



FEMA

# Annual Report Of The Flood Insurance Advocate

*Reducing complexity with compassion and fairness*

Calendar Year 2019  
Office of the Flood Insurance Advocate

# The OFIA's Mission

*The Office of the Flood Insurance Advocate (OFIA) advocates for National Flood Insurance Program (NFIP) customers with compassion and fairness.*



# The Office of the Flood Insurance Advocate

The OFIA advocates for the fair treatment of policyholders and property owners by providing education and guidance on all aspects of the NFIP.

The OFIA assists **frustrated and confused policyholders and property owners** affected the NFIP.



Provide assistance to individual policyholders and property owners, especially in the most complex of cases



Identify trends and issues that appear to be impacting a broad range of FIMA's customers



Make recommendations to FIMA and FEMA leadership intended to address the issues faced by customers and support programmatic improvements

# Annual Report

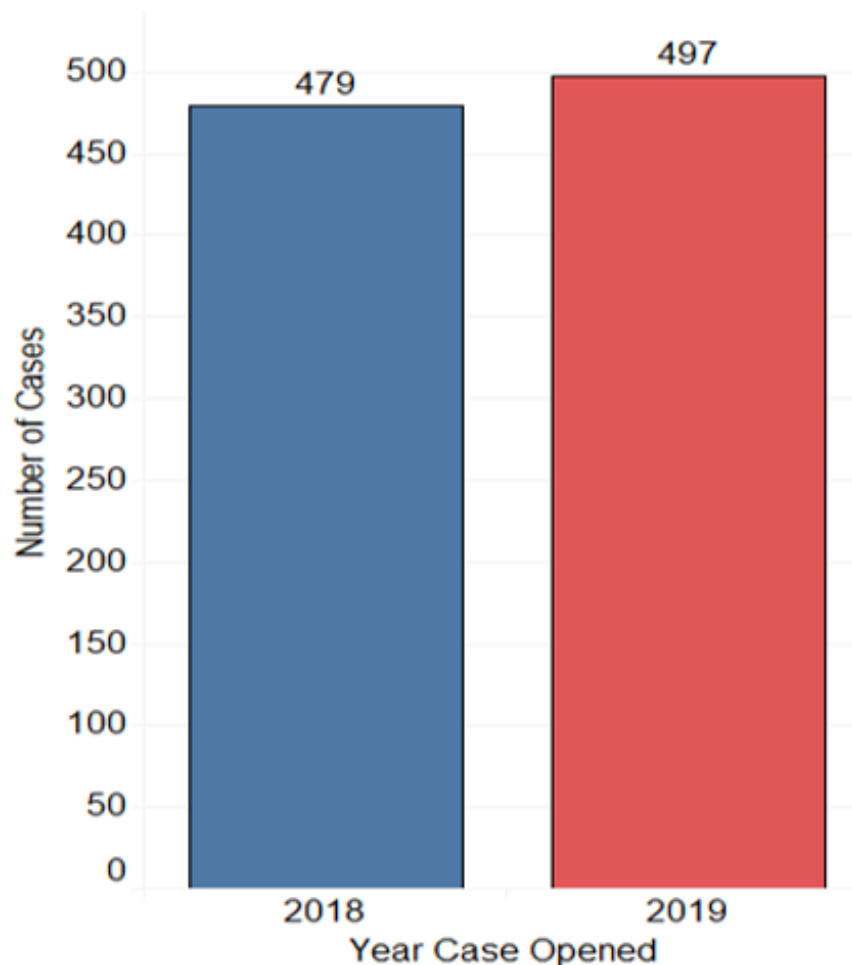


- The OFIA uses its casework to gather information and actionable data for FEMA
- The analysis helps identify trends that affect a broad population of policyholders and property owners or have significant financial impact on a subset of the policyholder population
- Typically 5 – 7 concerns are identified from submitted inquiries
- The Annual Report is published on a calendar year basis and provided to Congress and the general public

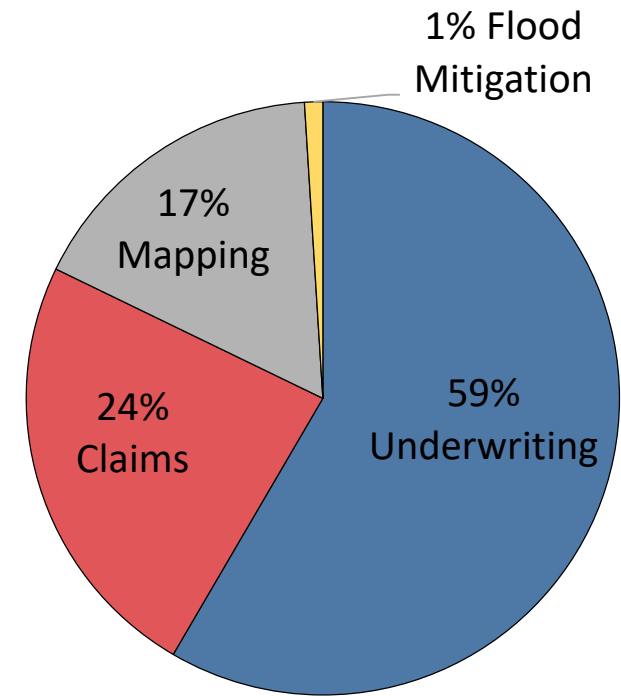
*Annual Reports are available at:  
[www.fema.gov/flood-insurance-advocate](http://www.fema.gov/flood-insurance-advocate)*

# 2019 Update On the OFIA

## Casework Increase Jan 2018 – Nov 2019



## 2019 Casework Breakdown



- Underwriting questions related to quoting and issuing new business applications, coverage or rate changes, renewals or cancellations
- Claims inquiries related to appeals or coverage
- Mapping questions related to mandatory purchase or LOMC
- Flood mitigation inquiries related to FPM ordinance and grants implementation

# Customer Concerns

The OFIA identified the issues below while assisting customers with their questions and concerns:

1. Improper application of elevation rating using an Elevation Certificate (EC)
2. Loss of rating discounts following a lapse in coverage
3. Confusion regarding Group Flood Insurance
4. Limited refunds after receiving a Letter of Map Amendment, Out as Shown
5. Denial of Increased Cost of Compliance (ICC) funds when permits are issued before substantial damage letters

# Issue 1: Improper Application of Elevation Rating Using an Elevation Certificate (EC)

Policyholders feel they have been treated unfairly when an EC was submitted to an insurer, and that EC was applied much later to rate the policy, resulting in the overpayment of premiums for several years.

## **OFIA Recommendations**

1. Allow a refund back to the date when the insurer received the EC, even if more than 5 years.
2. Develop a process that identifies policies where the EC has been provided to the insurer.

## **Program Responses**

1. