to be used as a stand-alone module. Certainly, FEMA looks to our State floodplain management partners and the private sector to initiate training tools. There are many promising examples of this through national and State-based conferences and workshops associated with professional organizations.

FEMA is proud to also make available its new floodplain management independent study course, Managing Floodplain Development Through the National Flood Insurance Program,(IS-9). The independent study course provides an excellent resource for local floodplain managers who are unable to

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Foster training and develop certification program of floodplain managers

attend the residential courses offered at FEMA’s Emergency Management Institute in Emmitsburg, Maryland. The course is also recognized as one of the best and most comprehensive study aids for those individuals wishing to prepare for the Certified Floodplain Managers examination offered through the Association of State Floodplain Managers.

Insurance industry professionals and anyone else who works with floodplain management issues are encouraged to consider becoming a certified floodplain manager.

Issue: Strengthen the FEMA/State partnership to better clarify for the community what floodplain and watershed planning can do

Respondent’s Recommendation(s):

One respondent stated that the FEMA/State partnership needs to be strengthened and the NFIP needs to be better clarified as to what floodplain management and watershed planning can do for a community. The NFIP should also write consistent regulations and encourage its enforcement by State governments. A good incentive is a sliding cost share, which would encourage States to improve their floodplain management programs. The State should be working hand in hand with local government in a strategic plan to reduce flood losses through a holistic program.

FEMA’s Response: Adopted/Action Underway

Explanation: In an effort to put in place a workable basic level of flood protection in support of an insurance program, the NFIP was designed to be implemented locally on a jurisdiction by jurisdiction basis. Clearly, however, the physical processes that influence flooding characteristics are influenced based upon entire watershed processes. Although the minimum requirements of the NFIP do not require communities to consider watershed based approaches, FEMA has put in place various floodplain management implementation approaches that support a watershed based process. Through the “Cooperating Technical Communities” program our floodplain mapping activities allow for greater coordination and cooperation between neighboring communities sharing a watershed. Through the NFIP “Community Rating System” there is abundant opportunity for communities within a watershed to

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Strengthen the FEMA/State partnership to better clarify for the community what floodplain and watershed planning can do

work together in their floodplain management practices. And finally, through FEMA's *Project Impact* initiative there are unlimited opportunities for public, private, and academic partners to combine their resources and interests for the betterment of the community.

As disaster damage prevention efforts progress, more emphasis is being placed upon the Federal role as that of facilitator, and mentor rather than regulator and monitor. Consequently, FEMA is expanding its deliveries to those communities that are committed to helping themselves do more to become disaster resistant, rather than focus the Federal role upon regulatory approaches.

Issue: Community education regarding maps and ICC claims processes

Respondent's Recommendation(s):

One respondent felt that communities are not well-versed on 1) making accurate flood map determinations or 2) their responsibility in the Increased Cost of Compliance claims process.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA and FIA have incorporated training on the use of flood maps into all deliveries of NFIP training because accurate risk determinations are critical to effective floodplain management and insurance rating. We have refined our publication on the use of NFIP maps (*How to Use a Flood Map to Determine Flood Risk for a Property* – FEMA 258) to take the reader through the process of making an accurate determination and we use this publication in our training deliveries as well.

When the National Flood Insurance Reform Act of 1994 authorized Increased Cost of Compliance (ICC) coverage both FEMA and FIA began an effort to educate local officials, insurance agents and lenders on the coverage which became available on June 1 of 1997. In September of 1997, we published

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Community education regarding maps and ICC claims processes

FEMA 301 National Flood Insurance Program Guidance for State and Local Officials Increased Cost of Compliance Coverage, to further provide information on the ICC coverage under the NFIP and how it relates to the local community's administration of floodplain management ordinances. We have also incorporated ICC modules into our floodplain management training deliveries both in residence at the Emergency Management Institute and training conducted by FEMA Regional and State floodplain management staff. In addition, the FEMA Web site contains some information on ICC. We will continue to incorporate alternative delivery methods to increase the deliveries of training on ICC and other aspects of the NFIP.

Issue: Requirement for surveyors to be educated in flood zone determinations

Respondent's Recommendation(s):

One respondent stated that surveyors do not have enough knowledge regarding the NFIP or making flood zone determinations.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA does not have the authority to require surveyors to be trained because surveyors are licensed by the particular State in which they practice. However, FEMA Regional Offices have been incorporating training for local surveyors on the NFIP. We also worked with the American Congress on Surveying and Mapping in the revision to the FEMA Elevation Certificate and will continue to partner with this group (to which many surveyors have membership) to increase our training efforts for surveyors and improve their skills on zone determination.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: A training video on the new FEMA Elevation Certificate

Respondent's Recommendation(s):

The respondent stated that due to limited training availability, many Elevation Certificates continue to be filled out incorrectly. The suggestion has been made to create a training video on how to fill out the new Elevation Certificate.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA and FIA have been assessing options on training and education efforts to support the issuance of the revised FEMA Elevation Certificate. An instructional Compact Disc (CD) with an electronic copy of the new Elevation Certificate is in the final stages of development. FIA is also revising training modules to incorporate the new certificate in all sessions conducted for insurance agents and lenders and this training is also open to surveyors, State and Regional staff. We are also considering the development of a training video on the new certificate if it is deemed necessary. This video could become a module to be incorporated into other courses currently delivered by the Emergency Management Institute and by the FEMA Regional Offices, or simply a stand-alone training tool.

Issue: Establishment of required outreach and education programs to reinforce the skills of local floodplain management officials

Respondent's Recommendation(s):

The respondent recommended that the NFIP minimum standard should be updated to include mandatory training for communities that wish to join the NFIP. FEMA should also provide grants to communities to hire a flood hazard coordinator or have cooperative agreements with local officials that hire someone to facilitate the NFIP.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA is very aware of the positive effects of adequately trained local floodplain management staff who are responsible for implementing the NFIP. Because participation by any community in the NFIP is voluntary, FEMA cannot require training as a condition of participation in the NFIP. In addition, implementation of a floodplain management program requires local land use authority, which FEMA does not have. However, both the Emergency Management Institute and the FEMA Regional offices offer floodplain management training for local and State officials on the

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Establishment of required outreach and education programs to reinforce the skills of local floodplain management officials

implementation of the NFIP. Some States are exploring certification programs for floodplain management professionals that would require continuing education and FEMA fully supports such initiatives. In addition, the Association of State Floodplain Managers (ASFPM) is currently developing a certification program.

Incentives for increasing the local knowledge base in floodplain management are already in place. The Community Rating System (CRS) rewards communities for more progressive floodplain management programs. Conversely, those communities that fail to adequately administer and enforce a floodplain management program that meets minimum NFIP criteria are subject to probation and possible suspension from the NFIP.

When a community voluntarily applies for participation in the NFIP, the community makes a commitment to designate a floodplain administrator to effectively implement floodplain management compliant with the NFIP in that community. In return, FEMA provides federally backed flood insurance to citizens of that community because the community has committed to reducing flood risk through their local floodplain management program. It is a “quid-pro-quo” program. Because land-use and permit authority rests with the local community, it would not be appropriate, nor is it Congressionally authorized, for FEMA to fund a position for the administration of a locally adopted ordinance, particularly since participation in the NFIP is voluntary.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Training for surveyors, engineers, local officials, insurance agents, and lenders

Respondent's Recommendation(s):

The respondent requested training for surveyors, engineers, local officials, insurance agents, and lenders to be effective floodplain management participants, and once established, the training should be frequent.

FEMA's Response: Adopted/Action Underway

Explanation: Training and education at the local level is critical to the effectiveness of floodplain management and successful participation in the National Flood Insurance Program. FEMA and FIA have been working diligently to develop and deliver quality training for delivery at the local and State level to ensure effective implementation of all aspects of the NFIP. FEMA currently offers a resident, field delivered (by Regional staff), and independent study course, Managing Floodplain Development Through the NFIP which is designed to instruct State and local officials on effective implementation of the NFIP. We are also exploring the possibility of an advanced NFIP course as well as other modules on particularly common issues for a variety of audiences such as engineers and architects as well as local floodplain administrators. We will also be piloting the new Residential Coastal Construction course at the Emergency Management Institute in early 2000.

FEMA and FIA are continuing to develop training strategies, new materials and alternate delivery methods in order to expand the reach of our efforts to our target audiences and meet the demand for quality training and education about the NFIP.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Public education and awareness that the base flood elevation is a minimum criterion and higher standards are more effective at reducing loss

Respondent's Recommendation(s):

The respondent indicated that the minimum 1 percent chance standard has become the accepted maximum standard required for protection of new development from flood hazards. Higher standards are more effective and should be advocated to change public perception.

FEMA's Response: No Further Action Required

Explanation: When the National Flood Insurance program was created, it was necessary to ensure the consistent use of a standard that would be accepted and effectively implemented. Extensive evaluation determined that the 1 percent standard would be the least controversial and most widely accepted standard. This particular standard had already been in use by Federal and State agencies prior to the 1968 Flood Insurance Act.

FEMA and FIA have always emphasized that the use of the base, or 1 percent chance, flood as the national standard was a compromise between a lower standard, (such as the 25-year flood), that would not offer enough protection and a higher standard that would be seen as unrealistic or prohibitive, (such as the 500-year flood). FEMA and FIA strongly advocate and encourage communities to adopt higher elevation standards to provide better protection and to help their citizens realize the benefits of lower insurance premiums due to reduced risk. In addition, the Community Rating System provides credit for higher regulatory standards and freeboard is one of the most effective and popular standards that is used.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Spearhead a program in unison with State and local floodplain management associations and government officials for floodplain management cross-training and make information available

Respondent's Recommendation(s):

The respondent suggested attaining public consensus through outreach to support floodplain management at all levels of government and the public and private sector to achieve successful and effective implementation of floodplain management.

FEMA's Response: Adopted/Action Underway

Explanation: Effective floodplain management cannot be achieved without public support. FEMA and FIA have made a concerted effort to build effective partnerships with other governmental agencies, professional associations and private-non-profit organizations to gain momentum in building disaster resistant communities across the country. The *Project Impact* initiative is an example of how effective consensus building can achieve common goals of reducing loss and making communities more sustainable.

We are continuing to develop marketing strategies to create public awareness and demand for better floodplain management and these strategies include partnering with these other organizations to use our resources more effectively in achieving this goal. We will also be working with the ASFPM Public Information and Education Committee to develop a strategy for outreach and education on floodplain management and mitigation at the State and local level to create an educated and active citizenry that will generate support for local floodplain management programs.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Provide Incentives to local floodplain administrators to attend floodplain management training developed by FEMA or a State agency at least once in a three-year period

Respondent's Recommendation(s):

The respondent indicated that due to high turnover rates and additional responsibilities, many local floodplain administrators lack expertise to implement effective local floodplain management programs.

FEMA's Response: Adopted/Action Underway

Explanation: Professionalism in any field promotes excellence and floodplain management is no exception. FEMA has just completed year one of a three-year project with the Association of State Floodplain Managers (ASFPM) to develop a professional certification program for local and State floodplain managers. Many States already have a certification program and this has increased the effectiveness of the floodplain administrators through continuing education. In addition FEMA have been working diligently to develop and deliver quality training for delivery at the local and State level to ensure effective implementation of all aspects of the NFIP. FEMA currently offers a resident, field delivered (by Regional staff), and independent study course *Managing Floodplain Development Through the NFIP* which is designed to instruct State and local officials on effective implementation of the NFIP. FEMA will continue to work closely with the ASFPM and State coordinating agencies to develop a strategy for floodplain management training that FEMA can offer as part of the professional certification process.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Distribution of information on local floodplain management accomplishments to all participating communities

Respondent's Recommendation(s):

The respondent indicated that it is difficult to search for and acquire examples of specific programs, strategies, or regulations that are useful floodplain management tools for local floodplain administrators. The NFIP should provide examples from other communities where local regulations exceed the minimum NFIP requirements for this purpose.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA is very aware of the positive effects of information sharing to assist communities in implementing and developing strategies to improve local mitigation and floodplain management. While logistically it would be difficult to provide such information to all 19,000 + communities in the NFIP, FEMA created a Web site to showcase local mitigation successes that can be used by all communities. Anyone with access to the Internet may log on to this page at www.fema.gov/mit/mitss.htm to view examples or enter their own mitigation success stories. This page is very widely viewed and is the most effective way for FEMA to provide information to such a wide audience. We will continue to enhance our Web page to provide useful information for all communities to use in their efforts to become more disaster resistant.

Issue: Manufactured home installation training

Respondent's Recommendation(s):

The respondent would like for FEMA to develop specialized training for the installation of manufactured homes in special flood hazard areas.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA has a publication entitled *Manufactured Homes Installation in Flood Hazard Areas* (FEMA 85), which provides technical guidance on how to reduce the risk of flood damages to these homes. This publication is currently scheduled to be revised during FY 2000. The installation of manufactured homes is legislatively governed by each State; therefore, any specialized training would be more appropriately developed at the State or local level. Many local jurisdictions have specific zoning ordinances and regulations pertaining to installing manufactured homes inside

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Manufactured home installation training

or outside the floodplain. If assistance is needed on how these homes should be installed in floodplains, each State has designated a State coordinating agency that manages the implementation of the NFIP, that agency would be more familiar with the State, local and Federal requirements for building in the flood hazard areas. FEMA has and will continue to be available to offer technical assistance to States and other entities that desire to develop manufactured home installation training.

Issue: Privatize (partially) disaster operations; management efficiencies at the territory level; seek additional staff positions

Respondent's Recommendation(s):

One respondent stated that new initiatives at FEMA such as FMA, ICC and *Project Impact* are affecting the capabilities of FEMA Regions. Staff resources are being directed to these initiatives leading to an erosion of the NFIP at the regions. Currently the staff at the regions do not have time to deal with the daily problems affecting the NFIP. FEMA should consider partially privatizing disaster operations or reorganizing regions into larger territory offices for management efficiencies. Another option might be for Congress to provide additional staffing resources to FEMA.

FEMA's Response: Evaluation/Study Required

Explanation: With more than 19,000 communities participating in the NFIP it is increasingly challenging to believe that FEMA staff could function as the sole source of technical assistance to communities in support of the NFIP. For this reason, FEMA has deliberately looked to alternative capability at the local, State and private sector to help support the floodplain management technical support needs of communities. Strong NFIP State Coordinating Offices, active State based floodplain management professional associations and local officials that can play a mentoring role, all play a part in building the NFIP technical assistance resource base. *Project Impact* has been very successful in building local capability and fostering a broad-based momentum for community initiative in floodplain management. There is ever increasing willingness on the part of strong communities to share their successful techniques with other communities. All of these approaches best prepare FEMA to serve its communities for the future.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Privatize (partially) disaster operations; management efficiencies at the territory level; seek additional staff positions

On a pilot initiative basis, FEMA is using the services of the private sector to assist with community assistance and evaluation. Based upon the results of this effort there may be future direction toward using the private sector more fully. The Robert T. Stafford Disaster Relief Act requires that FEMA deliver certain disaster assistance services and through this mechanism a combination of private and public resources are used. There is no consideration at this time of transferring all disaster assistance programs to the private sector.

Issue: Provide better training, fund FPM program implementation, and foster open communication during a CAV

Respondent's Recommendation(s):

One respondent feels that there must be a better way to monitor and provide technical assistance to local communities – that adequate funding to State coordinating agencies and to local governments must be accessible to implement floodplain management. This particular community is on probation with the NFIP. The responder believes the root cause of this was a lack of adequate training from the Federal and State level. The responder further stated that this community's responsibility was not stressed enough while in the emergency program. CAVs should be called community-monitoring visits. The assistance gained during these visits is limited. Furthermore, the respondent felt deterred from asking questions during the visits for fear of being turned into an administrative deficiency.

FEMA's Response: No Further Action Required

Explanation: The CAV is intentionally designed to be not only a monitoring visit but also an opportunity for local officials to pose questions to FEMA or State personnel about floodplain development practices. If a community official has a question, he or she could avail themselves of any one of the following avenues for assistance: contact your NFIP State Coordinator; direct question to the appropriate FEMA regional office; seek technical publications through FEMA's publications warehouse; consult information on FEMA's Web site; attend one of FEMA's many floodplain management courses offered through the Emergency Management Institute in Emmitsburg, MD; contact one of the many professional floodplain management associations in a State or at the national level; A major objective of the NFIP is to ensure that participating communities are achieving the flood loss reduction standards of the program. In order to address community performance, FEMA is

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Provide better training, fund FPM program implementation, and foster open communication during a CAV

developing a comprehensive Community Compliance Strategy. This strategy will identify a broad range of actions that will be taken to improve community compliance. Various elements are identified as critical to this process such as building partnerships, identifying additional resources, seeking new outreach opportunities, providing better training, and a prioritization of communities needing technical assistance. FEMA looks forward to implementing this strategy as an important action plan that will help us to “work smarter” in giving our communities technical assistance and gaining compliance.

On a pilot project basis, FEMA is exploring new approaches to evaluate compliance. For example, in Texas, FEMA has been able to use the services of the private sector to assist with the information gathering necessary during a CAV.

As a benefiting partner, FEMA is dependent upon communities and States providing their own funding and resources to support floodplain management demands. Although FEMA plays a role as a catalyst in providing funding resources to communities and States, FEMA does not view itself as the sole supporter of these efforts. Nationwide, there is a wide variety of commitment among States. FEMA recommends that those communities wishing their States would take a more aggressive role in floodplain management should contact other strong States and learn how these strong State programs developed and support the development of similar State programs in their own State.

Floodplain Management – Technical Assistance, Training, Communications, and Publications

Issue: Conduct CAVs for communities before nomination for *Project Impact* to identify and resolve violations or programmatic deficiencies

Respondent's Recommendation(s):

One respondent stated that a Community Assistance Visit should be conducted before a community is nominated for *Project Impact*. Some communities nominated for *Project Impact* are deficient in implementing their floodplain management ordinance. Any violation or programmatic deficiencies would have to be resolved before a community could be nominated.

FEMA's Response: No Further Action Required

Explanation: One of the greatest successes of the *Project Impact* initiative is that it reflects a community's desire to be disaster resistant for the future. As a *Project Impact* signatory, the community is committing to a partnership for the future that steers the community toward becoming disaster resistant.

In response to the community's willingness to be a *Project Impact* partner, FEMA wants to support that local initiative and make available technical assistance and other resources to help the community make itself more disaster resistant.

It is not uncommon that during the process of evaluating community performance in the NFIP that violations or mistakes are identified which occurred before the current local administration managing a community. In these cases, it would be a disservice to a community to withhold its eligibility to become a *Project Impact* partner because of past mistakes, particularly if the community has a demonstrated commitment to improve their floodplain management activities in the future. *Project Impact* affords a tremendous opportunity to work with a community to set it on an improved track for the future. Therefore, FEMA would not support a categorical exclusion of community participation in *Project Impact* where violations of the NFIP have been found.

II Mitigation

5 Floodplain Management – Other FEMA Programs

FEMA's NFIP Call for Issues Status Report
June 2000

Floodplain Management – Other FEMA Programs

Issue: Hazard Mitigation Grant Program – simplify the acquisition process

Respondent’s Recommendation(s):

The respondent indicated a need to simplify the acquisition process.

FEMA’s Response: Adopted/Action Underway

Explanation: FEMA is always striving to improve its policies to streamline the acquisition of flood prone property. Since the inception of large-scale efforts to acquire flood prone property after the Great 1993 Midwest Floods, both FEMA and the States that administer the primary program for property acquisition, the Hazard Mitigation Grant Program (HMGP), have greatly improved their knowledge and abilities to implement acquisition projects. FEMA has developed a number of policies, including a policy that pre-determined that substantially damaged structures within floodplains are cost effective. This expedited the approval process for a large number of the target flood prone properties involved in acquisition projects.

The complexity of individual and local government decisions will always be a part of acquisition projects, which are an emotional, political, and logistical roller coaster at the local level. Policies and approval processes are being streamlined at the Federal and State level but there will always be tough decisions to be made at the local level. It is the local governments that must make the choice to extend offers to local citizens. These decisions will have lasting effects that must be considered locally.

To provide support to local governments, FEMA has recently published FEMA 317, entitled *Property Acquisition Handbook for Local Governments*. This document will provide local governments with many tools to aid them in implementing a project without having to “re-create the wheel.” Further in coordinating with State governments FEMA has been providing public information directly to the media, local governments, and citizens to ensure

Floodplain Management – Other FEMA Programs

Issue: Hazard Mitigation Grant Program – simplify the acquisition process

that citizens understand how acquisition projects are developed and the appropriate avenues for requests.

FEMA continues to look for avenues to streamline the HMGP and Flood Mitigation Assistance (FMA) process. FEMA is developing a home study course to complement FEMA 317. Further FEMA is exploring the possibility of developing a training course for State officials to provide them with the proper knowledge to efficiently carry out the management of complex Statewide acquisition programs.

Issue: Increase funding to Hazard Mitigation Grant Program and Flood Mitigation Assistance

Respondent's Recommendation(s):

The respondent suggested increasing Flood Mitigation Assistance (FMA) Program to mitigate prior to a disaster. Fifteen percent of total FEMA disaster assistance for Hazard Mitigation Grant Program (HMGP) is not enough to make serious progress, and FMA is too small to be seriously considered by States and local governments. With too much funding poured into disaster recovery, the Federal government continues to operate in a post-flood mode instead of a pre-flood mode, causing problems for NFIP customers.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA has been working with Congress to develop acceptable legislation that would provide greater pre- and post-disaster funding to address repetitive loss properties and important State and local mitigation needs. Recent proposed amendments to the Stafford Act, the authorizing legislation for the HMGP, have proposed increasing the available funding from 15 percent to 20 percent of the total disaster assistance provided by FEMA. FEMA will continue to make efforts to secure funding to address repetitive loss properties and support appropriate increases in mitigation funding. Short of additional funding, FEMA has developed a repetitive loss strategy to focus the limited pre- and post-disaster resources we do have on the most costly repetitive loss properties. FEMA will implement the repetitive loss strategy and support the Director's efforts to secure greater pre- and post-disaster funding to address repetitive loss properties.

Floodplain Management – Other FEMA Programs

Issue: Hazard Mitigation Grant Program – allow USACE or State-certified flood control projects to be built on land acquired using HMGP funds

Respondent's Recommendation(s):

The respondent stated that FEMA must amend regulations to exempt any State and/or Federal flood control projects, such as set back levees, that will serve to mitigate future disasters. This regulation requiring open space is problematic in that it increases the costs associated with implementing a flood protection project that will help to mitigate damages.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA recognizes the benefits provided by these two distinct approaches to hazard mitigation: flood control projects and permanent open space that restores the natural flood plain functions. FEMA's acquisition and relocation projects are provided as an alternative, where the construction of flood control projects is not practical or desired. Permanent open space projects are intended to restore the natural functions of floodplains, including restoring floodplain conveyance and storage area. Communities that are contemplating the construction of levees to protect their community should carefully consider the potential conflicts. They should not purchase land with restrictions requiring permanent open space if they require the land to construct a levee. The community should submit a levee project to the appropriate agency or program, where the costs for land acquisition in support of such a construction project are appropriate and do not carry the restrictions that FEMA open space acquisition projects do.

FEMA fully supports setback levees as they serve to better accommodate the flow of floodwaters than levees set on the riverbanks. FEMA can fund the acquisition of flood properties on the wet side of a set back levee for the purpose of creating permanent open space. However, the acquisition of the flood prone property cannot be used for the construction of the levee.

It is important that communities are careful in acquiring permanent open space lands. Those communities that do not adequately consider the different intentions of these two approaches may foreclose their options for future

Floodplain Management – Other FEMA Programs

Issue: Hazard Mitigation Grant Program – allow USACE or State-certified flood control projects to be built on land acquired using HMGP funds

construction of flood control. As with all mitigation, local long term planning is vitally important. The obligation to do proper planning to ensure that options are not foreclosed lies with the local government. FEMA has recently signed a Memorandum of Agreement with the U.S. Army Corps of Engineers to clarify the prohibition of levees on FEMA-funded open space floodplain lands. This MOA and separate FEMA guidance to applicant communities will ensure that communities properly coordinate and consider the choice between structural flood control and permanent open space.

Issue: Hazard Mitigation Grant Program – offer HMGP funds for buyout to homeowners immediately after a disaster

Respondent's Recommendation(s):

One respondent suggested that flood insurance adjusters tentatively offer buyouts and enlist the commitment of homeowners. Once homeowners start to clean up and rebuild they are less likely to accept an offer to be acquired.

FEMA's Response: No Further Action Required

Explanation: FEMA funds property acquisition projects through the HMGP and the Flood Mitigation Assistance (FMA) Program. These programs are administered by States and implemented through local governments. Local governments are responsible for choosing if they wish to participate in a mitigation project that can take many forms, including acquisition of flood prone property. FEMA is not involved in making any offers to individual property owners. The complexity of individual and local government decisions will always be a part of acquisition projects, which are an emotional, political, and logistical roller coaster at the local level. Policies and approval processes are being streamlined at the Federal and State level but there will always be tough decisions to be made at the local level. It is the local

Floodplain Management – Other FEMA Programs

Issue: Hazard Mitigation Grant Program – offer HMGP funds for buyout to homeowners immediately after a disaster

governments that must make the choice to extend offers to local citizens. These decisions will have lasting effects that must be considered locally.

To provide support to local governments, FEMA has recently published FEMA 317, entitled *Property Acquisition Handbook for Local Governments*. This document will provide local governments with many tools to aid them in implementing a project without having to “re-create the wheel.” Further in coordinating with State governments FEMA has been providing public information directly to the media, local governments and citizens to ensure that citizens understand how acquisition projects are developed and the appropriate avenues for requests. FEMA continues to look for avenues to streamline the process FEMA is developing a home study course to compliment FEMA 317. Further FEMA is exploring the possibility of developing training course for State officials to provide them with the proper knowledge to efficiently carry out the management of complex acquisition programs Statewide.

Issue: Hazard Mitigation Grant Program – reduce buyout payments for uninsured structures

Respondent’s Recommendation(s):

One respondent commented that those who purchase flood insurance receive the same benefits in a buyout as those who do not.

FEMA’s Response: Addressed in Program/Other Actions To Be Taken

Explanation: FEMA’s current policy provides for States to offer those property owners participating in an acquisition project that had flood insurance a credit for up to 5 years worth of premium when they receive an acquisition offer. The concern largely stems from a marketing problem that does not emphasize this benefit and also put the larger benefits and security of flood

Floodplain Management – Other FEMA Programs

Issue: Hazard Mitigation Grant Program – reduce buyout payments for uninsured structures

insurance in the context of the very small proportion of insured structures that would ever be involved in an acquisition project. The proportion of properties receiving acquisition offers is quite small when compared to those properties making claims in any given year. An improvement in marketing of these elements is being addressed through efforts of FIA.

Some have suggested that FEMA should deduct five years of premium from those that do not have insurance but want to participate. The premium credit is a more effective because it requires people to carry flood insurance to receive a benefit and send a positive message. Deductions would only serve to encourage decisions to post-poner or take a risk in delaying purchase of insurance. For example a property owner might be inclined to say “it won’t happen to me, but if it does I’ll just pay the five years when and if they offer me a buyout.” The Mitigation Directorate is continuing work with FIA to market flood insurance and will continue to implement its policy of five years in premium credits thereby providing a positive message to maintain insurance in the context of buyouts. We are in the process of studying the feasibility of a policy change such as reducing buyout assistance.

Issue: Y2K impacts

Respondent’s Recommendation(s):

The respondent would like to know how the NFIP would be impacted by Y2K.

FEMA’s Response: No Further Action Required

Explanation: FEMA’s Information Technology Services Directorate reports the agency’s entire computer network and systems was upgraded and were ready for the Y2K transition. In a report submitted to the Office of Management and Budget, FEMA noted that in addition to the 47 mission

Floodplain Management – Other FEMA Programs

Issue: Y2K impacts

critical computer systems that have been Y2K compliant since the end of March, 1999 upgrading and testing of all 24 mission non-critical computer systems was completed.

Issue: Stafford Act on the Internet

Respondent's Recommendation(s):

The respondent recommended that the Stafford Act be made readily available to cities, counties, and States.

FEMA's Response: No Further Action Required

Explanation: The FEMA Response and Recovery Directorate, Public Assistance Division has placed the Robert T. Stafford Disaster Assistance and Emergency Relief Act on our Web site at <http://www.fema.gov/>.

Issue: Disaster assistance for infrastructure

Respondent's Recommendation(s):

The respondent recommended that FEMA discourage disaster assistance for infrastructure in repetitive loss areas and require State and local government to adopt mitigation.

FEMA's Response: No Further Action Required

Explanation: There are currently no provisions in the existing Stafford Act that would allow FEMA to discourage disaster assistance for infrastructure in repetitive loss areas. To date, a bill entitled *Disaster Mitigation and Cost Reduction Act of 1999* is before Congress. This bill amends the Stafford Act to increase pre-disaster hazard mitigation activities and reduce the long-term cost of disasters. This element of the bill if passed, would continue FEMA's effort to encourage pre-disaster mitigation through the *Project Impact* initiative. The bill would also authorize the reduction of the Federal share of assistance for repair, restoration, reconstruction, or replacement of any eligible public or private nonprofit facility that has previously received significant

Floodplain Management – Other FEMA Programs

Issue: Disaster assistance for infrastructure

disaster assistance on multiple occasions. If this bill is enacted, FEMA will determine the criteria for implementing this provision, within its Public Assistance Program.

Issue: Flood Mitigation Assistance

Respondent's Recommendation(s):

The respondent suggested revising Flood Mitigation Assistance (FMA) eligibility requirements to exclude communities with outstanding compliance issues until they have reached “full compliance” status.

FEMA's Response: No Further Action Required

Explanation: The only quantitative measurement we have is when a community is put on probation or suspended from the NFIP. When developing the program, we considered establishing eligibility criteria for communities – stating that in order to apply for funding, they had to be “in good standing” in the NFIP, but we have no objective way to measure that at this time.

Issue: Flood Mitigation Assistance

Respondent's Recommendation(s):

One respondent suggested making the FMA projects subsequent to approved FEMA plans by one year. FMA projects take longer to develop and implement and would benefit from such a one year suspension.

FEMA's Response: No Further Action Required

Explanation: FMA plans can be developed at any time. States set criteria for selecting communities for planning grants. States can use whatever criteria they want to have a one-year separation from plan to project development.

Floodplain Management – Other FEMA Programs

Issue: Flood Mitigation Assistance

Respondent's Recommendation(s):

One respondent suggested that FEMA should ask Congress to declare these funds non-Federal funds, similar to CDBG. FMA funds, if considered to be part of the NFIP, can be leveraged for more flood mitigation activities.

FEMA's Response: No Further Action Required

Explanation: FEMA is not considering this as an option at this time.

Issue: CAP-SSSE

Respondent's Recommendation(s):

One respondent commented that if the source of CAP-SSSE funding is the premiums collected from flood insurance policies, then as the number of policies increases, the amount of funding to individual States must also increase.

FEMA's Response: No Further Action Required

Explanation: A variety of functions and activities are supported through funds collected from NFIP policyholders through the Federal Policy Fee of \$30.00 per policy. Specifically, the Flood Mitigation Assistance Program (FMA), floodplain mapping including Map Modernization, flood hazard reduction activities such as the Community Assistance Program (CAP), and Federal salaries and expenses, must all be funded through this fee. Recent emphasis has been placed on fully funding the FMA Program at the \$20 million level, and increasing the level of funding for map modernization. Because if these competing needs, funding for the CAP program has remained level despite increasing policy counts for the nation. In the future, FEMA is considering reviewing, with its partners NEMA and the ASFPM, the effectiveness of CAP in delivering technical assistance to communities as well as the current level of CAP allocations in order to address some of these concerns. Significant increases in CAP allocations will be dependent on continued increases in the number of NFIP policies.

Floodplain Management – Other FEMA Programs

Issue: Post disaster teleregistration

Respondent's Recommendation(s):

One respondent suggested that FEMA correct post disaster teleregistration problems that occurred during a hurricane event in Puerto Rico.

FEMA's Response: No Further Action Required

Explanation: FEMA constantly looks for opportunities to improve our teleregistration process. Through the development of National Emergency Management Information System (NEMIS), our new integrated system; disaster processing and response times have been greatly reduced. We are now able to provide applicants with funding within a more acceptable timeframe. We continue to look for opportunities to improve our response and recovery efforts.

Issue: NFIP assessment

Respondent's Recommendation(s):

Four respondents recommended that FEMA should undertake a comprehensive assessment of the NFIP. The assessment should evaluate the floodplain management and insurance aspects of the NFIP.

FEMA's Response: Adopted/Action Underway

Explanation: The Mitigation Directorate and FIA support an effort to comprehensively look at the program and determine how all its elements, insurance, flood hazard mapping along with floodplain management has impacted the Nation. Efforts are underway to identify the parameters of conducting such an assessment.

Issue: Community Information System

Respondent's Recommendation(s):

Four respondents recommended that States have access to the NFIP Community Information System (CIS).

FEMA's Response: Adopted/Action Underway

Explanation: We have made tremendous progress in the effort to provide States the capability to access to the NFIP Community Information System

Floodplain Management – Other FEMA Programs

Issue: Community Information System

(CIS). The NFIP-CIS was originally designed in an MS-DOS[®] environment. Over the last several years, the CIS has migrated into a more technology sound and flexible database, Oracle 8.3[®], which will allow States to access the database. Our Information Technology Directorate has identified and developed the security measures needed to provide remote access via an Internet Web site. Remote access to the CIS has entered its final stages of development and FEMA plans a release in 2000.

Issue: Number of flood-prone structures

Respondent's Recommendation(s):

The respondent would like for FEMA to develop a plan to determine the number and types of structures that are at risk in the nation's floodplains.

FEMA's Response: Adopted/Action Underway

Explanation: Mitigation and FIA are initiating a cooperative effort to improve the quality of information we have about buildings in the special flood hazard areas. We have a number of existing databases and studies to help estimate the number of structures at risk nationally. Some of the information we have appears to be reliable on a national level, but not as accurate at the State and local level. We realize that improving our community level data will provide us with data necessary to conduct analyses, identify market potential, and evaluate the NFIP.

Floodplain Management – Other FEMA Programs

Issue: Internal FEMA policy

Respondent's Recommendation(s):

Two respondents recommended when revisions are made to the NFIP floodplain management regulations, consideration is given to the President's Plain Language Initiative and FEMA's policy on Government-to-Government Relations with American Indians and Alaska Native Tribal Government.

FEMA's Response: No Further Action Required

Explanation: Currently the NFIP recognizes American Indian and Alaska Native Tribal governments as participating communities. In any future changes to the NFIP, FEMA's government-to-government policy will be appropriately incorporated. In addition, we are now complying with the President's Plain Language Initiative in the development of regulations, directives, and general correspondence.

Issue: Planning

Respondent's Recommendation(s):

Two respondents suggested revising regulations (and legislation, if needed) to require local governments to develop and adopt State-facilitated hazard mitigation plans as a condition of receiving Federal funding for mitigation-related activities.

FEMA's Response: Adopted/Action Underway

Explanation: Local flood mitigation plans are currently required by regulation as a condition of receiving funds under the Flood Mitigation Assistance program. Current regulations implementing the Stafford Act strongly urge communities to participate in a planning process, but do not make it a requirement. Proposed amendments to the Stafford Act provide for a more active planning process that strengthens support for the development of local mitigation plans as an integral part of State planning.

Floodplain Management – Other FEMA Programs

Issue: Planning

Respondent's Recommendation(s):

One respondent made a suggestion to continue fostering greater harmony in post-disaster coordination of Federal assistance, mitigation, and floodplain management.

FEMA's Response: No Further Action Required

Explanation: In recent years, there has been an increased emphasis on providing planning assistance to States and communities after disasters as recovery and mitigation begin. This assistance guides States and communities to identify and seek a variety of financial and technical resources available in the post-disaster that will facilitate mitigation through the recovery process, thus facilitating efforts to use a range of Federal programs for recovery and mitigation. DFO staff now work closer than ever before to integrate mitigation into Public and Individual Assistance programs, and into the messages that go out to the public through the community relations cadres and the public information officers.

Issue: Flood data to improve disaster response

Respondent's Recommendation(s):

One respondent recommended that FEMA provide flood insurance data and allied demographics with a GIS overlay in support of communities determining emergency and recovery assistance in areas following a flood. With this information, agencies and organizations could individually and collectively plan for and organize a more effective and efficient disaster response. The respondent suggests that FEMA make available to appropriate organizations and State and Federal Agencies that facilitate planning to respond to a flood disaster. Specific data about the number and types of structures of risk for flooding would further support mitigation and preparedness efforts.

FEMA's Response: Adopted/Action Underway

Explanation: HAZUS (Hazards-US) is the Federal Emergency Management Agency's flagship risk assessment initiative and an essential element of FEMA's *Project Impact* initiative, a national movement to create safer disaster resistant communities. Through *Project Impact* and HAZUS, FEMA seeks to assist local and State entities and the private sector to better understand the magnitude and potential consequences of future disaster events and to build public support for locally based loss reduction initiatives. Therefore, recognizing a compelling public interest to be served and a public benefit to be derived, FEMA has undertaken the development of standard, nationally-applicable methods for quantifying natural hazard losses and risk

Floodplain Management – Other FEMA Programs

Issue: Flood data to improve disaster response

and the dissemination of those methods through a user-friendly, freely-accessible computer program, HAZUS (Hazards US). FEMA, under a cooperative agreement with NIBS, has already developed a standardized, nationally applicable earthquake loss estimation methodology. This methodology is implemented through PC-based Geographic Information System (GIS) software. HAZUS is being expanded into a multihazard methodology with new models for estimating potential losses from wind (hurricanes, thunderstorms, tornadoes, extra tropical cyclones and hail) and flood (riverine and coastal) hazards. HAZUS is designed to produce loss estimates for use by State, regional, and local governments in planning for natural hazard loss mitigation, emergency preparedness, and response and recovery. The methodology deals with nearly all aspects of the built environment, and with a wide range of different types of losses.

The wind and flood models will allow practitioners to estimate the economic and social losses from extreme winds and floods. HAZUS will assist State and local officials in evaluating and planning for, the potential effects of mitigation on flooding and flood loss, and damage and loss from hurricanes and other extreme winds. The models will provide practitioners and policy makers with a tool to help reduce wind and flood damages, reduce disaster payments, and make wise use of the nation's floodplains. Preview versions of the flood and wind (hurricane) loss estimation models are scheduled for release in 2002, to be followed later by models that possess additional loss estimation capability.

The Preview Flood Model will require the user to provide local flood hazard data to the model. The Model comes with Q3 data by default. Under the HAZUS umbrella, up-to-date depth-damage functions from Federal Insurance Administration (FIA) and U.S. Army Corps of Engineers (USACE) are used in

Floodplain Management – Other FEMA Programs

Issue: Flood data to improve disaster response

the calculation of damages to the built environment. FEMA believes that the following are reasons why communities should consider using HAZUS:

- HAZUS software and training and support is provided free to the user.
- HAZUS is cutting-edge technology developed by technical and scientific experts.
- HAZUS makes it easier to explain flood impacts in human and economic terms thereby creating consensus for remedial action and change.
- HAZUS expands floodplain management focus from hazard-based to risk-based approach.
- HAZUS provides quick and easy quantitative estimates of physical damage, economic loss and social impacts from various scenarios and built environment changes.
- HAZUS generates attention-getting maps that show flood risk, educate public, and create demand for loss reduction and prevention.
- HAZUS contains extensive databases for the built environment allowing it to be used 'right out of the box' or customized with community specific data.

Once wind and flood modules are available, almost every community in the U.S. will find value in using HAZUS to evaluate public policies such as legislative initiatives, land use decisions, building codes and standards, allocation of resources, and insurance rate making.

Floodplain Management – Other FEMA Programs

Issue: Flood data to improve disaster response

One of the most powerful tools HAZUS offers is enhanced capability in emergency management response, by significantly improving the emergency manager's ability to estimate disaster related losses in human, built environment, and economic terms. This capability is most powerful in supporting post-event response and recovery from catastrophic disasters that occur with little warning and impact large areas and populations.

The capability afforded by HAZUS to both forecast potential impacts and losses from various disaster scenarios and to rapidly and effectively communicate this information through Geographic Information Systems maps and technology represents a major breakthrough and will increase our ability to alter public perception of risk, promote more informed risk-management decision-making, ultimately building a safer, more disaster-resistant nation.

III Mitigation

1 Hazard Identification/Mapping

Hazard Identification/Mapping

Issue: Cooperating Technical Communities – delegation of authority to issue LOCMs

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Modify existing regulations to allow State-issued letters to suffice as Federal approval for removal of flood-prone lands, LOMAs and LOMRs.
- Allow qualified States, under FEMA supervision, to issue LOMAs and flood hazard determinations.
- Develop new map revision and amendment mechanisms, such as State and local review processes, to replace existing LOMR and LOMA processes.
- Allow communities to issue LOMAs and LOMR-Fs and distribute them to FEMA and FEMA's stakeholders.
- Give communities the authority to make map determinations for flood insurance purposes.
- Decentralize permitting and mapping responsibilities to more regional or local level.
- Because communities have adequate and accurate records, make them responsible for map determinations for flood insurance purposes; provide funding for the communities to handle the workload.
- Allow States to provide annual reports on technical studies, LOMAs, LOMRs, etc., to FEMA for oversight purposes.

FEMA's Response: Adopted/Action Underway

Explanation: The responsibility for issuing permits resides with the community, not FEMA. FEMA has been, and continues to, investigate the possibility of delegating some authority for issuing Letters of Map Change (LOMCs). A meeting was held on December 9, 1998, with the State of South Carolina and professional organizations to discuss the issues involved with LOMC delegation. A summary report was prepared and distributed on August 17, 1999, to the FEMA Regional Mitigation Divisions, the Association of State Floodplain Managers Mapping Committee, and the federally mandated Technical Mapping Advisory Council. FEMA will continue to examine all aspects of the LOMC processes, including its regulatory and legal obligations, and determine what can be modified to simplify the processes.

FEMA cannot give communities the authority to make map determinations for flood insurance purposes because the responsibility for making map determinations for flood insurance purposes resides with the lenders rather than with FEMA. FEMA publishes the flood hazards, which the lenders are then obligated to use. FEMA does not regulate the lending industry. However, it would be possible for lenders to hire the community to perform the map determinations.

Hazard Identification/Mapping

Issue: Cooperating Technical Communities – delegation of authority to issue LOCMs

- Allow LOMRs to be prepared by communities and provided to FEMA for files.
- Institute a more flexible version of the Accelerated Map Revision (AMR) program, begun by FEMA several years ago, to accelerate the processing of LOMR and conditional LOMR requests; the AMR program allowed qualified local agencies to do FIRM revisions.

Issue: Cooperating Technical Communities – flood mapping partnerships/transfers of responsibilities

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Allow technically competent States to manage the FIS restudy and mapping program, LOMA and map revision processes, and approve hydrologic and hydraulic data and analyses.
- Offer incentives to communities to assist FEMA in accurately mapping floodplains, using GIS technology, for their communities.
- Provide funding to States for management of flood studies.
- Grant qualified communities with sophisticated GISs the ability to use local digitized floodplain maps as the official NFIP maps.
- Allow States and/or qualified communities to review LOMR submissions and certify their reviews.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA's CTC initiative will accomplish many of these recommendations. For instance, one of the CTC agreements is for hydrology and hydraulics (H&H) analyses and floodplain mapping. This can be for automated H&H if the CTC partner has Geographic Information System (GIS) capability. The community also receives Community Rating Service credits for such things as having a GIS. Another CTC agreement is for DFIRM preparation and/or maintenance. An additional CTC activity could be for reviewing Letter of Map Revision (LOMR) submissions.

Locally funded activities can be initiated at any time, and FEMA technical assistance will be available. FEMA funding for flood studies is very limited; national mapping needs determine FEMA funding priorities. FEMA funding for CTCs is provided through a cooperative agreement.

Fiscal Year 1999 was the pilot year for the CTC initiative. During this year, FEMA entered into partnership agreements with 30 partners. Approximately

Hazard Identification/Mapping

Issue: Cooperating Technical Communities – flood mapping partnerships/transfers of responsibilities

50 percent of the partners are State agencies, and the other 50 percent are communities and regional agencies.

Issue: Cooperating Technical Communities – policy changes

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Consider requiring flood insurance either up to the 500-year floodplain, or for all structures.
- Consider eliminating LOMR-Fs for structures that will continue to be surrounded by floodwater because there are too many potential flood damages and taxpayer rescue and disaster costs involved; properties that are on the edge of the floodplain and where fill will connect to high ground could justifiably be removed from regulation if the property were filled at least 2 feet above the BFE.
- Allow more flexibility in use of newer hydrologic and hydraulic models to support map revisions.

Consider using the flood hazard study map for community regulation and mitigation, and some other vehicle for decision making on flood insurance.

FEMA's Response: Adopted/Action Underway

Explanation: The National Flood Insurance Act of 1968 allows the mandatory flood insurance requirement to apply only to structures within the 1-percent annual chance floodplain.

Evidence about the performance during flood events of properties elevated by fill is inconclusive; however, FEMA is evaluating the whole LOMR-F process and will take the recommendation to eliminate LOMR-Fs for properties that remain surrounded by flood water under advisement.

FEMA intends to pursue greater flexibility in the use of newer H&H models as a CTC Mapping Activity in FY 2000.

FEMA believes the new DFIRM product will be well suited for both flood insurance determinations and for community regulation and mitigation. The digital flood theme can readily be used by lenders and map determination companies to efficiently make precise determinations, and the DFIRM database will contain the detailed data and back-up data needed for floodplain management and mitigation.

Hazard Identification/Mapping

Issue: Cooperating Technical Communities – funding

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Provide funding to assist communities in conducting flood hazard assessments and developing mitigation plans.
- Provide incentive funding to communities for development and implementation of master drainage plans (structural and nonstructural) as a follow-up to completed flood studies.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA will provide funding to communities as part of a CTC agreement to perform flood hazard assessments; however, funding is limited. FEMA does not envision a CTC agreement for developing mitigation plans because the CTC focus is on flood hazard identification. However, a mitigation plan could be developed under FEMA's *Project Impact* initiative. For information about *Project Impact*, visit FEMA's Web site at www.fema.gov.

FEMA will not typically fund master drainage plans. However, because much of the data and models used to develop a flood study are also needed for a master drainage plan, a CTC agreement could assist the community considerably. FEMA would pay for the flood study, and the community could use the data developed by FEMA to design a master drainage plan.

Issue: Cooperating Technical Communities – outreach

Respondent's Recommendation(s):

The recommendation for FEMA was to increase communication with local officials and the public, particularly regarding map revisions, new FEMA policies, and new FEMA programs.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA's various Map Modernization objectives have led to an enhanced process for updating the maps. This process will increase State and regional agency and community involvement in the mapping process, particularly through the CTC initiative. FEMA will begin implementing this new process in FY 2000.

Increasing public awareness and improving customer service are important objectives of FEMA's Map Modernization plan. FEMA's Flood Hazard

Hazard Identification/Mapping

Issue: Cooperating Technical Communities – outreach

Mapping Web site has been on-line since October 1998. This customer-oriented site targets homeowners, engineers/surveyors, insurers/lenders, and floodplain managers. It provides answers to the most frequently asked questions and also provides users with a means of querying the status of all active map revisions and FEMA-funded flood data updates, as well as those that became effective within the past 60 days. In addition, the service provides access to the map modernization newsletter, FEMA forms, digital models, and other FEMA material. The address is www.fema.gov/mit/tsd/.

Another customer service objective, FEMA's Map Assistance Center, has been operational since January 1999. Customers can call the toll free number at 1-877-FEMA MAP (1-877-336-2627) to ask questions about the procedures to revise or correct FIRMs. The questions can be either general or specific to a particular map revision request.

Issue: Dam-break inundation mapping

Respondent's Recommendation(s):

Four respondents submitted recommendations regarding the dissemination of dam failure information. The recommendations are as follows:

- Add dam failure inundation shadow overlays to NFIP maps to provide a complete picture of the risk to downstream property owners and to all other stakeholders. This information also would be helpful to dam owners, so they could understand how far-reaching their liability is concerning the dam's potential effect on downstream property owners.

FEMA's Response: Other

Explanation: To some degree and because of several factors, flood-related hazards are associated with more than 23,000 dams in the United States. These hazards are related to the failure of the dams, which may be triggered by flooding, poor maintenance, improper operation, earthquakes, vandalism, or terrorist activities. The potential risk of such failures was addressed in detail in a 1997 FEMA report entitled *Multi-Hazard Identification and Risk Assessment*.

Hazard Identification/Mapping

Issue: Dam-break inundation mapping

- Perform a dam-break analysis for any flood frequency that will overtop a dam and include in the analysis the area from just downstream of the dam to the point at which the water-surface elevations for a particular flood frequency with and without the dam-break analysis are within 0.5 foot.
- Include the specifications for performing dam-break analyses in Chapter 5 of FEMA 37, entitled Flood Insurance Study Guidelines and Specifications for Study Contractors.
- Develop maps to delineate the potential area of impact for all dams where development, if it were to occur, would affect a dam's classification as a potential hazard and the resultant required standards. Local jurisdictions could then use this information to make informed decisions about development.

Because of the extensive nature of the risk, considerable interest in providing risk-related information to the public has been expressed during the past 16 years. Citizens, emergency managers, floodplain managers, dam safety officials, and dam owners have cited the need for improved public information, awareness, and notification. One mechanism suggested for making information on dam-break inundation zones available is to show it on NFIP maps.

Because public safety is an integral part of the NFIP, FEMA undertook a pilot study to determine the feasibility of including these zones on NFIP maps. The results of the pilot study are documented in a FEMA report entitled *The National Dam Safety Program: Dam Inundation Mapping Pilot Study*, published in January 1999.

As indicated in the pilot study report, no complex technical obstacles to showing dam-break inundation zones on NFIP maps exist. In fact, with the rapid development and use of Geographic Information System (GIS) technology and the development of digital flood hazard maps, FEMA recognizes it is now more logistically feasible than ever to include these additional zones in the maps. However, a significant number of policy and programmatic issues must be resolved, and the resolution process will require the involvement of a wide audience of interested organizations and stakeholders. In addition, more than one-half of the dams in the United States have not been analyzed adequately enough to define the impacts of dam failure. Also, no national standard exists for dam-break analyses; as a result, these analyses have been prepared using several different models and different scenarios.

Hazard Identification/Mapping

Issue: Dam-break inundation mapping

As discussed in the FEMA pilot study report, the following must occur before dam-break inundation zones may be included on NFIP maps:

- FEMA must work with interested organizations and stakeholders to address a number of policy and programmatic issues. The interested organizations and stakeholders would include, among others, the Association of State Dam Safety Officials, Association of State Floodplain Managers, U.S. Army Corps of Engineers, National Emergency Management Association, community officials, dam owners, and water management and flood control organizations.
- A sample of dams for which information on dam-break hazards has been given to the public should be evaluated to determine how the information was disseminated and to assess whether having such information on the NFIP maps would have achieved the same or higher level of awareness.
- FEMA, in cooperation with the stakeholders cited above, would have to develop protocols for digital dam inundation data that are compatible with FEMA's digital map products.
- FEMA must explore the extent to which activities under the National Dam Safety Act of 1996 can support development of digital mapping of dam-break inundation zones.

These activities also must be completed before FEMA can make a final decision regarding whether FEMA will routinely perform dam-break analyses as part of conducting a flood hazard study and include specifications for such analyses in existing guidelines and specifications. However, FEMA is mindful that, in most States, owners of high and significant potential hazard dams, and

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Issue: Dam-break inundation mapping

those who are proposed to construct them, are required by State programs to perform dam-break analyses and inundation zone mapping for the length of the danger reach. Where available or required, such mapping is used to prepare Emergency Action Plans (EAPs). The EAPs are used to the downstream development that is vulnerable, to coordinate emergency notification procedures with State and local officials, and to identify evacuation routes. FEMA also is mindful that, as mentioned earlier, dam-break inundation analyses have not been performed for more than one-half of the high and significant potential hazard dams nationwide. Also, while 48 States regulate the construction of new dams and 46 States have programs to inspect dams to ensure proper maintenance, most State dam safety programs do not have the authority to apply current analysis, mapping, and EAP development requirements to dams and dam owners that pre-date regulatory programs.

Issue: Flood hazard zones for levee-protected areas

Respondent's Recommendation(s):

One respondent recommended that FEMA establish a new flood hazard zone designation for levee-protected areas, with an exemption for areas protected by levees constructed to withstand a flood with a 0.2-percent annual chance of occurrence. The respondent also recommended that mandatory insurance could be rated the same as under the Preferred Risk Policy currently available under the NFIP.

FEMA's Response: Addressed in Program/Other Actions To Be Taken

Explanation: The Flood Disaster Protection Act of 1973 mandates the purchase of flood insurance as a condition of receipt of Federal or federally related financial assistance for acquisition and/or construction of buildings in the identified Special Flood Hazard Areas (SFHAs) of any community. The SFHA is the area of a community that would be inundated by the 1-percent annual chance (100-year) flood. The purchase of flood insurance on a

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Issue: Flood hazard zones for levee-protected areas

voluntary basis is frequently prudent even outside SFHAs. Flood insurance premiums for buildings located outside of the SFHA are considerably lower than for those located inside the SFHA.

The 1973 Act prohibits Federal agencies, such as the Federal Housing Administration, Veterans Administration, or Small Business Administration, from making or guaranteeing a loan secured by a building in an SFHA unless flood insurance has been purchased. The prohibition applies even if the community in which the building is located is not participating in the NFIP. Flood insurance cannot be purchased for buildings in nonparticipating communities.

A lending institution may, as part of its lending policy, require the borrower to purchase flood insurance at an amount greater than required by statute. A lending institution may also require the purchase of flood insurance for buildings located outside the SFHA.

For FEMA to recognize a levee or other flood protection structure as providing protection from the base flood (and, therefore, include its effects on flood hazard maps), data must be provided to indicate the structure provides at least this level of protection. These requirements are summarized in Section 65.10 of the NFIP regulations. Upon receipt of the required information, FEMA will revise or perhaps remove the SFHA shown on the FIRM in the affected areas as warranted. If FEMA determines that the levee would be overtopped by a flood event with a magnitude greater than the base flood, but less than or equal to a flood with a 0.2-percent annual chance of occurrence (often referred to as a 500-year flood), FEMA will designate the area as either Zone B or Zone X (shaded) on the map. The area will also carry a note indicating that the level of protection provided by the levee. If FEMA determines the levee provides a

Hazard Identification/Mapping

Issue: Flood hazard zones for levee-protected areas

level of protection greater than the 0.2-percent-annual-chance flood, FEMA will not show any flood hazard zones and will also add a note to indicate the level of protection provided by the levee.

It is possible that a flood that exceeds the base flood may overtop a levee that provides base flood protection or cause the levee to fail. Likewise, it is possible that a flood with a magnitude greater than the 0.2-percent-annual-chance flood could occur, thereby overtopping a levee with this level of flood protection or causing it to fail. For these reasons, FEMA encourages homeowners in these levee-protected areas to purchase flood insurance. In addition, FEMA encourages State and local communities to adopt emergency plans in the eventuality that a disaster occurs. Details such as which communities are at risk and how to avoid loss of life are included in those plans. FEMA consistently encourages residents to contact State, County, and local officials to inquire about emergency plans for the area in which they live.

Under the enabling legislation, FEMA does not have the authority to make flood insurance mandatory in areas outside the SFHAs shown on NFIP maps. Furthermore, FEMA does not believe it is necessary to create a new flood hazard zone for such areas. However, FEMA is cognizant of the potential risk posed to the structures located in levee-protected areas and will consider revising existing publications and Web site materials to highlight the risk. FEMA also will consider providing additional materials to State, county, and local officials to assist them in highlighting the risk in these areas.

Hazard Identification/Mapping

Issue: Data integrity

Respondent's Recommendation(s):

One respondent suggested that FEMA should review and change its process for gathering and storing data to improve the accuracy of the Q3, FMSIS, and CIS data that are distributed to its NFIP partners. The respondent believes there are a significant number of “data entry” errors in these products and controls should be put in place to address the inaccuracies.

FEMA's Response: Adopted/Action Underway

Explanation: Since its inception, FEMA has provided its NFIP partners with useful, accurate information regarding the processing of flood maps and the information presented on those maps. As technology has evolved, particularly over the last 10 years, FEMA has supplemented the many hard copy products available with an increasing number of digital products. Most of these products may be obtained directly from the FEMA Map Service Center (MSC). As indicated on the MSC Web site (www.fema.gov/MSC), the following digital products, among others, are available from the MSC:

- Digital Q3 Flood Data, which are developed by scanning a hard copy of the effective flood hazard map and vectorizing a thematic overlay of flood risks.
- Coastal Barrier Resource Act Q3, which are specialized Q3 Flood Data products for the coastal barriers (unique landforms that serve as the mainland's first defense against the impacts of coastal storms and erosion).
- Flood Map Status Information Service (FMSIS), which is a service through which FEMA provides map status information for effective flood hazard maps, including community name and number, county name, panels printed for a community, effective date for each printed panel, and dates of previous maps.

In addition to the digital products/services above, provided through the MSC, FEMA also distributes hard copy and digital versions of the FEMA Community Information System (CIS). The CIS provides milestone dates and

Hazard Identification/Mapping

Issue: Data integrity

other detailed processing information for all completed and in-progress studies/restudies, map revisions, and map amendments.

FEMA has detailed quality control and quality assurance processes in place with the contractors responsible for creating and distributing the data in question. The quality control and quality assurance reviews that are performed by FEMA and its contractors include both manual and automated techniques. FEMA has and will continue to adjust these processes, when necessary and cost effective to do so, to address data integrity issues raised by the NFIP partners who use the data. No specific problems were cited by the respondent.

Issue: Vertical datum usage

Respondent's Recommendation(s):

Three respondents submitted recommendations regarding the use of vertical reference datums on the NFIP maps and collateral FIS reports. The recommendations are as follows:

- As part of its Map Modernization Plan, FEMA should use the most current vertical datum, NAVD88.
- To minimize confusion at the local level, FEMA should more clearly label the vertical datum (either NAVD88 or NGVD29) being used for a particular document, whether that document is a map, description, Letter of Map Amendment (LOMA), or Letter of Map Revision (LOMR).
- The marking of the vertical datum should be accompanied by a

FEMA's Response: Adopted/Action Underway

Explanation: Historically, the most common vertical datum used for FEMA flood hazard studies/restudies and map revisions has been the National Geodetic Vertical Datum of 1929 (NGVD29). Subsequent to the establishment of the North American Vertical Datum of 1988 (NAVD88), new flood hazard studies are often referenced to NAVD88. One of FEMA's goals under its ongoing Map Modernization Program is to convert all flood hazard studies/restudies and map revisions to NAVD88.

One of FEMA's goals under its ongoing Map Modernization Program is to convert all flood hazard studies/restudies and map revisions to NAVD88. To this end, FEMA has established protocols for applying the proper vertical datum to new or revised flood hazard data when preparing or revising maps and related study materials that have been chosen for the datum conversion.

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Issue: Vertical datum usage

standard picture or formula that shows how to convert from NAVD88 to NGVD29 or vice versa.

- FEMA should consider converting the elevations shown on the NFIP maps and related documents for a particular community if that community uses a local datum and not NGVD29 or NAVD88.

FEMA recognizes that there are, and will continue to be, limiting factors in achieving this conversion. To evaluate the suitability of a subject jurisdiction for datum conversion, FEMA plans to gather the following information during the initial coordination efforts for a study or restudy:

- Datum used for the existing study.
- Number (percentage) of streams that will be revised and the number of unrevised flooding sources that must be converted to NAVD88 if the datum conversion option is chosen.
- Conversion factor from NGVD29 to NAVD 88 for the subject community.
- Confirmation of ability to apply a conversion factor for the subject community without creating statistically significant variances from the high to the low conversion values.
- Range of conversions from NGVD29 to NAVD88 across the community.
- Reference datum used by FEMA for adjacent communities.
- Datum of choice for local surveyors and any known difficulties that the community would have with the use of NAVD88.

Once this information has been gathered, FEMA will make the final decision regarding the datum to which the new, revised, and unrevised flood hazard information will be referenced. When a new or revised study is being processed, the decision to use NAVD88 over NGVD29 will depend largely on the data gathered early in the process. Criteria that facilitate a decision to convert from NGVD29 to NAVD88 are as follows:

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Issue: Vertical datum usage

- All flooding sources in the community are being studied or restudied.
- The conversion range from NGVD29 to NAVD88 for the community is within 0.2 foot.
- FEMA is able to use NAVD88 for the study/restudy.
- The community is already using NAVD88.

The final decision regarding the datum conversion will be based on a case-by-case cost-benefit assessment performed by FEMA.

When a datum conversion is performed, FEMA will explain the conversion process in the FIS report that is prepared at the same time as the flood hazard map. This explanation will include either a picture or formula to show users how to convert from NAVD 1988 to NGVD 1929 or vice versa. The datum also will be clearly marked on each flood hazard map panel, on the tables that appear in the FIS report, and on the Flood Profiles that appear in the report. For additional information on the conversion process, users also will be referred to FEMA Publication FIA-20, entitled *Converting the National Flood Insurance Program to the North American Vertical Datum of 1988*, and to the Web site of the Vertical Network Branch, National Geodetic Survey, Coast and Geodetic Survey, National Oceanic and Atmospheric Administration (<http://www.ngs.noaa.gov>).

For nationwide consistency, FEMA will not convert flood hazard maps and related documents to a local datum, when one is available and used widely. However, FEMA will continue the practice of providing an explanation of how to convert elevations from either NGVD29 or NAVD88 to the local datum in the FIS report.

Hazard Identification/Mapping

Issue: Vertical datum usage

FEMA will continue to reference the vertical datum used in making determinations for LOMAs and LOMRs. In the near future, FEMA also will consider the appropriateness of providing a formula or picture to explain how to convert elevations to a local datum or to the other national datum.

Issue: DFIRMs – coordination with States and local governments

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Develop digital mapping standards and procedures in coordination with State coordinating agencies.
- Provide seed funding to communities that meet minimum standards to encourage data development and sharing.
- Coordinate with local governments on the availability of digital mapping data that can be used to prepare more accurate FIRMs.

FEMA's Response: Adopted/Action Underway

Explanation: Specifications for the new Digital Flood Insurance Rate Map (DFIRM) are currently being developed. Draft standards for base map accuracy, graphic representation, and the DFIRM database have been developed and distributed to all members of the Technical Mapping Advisory Council for comment. In addition, information regarding the development of these standards has been provided on FEMA's Web site for public review and comment.

Through its Cooperating Technical Communities (CTC) initiative, FEMA is developing partnerships with State and/or local governments. Under the CTC initiative, a shared commitment is made by FEMA and State and/or local governments that includes the planning, funding, and implementation of various floodplain mapping activities. In addition to a Memorandum of Agreement, the partners are asked to sign secondary agreements that are developed based on a menu of work activity templates. These templates include digital base map sharing, redelineation of floodplains using updated topographic data, DFIRM preparation, and DFIRM maintenance.

Hazard Identification/Mapping

Issue: DFIRMs – coordination with States and local governments

FEMA has established minimum digital base map standards that include provisions for the accuracy, content, availability, and ability by FEMA to distribute the digital base map data. Community data that meet or exceed these minimum requirements will be the first choice for use in DFIRM preparation, and the U.S. Geological Survey (USGS) Digital Orthophoto Quarter Quads (DOQQs) will be the default base map.

Coordination with State and local governments regarding the availability of base map and other pertinent data will be conducted as a part of the scoping process at the beginning of an optimized map production process designed by FEMA under Map Modernization. Tasks to complete studies will be distributed among the Study Contractor (SC), CTC, and Map Coordination Contractor (MCC) to maximize the expertise and capabilities of each. Communities, States, and/or regional agencies will also have the opportunity to review analyses and mapping at intermediate points in the study process. Because of increased coordination with and involvement by the community, the number of appeals and protests to preliminary flood maps should decrease.

Issue: DFIRMs – improved base maps

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Use USGS digital orthophoto quarter quad maps as the base maps for FIRMs to provide adequate landmarks for flood hazard rating.

FEMA's Response: Adopted/Action Underway

Explanation: As part of FEMA's Map Modernization Objectives, a new Digital Flood Insurance Rate Map (DFIRM) product is being developed. The DFIRM involves converting the existing inventory of manually produced FIRMs to digital format. With the new digital product, map users will be able

Hazard Identification/Mapping

Issue: DFIRMs – improved base maps

- More accurate base maps that include all streets and street names are needed.

to address maintenance needs as well as restudy needs. The DFIRM will include certain basic features and meet minimum mapping requirements. Additional options will be included depending on available data, community needs, and available funding.

The DFIRM product is being designed to allow for the creation of interactive, multi-hazard digital maps. Linkages will be built into a database to allow users options to access the engineering back-up material used to develop the map (e.g., hydrologic and hydraulic models, flood profiles, floodway data table, digital elevation models, and structure-specific data, such as digital Elevation Certificates and digital photographs of bridges and culverts).

FEMA has established minimum digital base map standards that include provisions for the accuracy, content, availability, and ability of FEMA to distribute the digital base map data. These standards require digital base map data to meet minimum resolution and horizontal accuracy requirements, be up to date, include roads and road names, and cover the entire community or county being mapped.

Community data that meet or exceed these minimum requirements will be the first choice for use in DFIRM preparation and USGS DOQQs will be the default base map. If USGS DOQQs are used as a base map, road names will be added from locally available or other sources.

Hazard Identification/Mapping

Issue: DFIRMs – Q3 updates

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Update the Q3 Flood Data products annually to include map revisions made during the previous year.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA is currently engaged in the development of a database that will report the status of the Q3 Flood Data panels, indicating which ones have been affected by map revisions or other map changes. Once the map changes have been identified, a priority list of Q3 updates will be developed.

Issue: DFIRMs – digital conversion and data distribution

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Prepare georeferenced FIRMs in digital format and distribute them via the Internet or FTP server.
- Continue to support digital conversion and the Map Modernization plan.
- Deliver DFIRM data in two format(s) that will provide data suitable for lay and technical (engineering) users.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA's Map Modernization plan includes conversion of the entire flood map inventory to a digital format. Additionally, the draft DFIRM distribution plan being developed under Map Modernization includes a vision for distribution of DFIRM products as paper or other physical products (including CD-ROM) in addition to future distribution of DFIRM data for Internet viewing, Internet download, and use within on-line GIS applications.

Present funding levels do not allow us to fully implement the Map Modernization plan. However, we are implementing those initiatives that we can and pursuing various options for funding other initiatives of the plan, working with FEMA's Office of Financial Management, the Federal Insurance Administration, and the President's Office of Management and Budget.

FEMA's new DFIRM database design includes all of the basic DFIRM features needed to print the paper maps and for map determination purposes. Additional features include engineering models and other back-up information needed for hydrologic and hydraulic studies. These features would not be

Hazard Identification/Mapping

Issue: DFIRMs – digital conversion and data distribution

needed by all map users and could be unnecessarily large or confusing. The database is being designed so that certain layers of information could be turned off or excluded by users who do not want or need them. Follow-on applications are envisioned that will make this process easy for users to navigate.

Issue: DFIRMs – suggested mapping enhancements

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Add a buffer zone to the FIRMs that represents the area of uncertainty around the SFHA based on the accuracy of the contours used to develop the BFEs.
- Lay out FIRM panels by Township, Range, section lines.
- Include all CBRS areas.
- Prepare all FIRMs in countywide format.
- Print all panels for a community (eliminate all panels not printed).
- Prepare FIRMs at the same scale as local mapping data.
- Include flood depths for SFHAs on the FIRMs.
- Provide potential flood depths for areas behind levees based on the assumption of no levee or levee failure analysis.

FEMA's Response: Other

Explanation:

Buffer Zone: FEMA will take this recommendation under advisement.

Range, Township, Section Layout of FIRMs: FEMA is developing its DFIRM specifications to address nationwide mapping needs. While many communities and counties in the U.S. do use range, township, and sections as an important tool in locating structures, they are not used in the New England and Mid-Atlantic States. FEMA is planning to adopt the USGS 7.5-minute quadrangle sheet layout (or subdivisions thereof) as its new DFIRM layout scheme because it can be applied nationwide.

CBRS Areas: Currently, all Coastal Barrier Resources System (CBRS) areas that have been adopted into public law are included on FIRM panels. CBRS areas are also included as a layer in the DFIRM product. Users can determine if a structure is in a CBRS area using the FIRM or DFIRM in conjunction with a local tax map or property plat.

Hazard Identification/Mapping

Issue: DFIRMs – suggested mapping enhancements

- Update hydrologic and hydraulic analyses, especially in rapidly growing urban areas.
- Add a note to the FIRMs indicating that BFEs are for regulatory, not necessarily design purposes.

Countywide Layout of FIRMs: Countywide layout of FIRMs is one of the options that can be applied as the maps are converted to digital format. While FEMA recognizes the benefits to countywide mapping, it may not be feasible to convert every county to this format immediately. FEMA plans to produce DFIRMs on a countywide basis where it is cost effective to do so.

Print All Panels: DFIRMs will be created and distributed in a Geographic Information System (GIS) format and each data layer or theme (e.g., transportation, streams, floodplains, etc.) will be seamless across the community or county being mapped. Thus, the digital data set will include all areas of the community, whether or not they are paneled or printed. However, the cost of printing and distributing the paper maps prohibits printing map panels in areas where no flood hazards have been identified. An index map is provided for communities that fall on more than one panel to help orient users and to explain why maps are not printed in certain areas.

Local Mapping Scales: DFIRMs will be created and distributed in a GIS format that is scale-less. The scale used for data capture affects the accuracy of the data, but the digital data can be viewed and printed at any scale. Thus, the digital data set will allow users to print FIRM data at any scale needed for local use. However, FEMA plans to continue to print the paper FIRMs at several standard scales (1"=500', 1"=1,000', and 1"=2,000'). The width of the floodplains and the complexity of the area being shown generally determine the use of a particular scale for an area. FEMA strives to strike a balance between the cost of printing additional panels and the usefulness of the map at a particular scale.

Hazard Identification/Mapping

Issue: DFIRMs – suggested mapping enhancements

Flood Depths for SFHAs: For most areas studied in detail, FIRMs show flood elevations referenced to a vertical datum. The flood depth at any point can be determined by subtracting the ground elevation, relative to the same datum, from the flood elevation. Because the ground elevation can vary considerably even within short distances, it would be cost prohibitive for FEMA to establish flood depths for all SFHAs. However, in relatively flat areas of shallow ponding or sheet flow, the flood depth is provided (Zones AO and AH) in lieu of flood elevations.

For SFHAs studied by approximate methods of analysis (Zone A), flood elevations are not computed; consequently, flood depths could not be shown. In the face of finite study budgets, the Zone A designation is used on NFIP maps for areas of known flood risk but low existing and/or anticipated development.

Levee Failure Analysis: FEMA's policy for levees is that if a levee is certified to provide protection from the 1-percent annual chance flood, the model is developed to reflect the existence of the levee, and the flood elevations shown on the FIRM are based on the protection provided by the levee. The shaded Zone X designation is used to designate areas that would be inundated in the event of a levee failure during the 1-percent annual chance flood. The flood elevations that would occur within these areas if the levee failed can be determined by taking the elevation from the flood profile for the riverward side of the levee. If the levee is not certified to provide protection from the 1-percent annual chance flood, the levee is not reflected in the model, and the flood elevations on the FIRM in the area behind the levee are the elevations that would occur if the levee failed.

Hazard Identification/Mapping

Issue: DFIRMs – suggested mapping enhancements

Updated Hydrologic and Hydraulic Analyses: It is a fundamental tenet of the NFIP to provide participating communities with accurate, up-to-date flood hazard maps. FEMA is limited in that endeavor only by funding.

If funded, FEMA's Map Modernization plan will make it possible to provide faster, more frequent map updates. During the 7-year modernization period, the entire flood map inventory will be converted to a digital format. This digital format will make revisions more cost effective, thus making it possible to revise the maps more frequently.

To inventory and prioritize the update, maintenance, and digital conversion needs of the flood hazard mapping inventory, FEMA developed and designed the Mapping Needs Update Support System (MNUSS) database. MNUSS will allow FEMA to evaluate the needs of each community's map on a point system that considers mapping benefits and community mitigation and growth factors.

BFE Note: FEMA will take this recommendation under advisement.

Issue: Product and service fees

Respondent's Recommendation(s):

Accelerated Processing Fee for LOMCs: FEMA received one response to the Call for Issues suggesting that an option be provided to requesters of LOMCs to have the review of the LOMC expedited for an additional cost over the normal fee.

FEMA's Response: Evaluation/Study Required

Explanation: A basic tenet of the National Flood Insurance Program (NFIP) is to identify and map flood hazard areas. These maps are used for floodplain management and flood insurance rating. The NFIP map inventory has roughly 100,000 map panels. FEMA could not possibly physically revise and reprint every map panel affected by projects undertaken that change flood

Hazard Identification/Mapping

Issue: Product and service fees

Fee Waiver for LOMRs to Reflect Flood Mitigation Projects: FEMA received one response to the Call for Issues suggesting that fees not be charged for LOMRs requested to reflect public works projects undertaken to mitigate flood hazards.

hazards each year; therefore, FEMA established the Letter of Map Revision (LOMR), which is a document that allows FEMA to revise flood hazard information by letter rather than through a physical map revision.

Additionally, limitations of scale or topographic definition of the source maps used to prepare the NFIP flood hazard maps, as well as the placement of fill, can cause small areas that are actually at or above the flood elevation to be shown within the floodplain on the NFIP map. For such situations, FEMA created the Letter of Map Amendment (LOMA) and LOMR-based on Fill (LOMR-F), which are documents that amend or revise flood hazard information. LOMRs, LOMAs, and LOMR-Fs are collectively known as Letters of Map Change (LOMCs). A requester of a LOMC is responsible for submitting all necessary data in support of the LOMC request.

The flood hazard mapping program is primarily funded by NFIP flood insurance policyholders through a \$30 Federal Policy Fee charged to each flood insurance policy sold. However, the rising number of LOMC requests annually and their drain on the mapping budget spurred FEMA to institute fees for certain types of LOMCs to recover the costs of the engineering review of the data submitted in support of the LOMC requests. These LOMC requests are reviewed by FEMA in the order of their submittal.

Accelerated processing fee for LOMCs: FEMA may institute an accelerated fee schedule for those requesters who wish to have the review of their LOMC expedited. The issue is being taken under advisement by FEMA management.

Fee waiver for LOMRs to reflect Flood Mitigation Projects: FEMA need to evaluate and study waiving the fees for LOMRs that reflect flood mitigation projects designed to protect existing structures, as all NFIP policyholders

Hazard Identification/Mapping

Issue: Product and service fees

would seem to benefit from these projects, even those outside the community, because the overall NFIP flood insurance fund presumably would be strengthened. Flood mitigation projects designed to allow for future development, however, would not be considered eligible for a fee waiver, as the costs of the review should be captured under the costs of the future development.

Issue: Fees for mitigation products and services

Respondent's Recommendation(s):

Provide cross-section data and HEC-2 model at no charge: FEMA received one response to the Call for Issues suggesting that FEMA provide to communities concurrent with the issuance of the NFIP maps copies of the cross section data and hydrologic and hydraulic modeling.

Revise the fee-charge system for LOMCS: FEMA received one response to the Call for Issues indicating that LOMCs should be distinguished between those requested to correct an error and those requested to reflect the alteration of topography from regrading or the placement of fill. The respondent stated that fees should not be charged for LOMCs requested to correct an error. The respondent suggested that fees only be charged for LOMCs that are based on an alteration of the ground, such as regrading or placement of fill.

Establish fee for BFE determination in Zone A: FEMA received one response to the Call for Issues suggesting that fees not be charged for LOMRs requested to reflect public works projects, such as those to reflect transportation projects.

FEMA's Response: Other

Explanation: FEMA maintains facilities to store the technical and administrative support data developed when National Flood Insurance Program (NFIP) maps are created or updated, as well as data developed by revision requestors. A fee charge system is currently in place for responding to requests received from the public sector for Flood Insurance Study (FIS) data. Requests for the FIS data typically originate from private engineering firms hired by private homeowners or developers. Also, occasionally State or local agencies involved in the construction of roads or bridges seek existing technical support data from FEMA. The most frequently requested data are the hydrologic and hydraulic models that support the flood hazard data presented on maps. Fees are applied to all FIS data requests, except those received from companies under contract to FEMA, Federal and State agencies, and community officials.

A basic tenet of the National Flood Insurance Program (NFIP) is to identify and map flood hazard areas. These maps are used for floodplain management

Hazard Identification/Mapping

Issue: Fees for mitigation products and services

Waive LOMR and CLOMR processing fees for public projects: FEMA received one response to the Call for Issues indicating that the requirement that the requester of a LOMA or LOMR-F obtain all supporting data can be prohibitively expensive when the property is in a Zone A floodplain because the flood elevation must be determined by a professional engineer. The respondent suggested that the option be provided for FEMA to develop the flood elevation for a nominal fee. The respondent indicated that the economies of scale may allow FEMA to determine flood elevations inexpensively.

and flood insurance rating. The NFIP map inventory has roughly 100,000 map panels. FEMA could not possibly physically revise and reprint every map panel affected by projects undertaken that change flood hazards each year; therefore, FEMA established the Letter of Map Revision (LOMR), which is a document that allows FEMA to revise flood hazard information by letter rather than through a physical map revision.

Additionally, limitations of scale or topographic definition of the source maps used to prepare the NFIP flood hazard maps, as well as the placement of fill, can cause small areas that are actually at or above the flood elevation to be shown within the floodplain on the NFIP map. For such situations, FEMA created the Letter of Map Amendment (LOMA) and LOMR-based on Fill (LOMR-F), which are documents that amend or revise flood hazard information. LOMRs, LOMAs, and LOMR-Fs are collectively known as Letters of Map Change (LOMCs). A requester of a LOMCs is responsible for submitting all necessary data in support of the LOMC request.

The flood hazard mapping program is primarily funded by NFIP flood insurance policyholders through a \$30 Federal Policy Fee charged to each flood insurance policy sold. However, the rising number of LOMC requests annually and their drain on the mapping budget spurred FEMA to institute fees for certain types of LOMCs to recover the costs of the engineering review of the data submitted in support of the LOMC requests.

Provide cross-section data and HEC-2 model at no charge: FEMA recognizes the advantages of making the cross section data and hydrologic and hydraulic models available to communities upon release of new or updated mapping. We also recognize that many communities do not have staff or necessary software programs to run the models; therefore, the added expense

Hazard Identification/Mapping

Issue: Fees for mitigation products and services

of providing the supporting data along with the maps does not justify doing so. Consequently, our procedure is to have communities interested in obtaining the cross section data and hydrologic and hydraulic modeling formally request the data.

Revise the fee-charge system for LOMCS: FEMA currently does not charge fees for LOMRs requested to correct errors on the flood hazard maps, or for LOMRs based solely on better data. FEMA also does not charge fees for LOMAs. Therefore, FEMA believes that the first respondent's suggestions are already the standard procedure.

Establish fee for BFE determination in Zone A: Regarding waiving fees for LOMRs requested to reflect public works projects, many of these projects, such as transportation projects, do not provide a benefit to all NFIP policyholders; therefore, having all NFIP policyholders pay for them is difficult to justify. Furthermore, for most of these projects, the fee for the LOMR is such a small percentage of the total budget that FEMA does not believe the LOMR fee is prohibitively expensive.

Waive LOMR and CLOMR processing fees for public projects: Although FEMA asks that all requesters of LOMAs and LOMR-Fs attempt to obtain the 1-percent annual chance flood elevation from an authoritative source, FEMA will determine the flood elevation on behalf of private homeowners if the flood elevation cannot be obtained from another authoritative source. FEMA is attempting to keep the cost for LOMAs at a minimum and does not wish to institute a fee for determining the 1-percent annual chance flood elevation.

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – approximate A Zones and unmapped flood-prone areas

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Study unmapped floodplains.
- Study unnumbered A zones.
- Update maps to reflect growth and floodplain changes, to correct inaccuracies, and to provide flood hazard information for unstudied areas.
- Develop partnerships (FEMA/State/local/private) to map unmapped flood-prone areas and to provide detailed information for areas previously mapped through approximate techniques.
- Discontinue unnumbered A zone designations and replace existing A zones with numbered A zones or D zones.
- Establish a program to perform detailed studies for all areas designated Zone A Set priority for remapping of communities with maps showing only approximate A zones, followed by communities with unnumbered and numbered A zones. Once the Zone A designations are no longer needed, delete Paragraphs 60.3(a) and (b) of the NFIP regulations.
- Revise the mapping specifications to include elevation information for all flood insurance risk zones (A, V, and shaded X), using information developed by community where appropriate.

FEMA's Response: Adopted/Action Underway

Explanation: To eliminate or study all Zone A areas immediately would be cost prohibitive. However, as FEMA implements its modernization plan, Zone A areas will be addressed as part of the 7-year upgrade to the approximately 100,000-panel flood map inventory. To replace existing A zones with D zones would be imprudent because for D zones no flood data are available, insurance is only optional, and rates are high because of the uncertainty of the risk. FEMA's prioritization process for flood study updates must consider factors other than Zone A areas, such as projected development in the floodplain. However, in the ranking system in MNUSS currently being tested, Zone A areas are accounted for by considering them in the category with the greatest Base (1-percent annual chance) Flood Elevation (BFE) change. This tends to increase the benefits of updating these areas, which in turn will impact the ranking of the community with respect to other communities nationwide.

FEMA is currently developing guidance, tools, and processes for Zone A areas to ensure, as the flood map inventory is upgraded, that:

- Zone A areas are converted to detailed studies where the level of existing and/or proposed development warrants doing so;
- Zone A areas are refined where detailed studies are not warranted; and
- Zone A areas that are not in the floodplain are removed.

Further, through its Cooperating Technical Communities (CTC) initiative, FEMA is developing partnerships to map unmapped flood-prone areas and to provide detailed information for Zone A areas.

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – mapping other hazard areas

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Use future development conditions for hydrologic and hydraulic calculations in determining flood elevations.
- Develop a process for mapping and managing special hazard areas, such as alluvial fans.
- Require updated, accurate information for FIRMs, including dam inundation.
- Identify other hazard areas on the maps, including dam failure and levee failure zones.
- Develop non-floodplain, flash-flood hazard zone assessment and mapping methodologies.
- Expand the mapping initiative to identify all watercourses and other riverine, erosion, mudflow, and coastal flooding sources in the U.S.

FEMA's Response: Adopted/Action Underway

Explanation: Under the National Flood Insurance Act of 1968, FEMA is mandated to map only the existing flood hazards for flood insurance purposes; thus, FEMA must spend its limited budget on that endeavor. However, the new digital FIRM (DFIRM) product will be more robust, allowing for incorporation of additional hazard information that the community may develop easily. Specific future flood hazard mapping considerations are listed below.

Future Conditions Hydrology: FEMA is preparing a report on recommendations for using future conditions hydrology for the NFIP and plans to implement a prototype map with future conditions hydrology in FY 2000.

Alluvial Fans: In response to recommendations in a 1996 report by the National Research Council's (NRC's) Committee on Alluvial Fan Flooding, FEMA has issued a revised *Guidelines for Determining Flood Hazards on Alluvial Fans* (FEMA 1999). The guidelines, as well as related information on alluvial fan flood hazards, are available on FEMA's Web site at http://www.fema.gov/mit/tsd/FT_alfan.htm.

Dam Inundation/Failure: FEMA's policy on dams is that if the structure is certified to hold the 100-year flood, the model is developed to reflect the existence of the structure; if the dam is not certified to hold the 100-year flood, the dam is not reflected in the model. However, the new DFIRM product will allow for mapping of dam failure/inundation zones easily.

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – mapping other hazard areas

Levee Failure: The shaded Zone X designation is used to designate areas that would be inundated in the event of a levee failure during the 1-percent annual chance flood.

Flash Flood Methods: FEMA must spend its limited funds on mapping floodplains rather than on developing new methods. However, communities that know about such hazards could develop assessment and mapping methodologies as a CTC partner.

Identify All Watercourses and Other Flooding Sources: Whereas the old maps include information only for the areas that were studied, usually because of the costs involved in scribing the information, the new DFIRM product will show all watercourses and drainage areas that are on the digital base map.

Riverine Erosion Hazard Mapping: Section 577 of the National Flood Insurance Reform Act of 1994 requires that FEMA submit a report to Congress that evaluates the economic impact of erosion and erosion mapping on the NFIP (for Coastal and Great Lakes) and determine if it is technologically feasible to map Riverine Erosion Hazard Areas. FEMA will submit a final report to Congress in January 2000.

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – frequency of map updates

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Faster map updates in developing areas.
- Update FIRMs more frequently.
- Update FIRMs more frequently (allow no more than 20 years between mapping).
- Issue changes to FIRMs in a more timely manner.

FEMA's Response: Adopted/Action Underway

Explanation: It is a fundamental tenet of the NFIP to provide participating communities with accurate, up-to-date flood hazard maps. FEMA is limited in that endeavor only by funding. However, if funded, FEMA's Map Modernization plan will make it possible to provide faster, more frequent map updates. During the 7-year modernization period, new flood data will be generated where needed, and the entire flood map inventory will be converted to a digital format. This digital format will make revisions more cost effective, thus making it possible to revise the maps more frequently. Further, FEMA has designed an optimized map production process that will allow map revisions to be completed within a shorter timeframe. This process will begin implementation in FY 2000. Further, FEMA is simplifying its letter products and streamlining its processes for reviewing map amendment and revision requests initiated by communities and property owners.

Issue: Mapping Needs Assessment Process – process for prioritizing restudies

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Give update priority to *Project Impact* communities.
- Use the ongoing 5-Year Map Update process and other means to prioritize restudies in a way that is more responsive to State and local restudy priorities.

FEMA's Response: Adopted/Action Underway

Explanation: As part of the MNUSS, FEMA has developed and is testing a new ranking algorithm for prioritizing flood map needs. This proposed algorithm evaluates the needs of each community's map on a point system that considers mapping benefits and community mitigation and growth factors. Mapping Benefit Points are assigned for each community based on an estimate of the total benefits of updating the maps compared to the costs. Additional

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – process for prioritizing restudies

- Give update priority to areas that have recently been declared disasters.
- Include repetitive losses and/or high concentrations of C zone losses as factors in prioritizing restudy needs.
- Determine where most significant flood damage occurs and allocate funding to restudy these areas so that the FIRMs can be accurate.

points are assigned based on local mitigation efforts and other factors, such as participation in *Project Impact*, the Community Rating System (CRS) rating, and the age of the effective maps. These points are then totaled to give an overall score for the community, which is then used for ranking and prioritization. The flexibility of this approach allows the results to be applied on a national, regional, State, or local level, depending on how funding allocations are distributed. FEMA plans to begin using this new prioritization system in FY 2001 on a limited basis.

FEMA is currently exploring legal authorities and funding for collecting data in post-disaster environments to aid in reconstruction.

FEMA recognizes that repetitive losses in Zones B, C, and X are an indicator of a potential mapping problem that should be evaluated when assessing the mapping needs of a community. Repetitive loss data in Zones B, C, and X will be provided in MNUSS for informational purposes. Incorporation into the ranking algorithm is under consideration and is being evaluated for its usefulness and appropriateness.

Issue: Mapping Needs Assessment Process – specific map update requests

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Glynn County, Georgia, wants help revising FIRM using LIDAR and digital format Prepare digital FIRM for Louisville, Colorado.
- Update FIRM for Hamden, Connecticut.

FEMA's Response: No Further Action Required

Explanation: These map update requests have been provided to the appropriate FEMA Regional Office for consideration, and the needs have been documented in MNUSS. Because FEMA funding for map updates is limited, the respondents will be provided information on other FEMA procedures and initiatives for amending and revising flood hazard maps. Procedures that may

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – specific map update requests

- Prepare digital FIRM for Glynn County, Georgia, sooner than the Map Modernization plan of 7 years.

be initiated by a community or property owner include the Letter of Map Amendment (LOMA), Letter of Map Revision (LOMR) and Letter of Map Revision, based on Fill (LOMR-F) processes. CTC partnerships may be initiated by a State or regional entity or community.

Issue: Mapping Needs Assessment Process – funding issues

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Work with Congress and the Administration to obtain alternative funding sources so FEMA can meet Map Modernization goals.
- Increase funding for updates.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA is presently working with the President's Office of Management and Budget to evaluate various funding sources for map modernization for the FY 2001 budget. Further, while most of the FY 2000 flood mapping budget comes from the sale of flood insurance policies and map products and services, Congress did appropriate an additional \$5 million for the flood mapping program.

Issue: Mapping Needs Assessment Process – acceptance of flood data submitted by communities

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Accept studies/methodologies from capable communities.
- Once the FIRMs are digitized, accept any digital updates submitted by the community.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA has made all of these recommendations possible through its CTC initiative. Interested communities can contact the CTC Coordinator at the appropriate Regional Office. For more information, they can access FEMA's Flood Hazard Mapping Web site at www.fema.gov/mit/tsd/CTC_main.htm or call the FEMA Map Assistance Center at 1-877-FEMA MAP (1-877-336-2627).

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – acceptance of flood data submitted by communities

- Employ hydrologic and hydraulic procedures and standards that have been adopted by State agencies and reviewed by interested local agencies, when available.

Issue: Mapping Needs Assessment Process – mapping techniques and standards

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Develop digital base map standards to ensure accurate, updated information.
- Convert floodplain data to a digital format compatible with standard GIS data formats.
- Update mapping techniques.

FEMA's Response: Adopted/Action Underway

Explanation:

Digital Base Map Standards: FEMA has established new digital base map specifications. Community data that meet the minimum requirements will be the first choice and digital orthophoto quadrangles will be the default base map.

Digital FIRM: As part of its Map Modernization plan, FEMA will convert all manually produced flood hazard map panels to a new digital format that is georeferenced and compatible with standard GIS formats.

Mapping Techniques: FEMA is actively exploring new mapping techniques. We have been assessing Light Detection and Ranging (LIDAR), Interferometric Synthetic Aperture Radar (IFSAR), and LIDAR/IFSAR fusion for use in gathering topographic and base map information for Flood Insurance Studies. FEMA's new LIDAR specifications can be viewed on FEMA's Flood Hazard Mapping Web site at www.fema.gov/mit/tsd/MM_lidar.htm. We are also assessing the available technologies used to automate the different aspects of floodplain analysis, including hydrology, hydraulics, and mapping.

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – mapping techniques and standards

The available technologies are tools that work within a GIS using software applications and database structures to perform any or all of the steps in floodplain analysis.

Issue: Mapping Needs Assessment Process – requirements for developers

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Require developers to study large areas of planned development.
- If a proposed development exceeds the five acre/50 lot threshold and is occurring on an unmapped watercourse, the developer should be required to provide BFE data.

FEMA's Response: Evaluation/Study Required

Explanation: Subparagraph 60.3(b)(3) of the NFIP regulations states that the community shall require that all new subdivision proposals and other proposed developments (including proposals for manufactured home parts and subdivisions) greater than 50 lots or five acres include within such proposals 1-percent annual chance flood elevation data. Then, in accordance with Subparagraph 60.3(b)(4), the community must use this 1-percent annual chance flood elevation information to require that any new construction have its lowest floor elevated to or above the 1-percent annual chance flood elevation. This regulation imposes a reasonable requirement that the developer of significant properties within the floodplain determine flood elevation information so that the development can be planned to mitigate potential flood damage.

Regarding a requirement that developers provide BFE data on unmapped watercourses, Subparagraph 60.3(a)(1) requires permits for all proposed construction so that communities can determine if the construction is in flood-prone areas. Although this subparagraph does not specifically state that flood

Hazard Identification/Mapping

Issue: Mapping Needs Assessment Process – requirements for developers

hazard analysis must be done, it is implied. FEMA will take under advisement whether to change the regulations to explicitly require BFE data for flood-prone, but unmapped, areas.

Issue: Future development hydrology and hydraulics

Respondent's Recommendation(s):

Several respondents submitted recommendations concerning the use of future conditions hydrology and hydraulics (H&H) and the depiction of future conditions on the NFIP maps and related products. The specific recommendations made by these respondents are summarized below.

- FEMA should create two sets of NFIP maps – one depicting current conditions and the other depicting future, fully developed conditions.
- FEMA should use future conditions hydrology and map future conditions whenever a new flood hazard study is performed or an existing study is updated.
- FEMA should determine four sets of water-surface elevations for each flooding source:
 1. Existing conditions discharge with existing conditions floodplain;
 2. Existing conditions discharge with fully developed conditions floodplain;

FEMA's Response: Assigned for Further Study

Explanation: Historically, flood risk information presented on NFIP maps has been based on the existing conditions of the floodplain and watershed. Flood hazards may change significantly in areas experiencing urban growth or changes in physical conditions caused by such geologic processes as subsidence and erosion. Budgetary constraints have prevented initiating actions to update NFIP maps with sufficient frequency to reflect the changing flood hazards brought about by natural and manmade changes.

Communities experiencing urban growth and other changes have expressed a desire to use future conditions hydrology in regulating watershed development. FEMA completed a study in 1989 to examine the use of future floodplain conditions on flood hazard maps. For this study, the advantages and disadvantages of several options were explored. The recommended option was for FEMA to incorporate future conditions data prepared by the communities into NFIP maps for regulatory and insurance purposes, with reduced insurance rates within the future conditions floodplain. The choice of using future conditions floodplains was up to the community that would be expected to use the future conditions data for floodplain management and to

Hazard Identification/Mapping

Issue: Future development hydrology and hydraulics

3. Fully developed conditions discharge with existing conditions floodplain; and
4. Fully developed conditions discharge with fully developed conditions floodplain.

Flood insurance rating should be based on the first set of water-surface elevations while floodplain management should be based on the last set of elevations.

- FEMA should include future developed conditions Flood Profiles in the FIS report. One respondent indicated FEMA should show the four sets of the elevations described above while simultaneously deleting the 10-, 2-, and 0.2-percent-annual-chance water-surface elevations.
- FEMA should develop guidelines for allowing the use of fully developed conditions for an entire watershed.

defend their data in case of legal challenges. This option was never initiated, possibly due to administrative and legal problems associated with insurance rates within future conditions floodplains.

One of the most exciting and revolutionary aspects of the FEMA Map Modernization Plan is that it will facilitate ownership of the flood maps by State and local entities through greatly increased involvement in the flood mapping process. This will be achieved through cooperative agreements with State and/or local partners, referred to as Cooperating Technical Community (CTC) agreements, whereby FEMA will provide flood mapping funds, technical assistance, and mentoring to the State or local partner, which will then develop and maintain all or a component of its flood map. The proposed CTC agreements recognize that hazard identification and mapping must go hand-in-hand with the responsibility of managing floodplains at the local level. By creating a strong local program that maintains the connection between mapping and managing flood hazard areas, the NFIP is likewise strengthened in its ability to reduce the loss of property and life. This initiative will directly complement activities under another important FEMA initiative: *Project Impact: Building A Disaster Resistant Community*.

Many communities have promoted the use of future land-use conditions in defining hydrology and floodplains that represent stricter land-use regulations than the minimum requirements of the NFIP. The use of future conditions hydrology is consistent with cooperative agreements, modernizing the flood hazard mapping program, and FEMA's desire to be flexible and support those communities that would like to implement stricter land-use regulations.

While some communities do regulate based on future development, others have been hesitant to enforce these more restrictive standards without Federal

Hazard Identification/Mapping

Issue: Future development hydrology and hydraulics

support. To assist officials in such progressive communities, FEMA has developed an approach for placing future conditions flood hazard data on the NFIP maps and related products for informational purposes and for regulating floodplain development. The planned approach is described in detail in a report entitled *Modernizing FEMA's Flood Hazard Mapping Program: Recommendations for Using Future Conditions Hydrology for the National Flood Insurance Program*. This report may be downloaded from FEMA's Web site (http://www.fema.gov/mit/tsd/FT_hydro.htm). This report documents FEMA's definition of future conditions; summarizes FEMA's analysis of the constraints and benefits of mapping that is based on future conditions hydrology, from a floodplain management, flood insurance rating, and other uses perspective; and presents specifications for mapping and FIS report materials.

To display future conditions floodplains on NFIP maps and in the FIS reports, FEMA must modify the NFIP regulations to incorporate several new definitions in Section 59.1 and to expand the definition of Zone X in Section 64.3 to include "areas of future conditions 100-year flood." During FY 2000, FEMA will initiate the necessary rule-making and distribute a final version of the previously referenced report to establish guidelines and specifications for future-conditions mapping.

Hazard Identification/Mapping

Issue: Handling of phased improvement projects

Respondent's Recommendation(s):

One respondent suggested that FEMA revise the NFIP regulations to allow flood insurance requirements to be removed for portions of phased projects involving drainage systems for large tract developments as those portions of the projects are completed, rather than waiting for the projects to be completed. The respondent indicated such projects are frequent in the Southwestern United States and involve permanent drainage improvements for the completed project areas and temporary improvements for the areas under construction. The respondent suggested that a public agency's certification that upstream temporary drainage improvements will be made permanent and that the improvement will result in the flood hazard designation being removed should be sufficient for FEMA to revise the FIRM. To accomplish the changes, the respondent suggested adding a whole new section within Part 65 of the NFIP regulations.

FEMA's Response: No Further Action Required

Explanation: Historically, flood hazard information presented on NFIP maps has been based on the existing conditions of the floodplain and watershed. Flood hazards may change significantly in areas experiencing urban growth or changes in physical conditions caused by such geologic processes as subsidence and erosion. Budgetary constraints have prevented initiating actions to update NFIP maps with sufficient frequency to reflect the changing flood hazards brought about by natural and manmade changes. Because the flood hazard information presented on NFIP maps is based on the existing conditions of the floodplain and watershed, revisions to the flood hazard information submitted by community officials under Part 65 of the NFIP regulations also must be based on existing conditions, thus delaying changes in flood insurance requirements for areas affected by large phased development projects.

FEMA does, however, have procedures in place for addressing planned or ongoing improvements within identified floodplains. Communities, developers, and property owners often undertake improvement projects intended to reduce the flood hazard in their communities and usually would like to know the effects these projects will have on the flood hazard information shown on NFIP maps. Similarly, property owners and developers who intend to place structures in an SFHA usually must demonstrate to lending institutions and local officials that these structures will be above base (1-percent annual chance) flood elevation. Those who are planning such actions may submit design plans and other engineering data to FEMA and request that FEMA evaluate them.

Hazard Identification/Mapping

Issue: Handling of phased improvement projects

The FEMA response to such requests describes the changes that may eventually be made to the effective NFIP map and are called Conditional Letters of Map Revision (CLOMRs). The data required to support CLOMR requests are detailed in two documents: *Appeals, Revisions, and Amendments to National Flood Insurance Program Maps, A Guide for Community Officials*; and *Application/Certification Forms and Instructions for Conditional Letters of Map Revision, Letters of Map Revision, and Physical Map Revisions*. Both documents may be downloaded from the FEMA Map Assistance Center, toll free, at 1-877-FEMA MAP (1-877-336-2627).

FEMA also has procedures in place for evaluating ongoing large-scale projects for construction of flood protection systems that are expected to remove structures and property from the SFHA. The procedures to determine whether “adequate progress” has been made on such construction projects, which involved Federal funds, are documented in Section 61.12 of the NFIP regulations.

Before FEMA can make a determination of adequate progress on a project, FEMA must be provided with a copy of the affected NFIP map panels annotated to show those portions of the effective SFHA that will be removed and any areas of residual flooding that may remain after completion of the project. The following information also must be submitted to FEMA to comply with Paragraph 61.12(c) of the NFIP regulations:

- True copies of all contracts, agreements, leases, instruments, and other documents involved;
- A statement whether, to the best of the knowledge of the person responsible for preparing the adequate progress application for the

Hazard Identification/Mapping

Issue: Handling of phased improvement projects

community, the project is the subject matter of litigation before any Federal, State, or local court or administrative agency, and the purpose of that litigation; and

- A statement whether the community has previously requested a determination for the project, detailing the disposition of the previous request.

Once all required information has been received, FEMA will revise the affected map panels to show the revised SFHA boundaries and other flood hazard information along the affected area and to change the SFHA designation to Zone A99 in areas that will be protected by the flood-control project once the project is completed. Paragraph 61.12(e) of the NFIP regulations requires that, following FEMA's determination that adequate progress has been made, a responsible community official must annually certify to FEMA that no present delay in completing the system is attributable to local sponsors of the project, and that a good-faith effort is being made to complete the project. Further, Paragraph 61.12(f) of the NFIP regulations requires that the community notify FEMA if at any time all progress on completing the project has been halted, or if the project has been cancelled.

For projects that do not involve Federal funds, FEMA can issue LOMRs for phased projects, provided that the revised portion of the development ties into the effective flood hazard information shown on the flood hazard map.

FEMA believes the existing procedures and the related NFIP regulations discussed above are sufficient to address the type of phased project referenced by the respondent. FEMA will not make the requested changes to the procedures or regulations.

Hazard Identification/Mapping

Issue: LOMA and LOMR – other hazard identification/mapping issues

Respondent's Recommendation(s):

The recommendation/comment for FEMA was as follows:

- Allow lenders to waive flood insurance requirement when elevation survey shows structure outside SFHA.
- Replace LOMA and LOMR process with a simple administrative waiver.
- Provide funding for, and work with the Natural Resources Conversation Service to update the Rainfall Frequency Atlas of the United States (TP-40).

FEMA's Response: Adopted/Action Underway

Explanation: Currently, the National Flood Insurance Program (NFIP) Regulations are written so that only the Federal Emergency Management Agency can issue a revision or amendment to the official NFIP maps. Also, the criteria for determining whether a structure is located outside the Special Flood Hazard Area (SFHA) vary greatly depending on the date and type of construction of the structure. Most lenders do not normally have access to the necessary data required to judge whether these criteria have been met. For example, it must be determined whether the structure was built on fill material and whether it was placed before or after the SFHA was first identified at the site in question. If no fill was involved, then the criteria in Part 70 of the NFIP regulations apply, and only the lowest adjacent ground elevation must be at or above the base (1-percent annual chance) flood elevation. If fill was placed after the SFHA was identified on the site, then the criteria of Section 65.5 apply, and the lowest floor (including basement/crawl space) and lowest adjacent ground elevations must both be at or above the base flood elevation. We are currently investigating the possibility of delegating our authority to issue revisions and amendments; however, we are discovering that the challenges associated with reviewing cases as discussed above would be very limiting. Allowing lenders to waive the insurance requirement on the basis of an elevation survey would not only require changes to the NFIP legislation and regulations, but would necessitate placing an additional burden on the lenders while they may not have access to the necessary information to make an accurate determination.

Hazard Identification/Mapping

Issue: LOMA and LOMR – other hazard identification/mapping issues

Replacing the LOMC process with a simple administrative waiver without recognizing the inaccuracy identified in the NFIP map would only perpetuate existing problems and penalize property owners. The waiver of the flood insurance purchase requirement can only be done by the lender that imposed it under current legislation. Retaining a property in the SFHA when technical data demonstrate it should not be could be challenged by the property owner in court and be overturned. The LOMC process was designed to address only the question of the flood insurance purchase requirement, but has been applied to floodplain management issues as well.

The U.S. National Weather Service has already initiated and made significant progress in the revision of TP-40. We have been and are currently committed to providing funding assistance in this effort, and will continue to attend coordination meetings to ensure that our agency provides the necessary support to continue this important endeavor.

Issue: LOMA and LOMR – outreach, communication, education, and publications

Respondent's Recommendation(s):

The recommendations/comments to FEMA were as follows:

- Provide better guidance/requirements to map determination companies regarding properties partially in the SFHA.
- Improve the accuracy of flood zone determinations (made by map determination companies).

FEMA's Response: No Further Action Required

Explanation: Letters of Map Amendment (LOMAs) and Letters of Map Revision (LOMRs) continue to be one of the most widely requested products from FEMA. The resources required to respond to this demand could be put to better use in the map modernization program if the demand for LOMAs and LOMRs could be reduced. Implementation of the LOMA 2000 process has already shown some streamlining of portions of the process, and, when fully

Hazard Identification/Mapping

Issue: LOMA and LOMR – outreach, communication, education, and publications

- Provide determination services for lenders in areas where map determination companies are scarce.
- Make half-yearly compendia of map panel changes available to map determination companies via automatic distribution.
- Establish guidelines for communicating LOMA and LOMR information to map determination companies.

operational, it is anticipated that it will further reduce the time required to produce responses for these requests. However, the limitations of the mapping process will continue to drive the larger number of requests for LOMAs and LOMRs until we are able to make substantial improvements in our map inventory through our map modernization effort.

The National Flood Insurance Act, as amended, requires that lenders examine the NFIP map for the community in which they are considering a loan to determine if the property is in an SFHA. Some lenders choose to rely on a map determination company for this action. Map determination companies market themselves to lenders on the basis of their expertise. They are required by Section 528 of the National Flood Insurance Reform Act of 1994 (NFIRA) to provide their determination on the Standard Flood Hazard Determination (SFHD) form and to guarantee the accuracy of the determination. Lenders are under no obligation to use one company over another. Under the NFIP, only structures are insurable. If map determination companies are making determinations for structures without knowing the location of the structure on the property, they are taking a shortcut that affects the accuracy of their determination. FEMA has no regulatory authority over map determination companies and cannot impose procedures or policies on their operations. If FEMA was to provide a flood zone determination service to lenders, it would be in direct competition with the map determination companies. Registered land surveyors can provide this service by plotting the property and structure on the effective NFIP map when the mortgage survey for the property is completed.

A compendia of map actions is published in the *Federal Register* twice yearly, in addition to the twice-per-month publication of copies of all Letters of Map

Hazard Identification/Mapping

Issue: LOMA and LOMR – outreach, communication, education, and publications

Change (LOMCs) on CD-ROM. The compendia is made available free of charge to Federal entities for lending regulation, Federal agency lenders, and States and communities participating in the NFIP, and at cost to all other interested parties, as required by Section 4101 of the National Flood Insurance Act, as amended.

The criteria for determining whether or not a property or structure is eligible for removal from the SFHA by LOMA or LOMR are established in the NFIP regulations at Part 70 and Section 65.5, respectively. Further, application forms and instructions are available from FEMA's Web site for free downloading. Questions about specific situations that appear not to be described by the criteria can be answered by calling the FEMA Map Assistance Center at 1-877-FEMA MAP (1-877-336-2627).

Issue: LOMA and LOMR – map production

Respondent's Recommendation(s):

The recommendations/comments to FEMA were as follows:

- Use maximum probable BFE from contour interpolation for LOMA determinations in approximate Zone A areas.
- Lower the level of analysis required for LOMAs in approximate Zone A.
- Require an annotated map panel be included with each LOMA and LOMR.
- Require 5-foot freeboard for LOMAs or record LOMA with deed.

FEMA's Response: Assigned for Further Study

The FEMA publication *Managing Floodplain Development in Approximate Zone A Areas*, FEMA 265, July 1995, contains a description of acceptable methods of estimating a BFE, including contour interpolation. When FEMA reviews single lot/structure requests for a LOMA/LOMR in approximate Zone A areas, the first step is to overlay the SFHA from the FIRM at the same scale with the U.S. Geologic Survey (USGS) topographic quadrangle map to see if a correlation with the contours exists. If it does, and the structure/property meets the \pm one-half contour-interval rule, then the contour-interpolated BFE can be used for the determination. If it does not, then the next level of analysis

Hazard Identification/Mapping

Issue: LOMA and LOMR – map production

- Remove LOMA and LOMR repository from community and transfer it to FEMA.
- Require that each LOMA and LOMR be recorded with the deed for the affected property and that it be reflected in the next FIRM panel revision.
- Provide better explanation how individuals and towns apply for LOMAs.
- Discontinue issuing LOMRs – based on fill.
- Eliminate removing any structures on fill from the SFHA.
- Clarify which LOMC forms must be signed by a registered professional engineer or licensed land surveyor.
- Streamline LOMA processing using technology and other approaches.
- Require fill compaction for all LOMR and CLOMR requests.
- Eliminate the wholesale issuance of LOMAs and LOMRs.

must be applied. Also, when FEMA reviews requests from private homeowners for a LOMA/LOMR in approximate Zone A areas, if a BFE cannot be found through inquiry by the requester from an authoritative source, then FEMA will develop one for the requester. The level of effort chosen by a registered professional engineer for a BFE determination for an approximate Zone A area should be guided by the information in the above-referenced Zone A manual (FEMA 265). The lowest level of effort described in the manual is acceptable if the criteria for its use are met.

The format of LOMAs and LOMRs has recently been redesigned in a standardized “Determination Document” format that will be used for all LOMAs and LOMRs issued by FEMA. Upon issuance, copies are distributed by FEMA to the requester, the community, and the State. Copies are also made available to the general public through the LOMC compendium subscription service.

LOMAs and LOMRs can remove a structure, a lot or parcel, or a portion of a lot or parcel from the SFHA. When only a structure is removed from the SFHA, it cannot be reflected in the SFHA delineation on the map panel because of scale limitations. When a lot or parcel or a portion of a lot or parcel is removed from the SFHA, the area may also not be large enough to revise the SFHA delineation on the map panel, depending on the map panel scale. In the instances where the removed area could be shown on the map panel, an annotated copy is retained in the LOMA or LOMR case file and is used to revise the area the next time the map panel is physically revised and reprinted. When a LOMA or LOMR is issued, it officially amends or revises the effective NFIP map for the community. For this reason, a copy of each LOMA and LOMR is sent to the community’s map repository with

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Issue: LOMA and LOMR – map production

instructions to attach it to the map. This process is necessary because most of the results cannot be reflected on the map panel and it is not financially feasible to physically redraw and reprint the map panel each time a LOMA or LOMR is issued. When a map panel is physically revised and reprinted, all previously issued LOMAs and LOMRs are reflected where possible and all valid LOMAs and LOMRs that were not able to be reflected are revalidated by letter shortly after the revised panel is issued. A listing of incorporated, revalidated, and superseded LOMC actions is provided to the community with the revised map panel. The community must maintain copies of the LOMAs and LOMRs to provide local access to information regarding the community's floodplains for its residents and lending institutions. Homeowners can attach a copy of the LOMC to their deed and transfer it with ownership because the LOMC is issued for a specific structure or lot or parcel of land, not for a specific owner. Recording the LOMC with the deed for the property is at the discretion of the community.

The criteria for removing a property from the SFHA was chosen using the same reasoning applied for mapping SFHA boundaries. If the flood elevation is greater than a given elevation contour, it is shown as inundated. If the flood elevation is less than a given elevation contour, it is shown as not being inundated. The boundary is determined based on a comparison of the ground elevation with the BFE. Likewise, when determining if a property is incorrectly mapped, the elevation of the property is compared with the BFE. If the property elevation is equal to or greater than the BFE, it is considered outside the SFHA. To apply a 5-foot freeboard to property elevations would require doing the same to SFHA boundaries, thereby overstating the limits of the flood boundaries.

Hazard Identification/Mapping

Issue: LOMA and LOMR – map production

Floodplain management is a local community responsibility. Whether or not fill is permitted in the SFHA cannot be dictated from the Federal level. Some communities have already chosen to impose that no construction of any kind may occur within the limits of the 1-percent annual chance (base) flood. Those local requirements for floodplain management take precedence over the minimum Federal requirements for participating in the NFIP. To cease issuing LOMRs – based on fill would be a de facto imposition on property owners of Federal requirements over local regulations. The minimum requirements of the NFIP would need to be revised through legislation and policy directives to implement such changes and take responsibility of floodplain management away from the communities. It is our contention that to have a viable flood program, we need to have communities involved in making the appropriate floodplain management decisions for their community.

Certification requirements for elevation data submitted in support of a LOMA are described in the NFIP regulations at 44 CFR 70.3. They require certification by a registered professional engineer or licensed land surveyor. Certification requirements for data submitted in support of a LOMR are described in the NFIP regulations at 44 CFR 65.5(c). They require that elevation data submitted in support of a LOMR be certified by a registered professional engineer or licensed land surveyor. Information required concerning certification of fill placement must be certified by either the community's NFIP permit official, a registered professional engineer, or an accredited soils engineer. The instructions for FEMA Form 81-87 Series state which forms must be certified by a surveyor or engineer. The instructions for the Elevation Certificate (FEMA Form 81-31) state: "Lowest floor and lowest

Hazard Identification/Mapping

Issue: LOMA and LOMR – map production

adjacent ground elevations certified by a surveyor or engineer will be required if the certificate is used to support a LOMA or LOMR-F request.”

The LOMC process is currently being automated through the development of software that can assemble and evaluate the data submitted by property owners to demonstrate whether or not their property should be excluded from the SFHA. The software provides generation of the Determination Document and other required documents without the need of conventional word processing. This automation can reduce LOMC processing time by several weeks.

The requirement for certifying that fill placement has been done (or will be done) in accordance with accepted engineering practice is stated in section 65.6 of the NFIP regulations. An exception is provided in the case of a single lot or structure that has already transferred from a developer to private ownership to preclude prohibitive costs from being borne by individual homeowners. Requests to FEMA from developers always require certification of fill placement, unless the request is for an already existing building.

The LOMA process was originally developed to address properties that were included in the rectilinear or “blocked out” SFHA boundaries of the first emergency program maps. These boundaries were meant to be more simplified for insurance agents and lenders to interpret the maps. Exaggerated boundaries were acceptable because only owners of structures mapped within the SFHA could purchase flood insurance coverage. Accurate SFHA boundaries were not required because the purchase of flood insurance was voluntary until 1973. Beginning in 1973, lenders were mandated to require flood insurance coverage for a federally affected mortgage for a structure mapped within the SFHA, unless they received official notification from the Federal Insurance Administration that the structure had been removed from the

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Issue: LOMA and LOMR – map production

SFHA. Until the maps could be physically revised to reflect the more correct curvilinear flood boundaries, a quick process was needed to inform lenders that a specific property or structure was not in the actual floodplain, even though mapped to be so. After curvilinearization of the SFHAs, inaccuracies remained owing to lack of detailed topographic information used to plot flood boundaries. Until this problem is resolved, the LOMA process will be necessary.

FEMA cannot issue a waiver of the flood insurance purchase requirement because it is the lender that places the requirement, as required by the National Flood Insurance Act. The decision to place the requirement is based on the lender's reading of the NFIP map of the community. The community's regulation of the property for floodplain management decisions is not subject to Federal scrutiny unless it fails to enforce the minimum requirement for program participation. Any measures adopted by the community above and beyond the minimum Federal requirements are encouraged and take precedence. If a structure is incorrectly mapped within the SFHA, having the same insurance requirements as those for structures actually subject to the defined risk imposed on their structures should not penalize the owner. The definition of the risk boundary is finite. If it were not, the alternative would be to require insurance coverage for all structures in the watershed. Including flood insurance coverage as part of every federally assisted mortgage transaction would require legislative changes to the National Flood Insurance Act. The LOMA response has never sent the message that a property is safe from flooding. To the contrary, it warns that many properties outside the mapped SFHAs suffer flood damage and advises the purchase of the low-risk policy available for single-family residential structures outside the SFHA.

Hazard Identification/Mapping

Issue: LOMA and LOMR – map production

Development pressures in communities have led to LOMRs – based on fill. These have been issued to be consistent with the floodway concept presented in the Flood Insurance Study. Managing floodplain development is the community's responsibility. It has the authority to adopt regulations and ordinances it feels appropriate as long as they incorporate the minimum program requirements. Some communities already prohibit any construction in the SFHA. To change the NFIP requirements to exclude elevation by engineered fill would require major regulation and policy revisions.

Issue: LOMA and LOMR – map accuracy and completeness

Respondent's Recommendation(s):

The recommendations/comments to FEMA were as follows:

- Refine maps to better account for topographic differences in local areas.
- Enable communities to correct inaccurate map determinations [by determination companies] by dropping the guarantee from the regulations.

FEMA's Response: No Further Action Required

Explanation: The NFIP is mandated by Congress to provide flood hazard identification and mapping for the United States, Territories, and Possessions. Mapping every flood-prone community within the available budget requires use of much existing topographic data. The level of detail available in many areas is limited to the USGS 7.5-minute series topographic maps. The LOMA process was developed to address the resulting inaccuracies generated from lack of more detailed topographic data. As more detailed data are collected through the LOMA process, map panels are periodically physically revised and reprinted to incorporate them when sufficient numbers justify the expense. If more detailed local topographic data are available, the community can submit them to FEMA at any time and request that the map for the community be revised to reflect them.

Hazard Identification/Mapping

Issue: LOMA and LOMR – map accuracy and completeness

Lenders that rely on map determination companies do not remove the responsibility from themselves of making a determination of whether the subject structure lies in an SFHA according to the NFIP map of the community. Those who provide map determination services to lenders are required to guarantee that they have plotted correctly the structure on the NFIP map and reported correctly what that plot indicates. They are not required to guarantee that the NFIP map correctly depicts the flood hazard for the structure. Map determination companies are liable for their errors in determination, but not for errors in the NFIP maps. Lenders are free to consult anyone with expertise in interpreting the NFIP maps, including community officials. If a borrower feels that the determination made for his or her structure is incorrect, he or she may request, within 45 days of being informed of it, that FEMA review the determination. Procedures for this process are described in Section 65.17 of the NFIP regulations. If a borrower feels that the NFIP map incorrectly delineates the SFHA affecting his or her structure, he or she may request a LOMA or LOMR from FEMA. Procedures for these processes are described in Part 70 and Section 65.5, respectively, of the NFIP regulations.

Hazard Identification/Mapping

Issue: LOMA and LOMR – other regulatory requirements

Respondent's Recommendation(s):

The recommendation/comment to FEMA was as follows:

- Change NFIP regulations to require submittal of BFE data and map change information [to FEMA] for development proposals involving at least 50 lots or five acres.

FEMA's Response: Adopted/Action Underway

Explanation: The NFIP is administered by FEMA as a two-part program based on cooperation between the community and FEMA. It provides flood insurance coverage at reasonable rates in exchange for community adoption and enforcement of sound floodplain management ordinances. The community is responsible for enforcing the measures it adopts. FEMA's role is to provide, with community input, identification and mapping of the flood hazards affecting the community. Through its Cooperating Technical Communities (CTC) initiative, FEMA is developing partnerships to map unmapped flood-prone areas and to provide detailed information for Zone A areas. Under the CTC initiative, a shared commitment is made by FEMA and State and/or local governments, which includes the planning, funding, and implementation of various floodplain mapping activities. In addition to a Memorandum of Agreement, the partners are asked to sign secondary agreements that are developed based on a menu of work activity templates. These templates include the redelineation of floodplains using updated topographic data, refinement of Zone A boundaries, and hydrologic and hydraulic analyses and floodplain mapping.

Hazard Identification/Mapping

Issue: LOMA and LOMR – other floodplain management issues

Respondent's Recommendation(s):

The recommendations/comments to FEMA were as follows:

- Revise floodplain management regulations concerning basements constructed in fill.
- Put mechanism in place to require communities to request map revisions in a timely manner when measures are taken to mitigate flood hazards.

FEMA's Response: No Further Action Required

Explanation: The issue of constructing lowest floors in fill below the BFE has been a subject of discussion in the floodplain management community. It is generally recognized that saturated soil will produce more stress than most structural designs for foundation walls and floors were meant to bear. Allowing the removal of a structure from the SFHA, and thus the removal of the mandatory flood insurance coverage, through the placement of fill could leave an unsuspecting homeowner facing major structural damage that is not covered by any insurance. The mandate of the NFIP is to ensure that new construction does not create new opportunity for flood damages. The use of engineered earth fill to elevate entire structures above potential flood damage is an accepted practice. The use of engineered earth fill to create barriers to flooding is also an accepted practice, but it is one that recognizes that earth fill barriers are not waterproof and do leak. Unless the structure remains elevated above the BFE, the protection of elevation is lost. Excavating the lowest floor below the BFE removes the protection provided by elevation that the fill provided. If the lowest floor criterion was removed from the NFIP regulations and structures with basements below the BFE were allowed preferred risk flood insurance coverage with basement and structural damage excluded, the flood insurance policy would have to be revised and a new rate structure would have to be developed.

FEMA recognizes that development in the SFHA often causes changes to the SFHA that are not reflected on the NFIP maps. Provisions exist in Part 65 of the NFIP regulations that require communities to provide information to FEMA about changes affecting the community's SFHAs. FEMA continues to provide training for community officials through State water resource agencies

Hazard Identification/Mapping

Issue: LOMA and LOMR – other floodplain management issues

and the Emergency Management Institute to improve awareness of their responsibilities as program participants. Many communities face budget restrictions that limit their ability to provide the necessary data.

Issue: Models and Modeling – coastal modeling technology and funding

Respondent's Recommendation(s):

The recommendations/comments from two responses for FEMA were as follows (incorporate new technology into modeling,

- increase funding for development and use of new technologies, and
- establish procedures for identifying better models.

FEMA's Response: Evaluation/Study Required

Explanation: Models and modeling methodologies play an important role in the analysis of the hydrology and hydraulics of riverine and coastal waterways and flooded areas for the communities that participate in the National Flood Insurance Program (NFIP). There is a need to continually evaluate the models and methodologies to improve the analysis for general and specific situations. Under the Call for Issues project, specific issues have been addressed with suggestions for FEMA action.

A process for developing and implementing new technology into coastal flood hazard modeling will be integrated into the Map Modernization plan. A Modernized Coastal Flood Hazard Modeling and Mapping Plan is being prepared to develop more efficient, high-quality modeling and mapping products and procedures for FEMA customers and partners. The development of these products and procedures will help to apply emerging coastal analysis technologies to develop accurate and complete flood hazard information for the entire nation. One of the possible funding sources for model development would be the Cooperating Technical Communities (CTC) partnership for flood mapping, which is part of the Map Modernization plan. Under this partnership program models could be developed jointly.

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Issue: Models and Modeling – coastal modeling technology and funding

In general, FEMA does not create new models, but FEMA does adopt models for application based on procedures established in the regulations to review public domain models and place them on the acceptable models list (i.e., Numerical Models Accepted by FEMA for NFIP Usage). To assist in coastal model application, FEMA has developed the Coastal Hazard Analysis Modeling Program (CHAMP), which improves the interface among existing models and methodologies. CHAMP is a Window-interfaced Visual Basic language program that allows users to enter data, perform coastal engineering analysis, visualize and tabulate results, and chart summary information with a user-friendly graphical interface.

In response to comment by Pinellas County, Florida, on their preliminary Flood Insurance Study (FIS), FEMA will convene a panel of experts to assess current storm surge modeling, and make recommendations regarding enhancing current models and developing new models for application to coastal FISs.

Issue: Models and Modeling – archived hydraulic models

Respondent's Recommendation(s):

The recommendations/comments from two responses for FEMA were as follows (problem finding the effective hydraulic models and most current models,

- establish searchable database to find most recent hydraulic model, and
- each State create a hydraulic model archive.

FEMA's Response: No Further Action Required

Explanation: A program at the D&D Library establishes digital packages containing technical support data generated during the preparation of technical reviews of FISs. These digital records are called the Engineering Study Data Package (ESDP) and are written to compact disk (CD). The ESDP will have the most current hydraulic model for the community. Many digital records have already been completed. FEMA has set up the information request

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Issue: Models and Modeling – archived hydraulic models

process that must also be followed to obtain the CDs. There are no plans to develop a database to be used to store and retrieve hydraulic models.

Issue: Models and Modeling – standards for water surface elevation reporting

Respondent’s Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Change the accuracy standard for modeling from 0.01 to 0.1 foot.

FEMA’s Response: No Further Action Required

Explanation: The regulations state that there will be no increase to the water-surface elevation (WSEL) for a project constructed in the floodway. Any investigation into the change to the WSEL for a project should be evaluated with the original model. If the original model (e.g., HEC-2) reports the WSEL to two decimal places, then additional analysis would be conducted with the same model, or with HEC-RAS, and likewise report to two decimal places for comparison purposes. The focus should be on using the same model to evaluate different scenarios, and not on some pre-established “accuracy” standard.

Issue: Models and Modeling – base flood elevations in potholes

Respondent’s Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Provide guidance for determining base flood elevations (BFE) for other that effects in streams, such as potholes.

FEMA’s Response: No Further Action Required

Explanation: Guidance is provided in the Guide lines and Specifications for Study Contractors regarding areas of ponding where flow collects in depressions. An AH zone has been established for this situation. This case is restricted to an area where the depths are limited to 3 feet or less, where no defined channel exists, and where the flooding is not a result of backwater.

Hazard Identification/Mapping

Issue: Models and Modeling – model selection when analyzing levees

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Unsteady flow models consider both the conveyance and storage in the floodplain.
- Require the use of unsteady flow models when analyzing levees.

FEMA's Response: Evaluation/Study Required

Explanation: The U.S. Army Corps of Engineers (USACE) is performing a study of the Mississippi River levees that were designed with a steady State model. The USACE is looking at the impacts of applying unsteady flow models in their levee analysis. FEMA will interact with the USACE on the use of unsteady flow models with suggestions for their project, and FEMA will consider further evaluation of unsteady flow models to determine if such models should be required when analyzing levees.

Issue: Models and Modeling – combined rainfall/snowmelt analysis and modeling

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- The interaction of rainfall and snowmelt is not considered; they are evaluated separately.
- Develop methodologies for estimating runoff generated by combined rainfall/snowmelt processes.
- Convene a panel of experts to assess a practical solution.

FEMA's Response: Evaluation/Study Required

Explanation: FEMA convened a panel of experts to look at Snow and Ice Modeling for Flood Frequency Analysis. The panel discussed the following issues. There are snow hydrology models in existence for specific cold region basins that have invested in the data collection and modeling required for accurate snowmelt simulation. These basin modeling systems are currently in use for hydrologic and water resources operations by FEMA partners. For these basins, FEMA may consider using these proven hydrologic models to estimate flood frequencies and potentially adopt the results for use in NFIP flood studies. This approach may help develop basin-wide consistency in hydrology used for flood studies. These models need to be evaluated for potential use and applicability to the flood study requirements in the NFIP.

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Issue: Models and Modeling – combined rainfall/snowmelt analysis and modeling

FEMA will continue to focus research efforts on the use of snowmelt modeling to estimate flood frequency data; investigate and evaluate the use of existing operational basin hydrology models for use in NFIP flood studies; and evaluate the potential use of cold/warm season regression equations.

Issue: Models and Modeling – hydrologic review for map revision requests

Respondent’s Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Revised hydraulic modeling may use outdated discharges as input.
- Regulatory authority already exists to evaluate discharges to assess accuracy before performing hydraulic modeling.
- May require leniency in requirement to tie into unrevised areas.

FEMA’s Response: No Further Action Required

Explanation: As part of the revision process the discharges are reviewed, and an “existing conditions” model is developed to represent existing hydrology and existing hydraulics. By regulation there is no need to tie in the WSEL of a revised area with the area that has not been revised. This could be made clearer in the next version of the Guidelines and Specifications for Study Contractors. The FIS may show an abrupt change in the profile due to the revision of only a portion of the study area. This change is discussed in the FIS text. At the lower limits of the revised area, the starting WSEL is based on the slope area method. At the upper limits of the revised area, the WSEL is determined by the backwater. No specific tie-ins are made at either location.

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Issue: Models and Modeling – debris blockage at hydraulic structures

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Blockage at hydraulic structures often increases WSELs and a standard paragraph in the FIS text states that hydraulic analyses for this FIS were based on unobstructed flow.
- Blockage should be considered in hydraulic modeling provided there is historical evidence.

FEMA's Response: No Further Action Required

Explanation: There is an option in HEC-RAS to consider blockage at a hydraulic structure. Blockage should be considered and modeled where there is a history of blockage that caused an increase in the WSEL. However, blockage should not be assumed for all structures in a study area, but only at specific, individual structures that warrant such a consideration.

Issue: Models and Modeling – starting water surface elevations in hydraulic models

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- The Guidelines and Specifications for Study Contractors presents different methods for choosing the starting WSEL for profile computations.
- Additional situations for determining the starting WSELs should be added to the document.

FEMA's Response: Assigned for Further Study

Explanation: Many of the recommendations for setting the starting WSEL deal with tributaries. As presented in the Guidelines and Specifications for Study Contractors, normal depth should be used unless a coincident peak situation is assumed, or the tributary flow depths are higher than the corresponding main stream events. Several comments are specific, more detailed examples of these situations. Including detailed examples in the Guidelines and Specifications may not be warranted. However, there are future plans to produce a database of technical information related to the NFIP that will include information about acceptable model practices and applications. Details, over and above what has been presented in the Guidelines and Specifications, on specific situation for developing starting WSELs may be more appropriately included in the technical information database.

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Issue: Models and Modeling – acceptance of HEC-RAS model

Respondent’s Recommendation(s):

The recommendations/comments for FEMA were as follows :

- All Federal agencies that are related to flood control and floodplain management support the HEC-RAS program.
- Mandate the use of HEC-RAS for steady flow riverine analyses, unless extenuating circumstances.
- Accept the use of HEC-RAS to revise the effective HEC-2 models.

FEMA’s Response: Evaluation/Study Required

Explanation: Federal agencies involved in flood control and floodplain management accept the HEC-RAS model; some no longer support previous models; and others have assisted in the development of the models by supporting the inclusion of specific routines in the model as an enhancement. HEC-RAS has the benefit of many options, and there is a powerful program, CHECK-RAS that provides checks on potential errors in hydraulic modeling and FEMA’s policy requirements. The use of HEC-RAS and its companion CHECK-RAS for all studies would provide consistency for the NFIP. However, as stated in the submitted issue, there are extenuating circumstances that would dictate that another model be used (e.g., a particular community has applied, over the years, a model that has been accepted by the State and FEMA and is particular to the study area or region).

Conversions from HEC-2 to HEC-RAS are becoming more prevalent. A manual is being developed that will assist HEC-2 users with the application of the HEC-RAS model. HEC-RAS can import HEC-2 input data with only minor additions to the bridge data. As a general policy for revisions, the same model used in the effective study should be used for a revision of a smaller section of the study area. This policy is considered on a case-by-case basis. Where justified, HEC-RAS is used to revise the effective HEC-2 models. For example, if the revision must consider modeling certain types of bridge/culvert configurations that cannot be modeled in HEC-2, then the HEC-RAS model will be accepted.

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Issue: Models and Modeling – acceptance of HEC-RAS model

FEMA will consider its policy on the use of HEC-RAS in light of the utility of the model and its CHECK-RAS companion for the NFIP, and the specific modeling needs required for revisions.

Issue: Models and Modeling – alluvial fan flooding and the NRC recommendations

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- FEMA extended the “alluvial fan flooding” concept to flood hazards in non-alluvial fan areas.
- Implement the action plan for adopting the recommendations of the National Research Council regarding alluvial fan flooding.

FEMA's Response: No Further Action Required

Explanation: FEMA has provided guidelines for mapping alluvial fans in *the Guidelines for Determining Flood Hazards on Alluvial Fans*. These guidelines address recommendations in a 1996 report by the National Research Council's (NRC's) Committee on Alluvial Fan Flooding. The committee was created by the NRC (upon FEMA's request for assistance in dealing with alluvial fan flooding issues) to study how to improve the way FEMA addresses alluvial fan flooding hazards in the context of the NFIP. The guidelines provide guidance for the identification and mapping of flood hazards occurring on alluvial fans, regardless of the level of fan forming activity, including active and inactive alluvial fan flooding.

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Issue: Models and Modeling – NAS methodologies for coastal zone designations

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- When there is a breach on a barrier island due to a storm or hurricane, the National Academy of Sciences (NAS) methodology allows FEMA to designate the entire island as a V Zone.
- Adopt the NAS methodology into the mapping program.

FEMA's Response: Evaluation/Study Required

Explanation: FEMA has adopted the NAS methodology for wave height analysis that establishes zones based on the 3-foot criterion above the stillwater elevation. This method does not account for erosion, and wave height analysis does not establish breaches on a barrier island. Storm-induced erosion was added as part of the overall analysis to look at beaches and primary frontal dunes. FEMA will further evaluate the NAS methodology to determine if it is applicable to designate an entire island as a V Zone where a breach on the barrier island has occurred.

Issue: Models and Modeling – wave runup determinations

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- In the RUNUP model, the mean wave runup is calculated base on mean wave height and period.
- Revise wave runup modeling to convert mean wave runup to the 1-percent annual chance wave runup.

FEMA's Response: Evaluation/Study Required

Explanation: Runup is viewed in a similar manner as dune erosion in the fact that the risk methodology for runup is based on the mean value and dune erosion is based on the median value. Runup is not generally considered as having an annual chance of occurrence, but the method looks at the runup that would correspond to a 1-percent chance of stillwater elevation. The runup analysis in the model application applies the mean; however, FEMA could consider an evaluation of an extreme runup value, but not a 1-percent chance of occurrence of wave runup to be applied to the 1-percent chance of the stillwater elevation.

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Issue: Models and Modeling – floodway conveyance concept

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Floodway determination assumes that the discharge stays the same; a loss of storage occurs as encroachment occurs, and this would cause the discharge to increase.
- Consider additional studies to determine procedures for storage loss in floodway computations.
- Set building standards in the floodplain fringe based on the WSEL plus the surcharge limit.

FEMA's Response: No Further Action Required

Explanation: At present for steady flow modeling, the same discharge is used for base flood and floodway analysis. A study was performed as part of the Community Rating System (CRS) to look at the impact on the surcharge based on the fill storage lost and on the reduction in conveyance. Thirty percent of surcharge was a function of loss of storage. For steady flow modeling, consideration could be given to reducing the maximum allowable rise criterion from 1.0 foot to 0.7 foot. Unsteady flow models will account for the differences in flows due to the loss of conveyance and the loss of storage. FEMA will consider previous analyses, such as the CRS study, and the possibility of evaluating unsteady flow models to develop procedures that are applicable to steady flow models to account for the storage loss in floodway computations.

FEMA will maintain its present position on building standards based on the base flood elevation. The floodway surcharge limit is based on a future condition, and future conditions are not considered under the present regulations. The community can base its own codes on the base flood elevation plus the surcharge limit; however, FEMA can not make that recommendation.

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Issue: Models and Modeling – simple floodway encroachment

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- In some cases it should be unnecessary to require hydraulic computations to evaluate the loss of conveyance for floodway encroachment analysis, especially in urban areas where streets look like channels.
- Presently, previous to issuing a variance it is necessary to do hydraulic computations.
- Revise the regulations based on the principles the Certification Requirements for Simple Floodway Encroachment to benefit those who submit simple cases and for which an hydraulic study could be too expensive.

FEMA's Response: No Further Action Required

Explanation: Floodway analysis deals with the encroachment on the stream channel and does not include considerations of street flooding which would be a local urban drainage problem. In addition, variances cannot be issued by a community within any designated regulatory floodway if any increase in the flood levels during the base flood would result.

Issue: Models and Modeling – standards for designing and approving USACE structural projects

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- The USACE is developing a new approach to levee height, which is called “risk-based” design, and this approach will almost always lead to levee designs with lower heights and less freeboard than by applying the previous standard.
- Require USACE to use former proven standards when designing or approving structural projects.

FEMA's Response: Addressed in Program/Other Actions To Be Taken

Explanation: Risk-based analysis has been reviewed and considered by FEMA. At the present time, standards for design and approval are considered on a case-by-case basis.

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Issue: Models and Modeling – standards for designing and approving USACE structural projects

- Any modification to standards for design or approval should require the approval of all the NFIP partners.

Issue: Mudslide hazard mapping

Respondent's Recommendation(s):

Two respondents submitted recommendations regarding mudslide hazards and FEMA's policy for mapping those hazards. One respondent indicated the mudslide hazard is handled differently in Oregon and California and attributed this to incomplete or inaccurate information provided to the States by FEMA. The respondent recommended that FEMA update all written documentation regarding mudslide hazards and provide training to Regional Office and State staff to ensure the situation in Oregon is interpreted consistently for all NFIP constituents. The other respondent recommended that FEMA show the mudslide hazards on all affected NFIP maps to comply with existing legislation for mapping the hazard and implement mitigation requirements for this hazard in these communities. It is this respondent's position that the approach to mudslide/mudflow hazards being taken by FEMA does not fulfill the intent of the U.S. Congress to provide insurance protection to citizens affected by this hazard and to mitigate the damage caused by this hazard.

FEMA's Response: Adopted/Action Underway

Explanation: Through a 1969 revision to Section 1302 of the National Flood Insurance Act of 1968, the U.S. Congress added "mudslides" to the flood hazards to be addressed under the NFIP. No unambiguous, technically acceptable definition of mudslides was provided at that time; however, an attempt was made a few years later to clarify the term "mudslide" by the addition of the phrase "i.e., mudflow." In addition, no standard procedure existed at that time for identifying mudslide-prone areas and calculating the degree of mudslide risk. As a consequence, although mudslide coverage was included in the Standard Flood Insurance Policy (SFIP), no mudslide hazard maps were published by FEMA and no formal system of mudslide management and mitigation were established. Insurance premiums were based entirely on flood risk and did not reflect the presence or absence of mudslide risk.

In 1979, the Los Angeles County Flood Control District (LACFCD) developed a methodology for delineating areas of mudslide hazard along the southern flank of the San Gabriel Mountains in California and to use it to identify mudslide hazard areas in the City of Sierra Madre. In 1981, FEMA requested that the National Academy of Sciences (NAS) evaluate the validity of the LAFCD methodology, determine whether the methodology could be applied in

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other geographic areas, identify any other mudslide prediction methodologies that might exist, and make recommendations concerning methods for delineating areas of mudslide hazard.

The NAS undertook a study in 1981 to address the problem of how to delineate areas prone to mudslides and identify the degree of risk associated with mudslides in a manner compatible with other hazard mapping prepared for the NFIP; the resulting report entitled *Selecting a Methodology for Delineating Mudslide Areas for the National Flood Insurance Program*, was published in 1982. The NAS study and report focused on three areas: (1) definition of the terms used to describe mudslides and related phenomena; (2) Methodologies for delineating areas to prone to mudslides and related hazards; and (3) strategies for developing methods for delineating areas prone to mudslides. A copy of that report may be obtained by contacting either the NAS or FEMA.

In the “Conclusions” section of the 1982 report, the NAS indicated the following:

1. The LACFCD methodology appeared to be valid for mud floods on the alluvial fans of the San Gabriel Mountains, where an extensive system of debris catchment basins and flood control channels is in place and there is a long historical record of debris accumulations. While the general approach may be applicable to the mapping of mud flood hazards in some other hydrologically similar areas, the methodology cannot be used as a general mudslide hazard mapping procedure for the NFIP.

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2. FEMA must decide which phenomena are to be included or excluded under the mudslide provisions of the NFIP, with reference to a standard classification scheme for earth movements.
3. FEMA must determine which NFIP needs can and cannot be met by activities that are already being carried out by various Federal agencies, specifically citing the activities of the U.S. Geological Survey, Natural Resources Conservation Service, and the U.S. Forest Service and suggesting the adaptation of their products for the needs of the NFIP.
4. FEMA should identify and draw on technical expertise in geology, soil science, geotechnical engineering, hydrology, and other relevant fields to select a mapping strategy, formulate criteria for developing specific methodologies, and evaluate newly developed methodologies. The NAS suggested cooperative arrangements with other Federal agencies, establishment of technical advisory and review bodies, and use of outside consultants to accomplish this.

Section 59.1 of the NFIP regulations provides the following definition for mudslide:

Mudslide (i.e., *mudflow*) describes a condition where there is a river, flow or inundation of liquid mud down a hillside usually as a result of a dual condition of loss of brush cover, and the subsequent accumulation of water on the ground preceded by a period of unusually heavy or sustained rain. A mudslide (i.e., mudflow) may occur as a distinct phenomenon while a landslide is in progress, and will be recognized as

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such by [FEMA] only if the mudflow, and not the landslide, is the proximate cause of damage that occurs.

The NFIP definition for a “mudslide (i.e., mudflow) prone area” is “an area with land surfaces and slopes of unconsolidated material where the history, geology and climate indicate a potential for mudflow.”

To date, FEMA has not issued maps separately identifying areas subject to mudslide hazards for the following reasons:

- The delineation on the NFIP maps are not needed to settle flood insurance claims. The existing definition of mudflows (presented above) has worked well in settling such claims for more than 20 years.
- The areas affected by these hazards generally overlap with other mapped flood-prone areas, resulting in the whole affected area being labeled a Special Flood Hazard Area (SFHA).
- Depiction of these hazards on NFIP maps would trigger hazard mitigation requirements for the affected communities that would be nearly impossible to enforce.

Over the next several years, FEMA plans to move forward, under the auspices of its Map Modernization Program, with the creation of new digital products using GIS technology. Because these products will be produced using multiple layers of information, FEMA will need to study the feasibility of including information on mudslide/mudflow hazards as a layer separate from the SFHAs. As recommended by NAS, FEMA will coordinate closely with other Federal agencies to determine what is readily available. Simultaneous with these coordination efforts, FEMA will also study the additional

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requirements that will be place on the affected communities to effectively mitigate the hazard and the feasibility of enforcing these requirements.

To address the concern of the first respondent regarding the apparent inconsistent application of FEMA policy in Oregon and California, appropriate clarification will be developed and distributed to all FEMA staff in the near future. Similar information will be disseminated to FEMA's State agency partners. If additional in-house training is needed, this will be conducted by FEMA as well.

Issue: Structure Identification – incorporating new technologies to increase map utility

Respondent's Recommendation(s):

The recommendation for FEMA was to update and digitize maps to make them address-driven and more usable.

FEMA's Response: Adopted/Action Underway

Explanation: FEMA produces flood map as authorized by the National Flood Insurance Act, as amended, to support the National Flood Insurance Program (NFIP). These flood maps include the flood theme (floodplain and floodway boundaries, flood elevations) and the base map. The base map includes non-engineering references features, such as roads, streamlines, and corporate limits, that users need to precisely locate properties and structures on the maps. The flood maps do not include information on individual structures and property parcels. Rather, it is incumbent on the user to use the flood map produced by FEMA and some other source to locate properties and/or structures to make mandatory flood insurance purchase determinations and floodplain management decisions.

One of the key objectives of FEMA's Map Modernization plan is the Digital FIRM (DFIRM) product. The DFIRM product involves converting the

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Issue: Structure Identification – incorporating new technologies to increase map utility

existing inventory of manually produced FIRMs to digital format. While the database supporting the DFIRM product will be designed to accommodate structure and/or parcel data, it will not typically include georeferenced property data due to funding limitations. When property information becomes available for distribution, the database users will be able to use the digital flood data to develop their own address-driven tools.

Issue: Structure Identification – database of insurable and at-risk structures and infrastructure

Respondent’s Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Develop, on a nationwide basis, maps showing “local regulatory flood zones” and identify at-risk structures and infrastructures within zones as a first step in developing a strategy to reduce and insure flood losses.
- Perform Global Positioning System (GPS) surveys for all insurable structures in the Special Flood Hazard Area (SFHA).

FEMA’s Response: Other

Explanation: The NFIP regulations mandate FEMA to map certain flood zones, most notably the 1-percent annual chance, existing conditions floodplain. The new DFIRM product enables the inclusion of locally generated information, such as local regulatory zones and information on at-risk structures and infrastructure. However, FEMA does not have the resources to initiate such data collection; but encourages it at State and local levels. The database supporting the proposed new DFIRM product will be capable to include GPS information on insurable structures in the SFHA; however, the incorporation of this information will be dependent on funding limitations.

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Issue: Study Process – improve coordination between FEMA and communities for flood studies

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Improve coordination with communities during restudies to improve accuracy of flood hazard information on maps.
- Involve community officials in map update process.
- Improve coordination during flood studies and restudies to ensure all affected contractors and agencies (Federal, State, and local) are involved from the beginning to the end.
- Change revision process; more community involvement; don't just ask for data; go get it; work more with USACE, USGS, NRCS, States to improve map quality.
- Require FEMA contractors handling map revisions to visit the affected community and conduct field visits with the community officials.

FEMA's Response: Adopted/Action Underway

Explanation: It is a fundamental tenet of the NFIP to provide participating communities with the most accurate, up-to-date flood hazard information available. Because flood hazards change over time and areas that were not studied or studied only by approximate methods begin to experience development, FEMA has an ongoing program to update the flood maps, within funding limits. The traditional study process has been to hire a locally based Study Contractor (SC) (an architectural/ engineering firm or other Federal agency) to do fieldwork, develop H&H analyses, and prepare the floodplain delineations. FEMA's Technical Evaluation Contractors (TECs) then review the technical accuracy of the SC work and prepare the flood maps.

FEMA has redesigned the study process to involve the SCs, communities, State and regional agencies, and FEMA's Flood Map Production Coordination Contractors (FMPCCs) (which replaced the TECs) more at the beginning, and throughout, the study process. Tailored approaches will be developed for each study that build on the strengths of the participants in the mapping program (CTCs, SCs, FMPCCs, and other Federal agencies). The effective use of partnerships will enable FEMA to maximize the capabilities and resources of other stakeholders in a cost-efficient manner. FEMA's various mapping partners will complete their work collaboratively and concurrently.

FEMA's various Map Modernization objectives have led to the enhanced study process described above. This process will increase State and regional agency and community involvement in the mapping process, particularly through the Cooperating Technical Communities (CTC) initiative. FEMA will begin implementing this new process in FY 2000.

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Issue: Study Process – improve coordination between FEMA and communities for flood studies

It would be impractical for FEMA to go to the community to obtain data. It would also be cost prohibitive for FEMA to require its contractors, as part of the review of map revisions, to visit communities. Rather, FEMA must rely on qualified, licensed professionals to certify data and on communities to approve the data.

Issue: Study Process – community outreach

Respondent's Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Don't take community's word as Gospel; involve the public.
- Work with communities to hold workshops or town hall meetings after public review period/appeal periods ends.
- Tailor community outreach programs to unique community needs in the study/restudy process.
- Work with local officials to improve notification of property owners concerning new or revised NFIP mapping.

FEMA's Response: Adopted/Action Underway

Explanation: As noted above, FEMA has redesigned its process for conducting flood studies and restudies to increase community involvement. FEMA will take all of these suggestions into consideration as it begins implementing the new process in FY 2000.

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Issue: Study Process – zone designation and use

Respondent’s Recommendation(s):

The recommendations/comments for FEMA were as follows:

- Revise study/restudy procedures and funding to ensure entire affected area can be studied by detailed methods, with BFEs determined.
- Discontinue delineation of new approximate A-zones on maps.

FEMA’s Response: Adopted/Action Underway

Explanation: To discontinue delineation of A zones entirely would be cost prohibitive. Because of funding limitations, FEMA must prioritize its flood study updates based on cost/benefit. In the prioritization process, FEMA must consider factors other than Zone A areas, such as projected development in the floodplain. However, FEMA is currently developing guidance, tools, and processes for Zone A areas to ensure, as the flood map inventory is upgraded, that:

- Zone A areas are converted to detailed studies where the level of existing and/or proposed development warrants doing so;
- Zone A areas are refined where detailed studies are not warranted; and
- Zone A areas that are not in the floodplain are removed.

Further, through its CTC initiative, FEMA is developing partnerships to develop detailed information for Zone A areas.

Issue: Study Process – improve quality control and quality assurance of study data

Respondent’s Recommendation(s):

The recommendation for FEMA was to improve the reliability of hydraulic data used in preparing FIRMs through enhanced quality control efforts by FEMA and its contractors.

FEMA’s Response: Adopted/Action Underway

Explanation: All FEMA contractors must meet specific Quality Control/Quality Assurance (QC/QA) requirements. Further, all CTCs will have to ensure a third party, independent QC review as part of their Mapping Activity Statements. We feel the existing QC/QA requirements are adequate.

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Issue: Study Process – regionalize mapping coordination contractor activities

Respondent’s Recommendation(s):

The recommendation for FEMA was to move TEC [Technical Evaluation Contractor] functions to Territories/Regions or shift more responsibilities to the SCs and eliminate TECs.

FEMA’s Response: Adopted/Action Underway

Explanation: FEMA is always evaluating the most effective means of contract support for the flood mapping program. Beginning in FY 2000, the Technical Evaluation Contractor has been replaced with the Flood Map Production Coordination Contractor (FMPCC). The purpose of the FMPCC is to support FEMA’s SCs, communities, and CTCs through facilitation, coordination, and integration of efforts in the completion of flood mapping projects.

Issue: Study Process – using students at universities in the study process

Respondent’s Recommendation(s):

The recommendation for FEMA was to give grants to universities to allow students to review and revise FIRMs digitally, because FIRMs are inaccurate and out of date.

FEMA’s Response: Adopted/Action Underway

Explanation: Although FEMA lacks the resources or funding to actively develop programs with such institutions, State and local governments and/or communities can initiate such activities on their own as part of their floodplain management program or as a CTC partner. The university, if a State institution, can become a CTC on its own or partner with a community in the NFIP. Currently, the University of New Hampshire is participating in the NFIP as a CTC. For more information on CTCs, interested persons can contact the Regional CTC Coordinator in their FEMA Regional Office (see *Guidance Document* at www.fema.gov/mit/tsd/CTC_main.htm for a complete listing of Regional Offices).

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Issue: Terminology

Respondent's Recommendation(s):

FEMA received one response to the Call for Issues indicating that the use of terms “1-percent annual chance” and “100-year” give a false sense of security to the public because these terms make the likelihood of a flood occurring seem remote. The respondent suggested using the following terms: “high-risk,” “medium-risk,” and “low-risk.”

FEMA received two responses to the Call for Issues indicating that the zone designations are confusing. One response indicated that having so many different zone designations is confusing to insurance agents, who must determine the proper insurance rate for a property, and suggested paring the list of zone designations to two: Zone A (flood insurance is required –area within the 1-percent annual chance floodplain) and Zone X (flood insurance not required –area not in 1-percent annual chance floodplain, area of minimal flooding, or area between 1-percent annual chance floodplain and 0.2-percent annual chance floodplain boundaries).

The other response indicated that there is confusion regarding the two types of Zone X, shaded and unshaded. Confusion results because an area within Zone X could be in or out of 1-percent annual chance floodplain.

FEMA's Response: Other

Explanation: FEMA uses specific terminology and zone designations to describe the flood hazards that exist. The standard flood event used for the National Flood Insurance Program (NFIP) is the flood that has a 1-percent chance of occurring or being exceeded in any given year, which is said to have a recurrence interval of 100 years.

FEMA designates areas on the NFIP maps using the zones defined in Section 64.3 of the NFIP regulations.

Use of 1-Percent Annual Chance and 100-Year Flood: The use of “1-percent annual chance” accurately defines the actual risk. While it is unfortunate that the general public may interpret “1-percent annual chance” as a low risk, the designations are intended to convey to local governments and insurance agents the actual risk. These latter entities, being more familiar with assessing risk, will make the proper interpretation that a 1-percent annual chance risk will require proper planning and coverage.

FEMA realizes that the term “100-year” can be misleading, causing some in the general public to believe that such an event can only happen once in a 100-year period. Therefore, FEMA is careful to define “100-year” as “1-percent annual chance” in correspondence, reports, and presentations. FEMA is reviewing its products to ensure that 100-year is always defined as 1-percent annual chance.

Zone Designations: Local governments as well as insurance agents use the zone designations. The current zone designations affect local communities' floodplain management programs and zoning ordinances. Therefore, while

Hazard Identification/Mapping

Issue: Terminology

paring the list down to two zones may simplify insurance rating for insurance agents, it would negatively affect local governments' floodplain management programs and zoning ordinances, which often differentiate among the various zones. Furthermore, the insurance rates are set according to risk, and the various zones each have varying risks and must be distinguished from one another. If the zones were not differentiated, some policyholders would be overpaying for the actual risks of their property, and some would be underpaying.

FEMA established the shaded and unshaded Zone X areas to differentiate flood risk in areas for which Federal flood insurance requirements do not apply. Using the Zone X designation for these areas simplifies flood insurance agents' decisions regarding whether Federal flood insurance requirements apply in an area (they do not in Zone X areas, regardless of whether the area is a shaded or unshaded Zone X), while still giving local governments valuable information about variations in the flood risk. The type of 1-percent annual chance flooding identified by the shaded Zone X represents a moderate risk because of small contributing drainage area (less than 1 square mile) or low average depths of flooding (less than 1 foot); therefore, flood insurance is not required in the shaded Zone X, even though it can represent an area prone to a 1-percent annual chance flood.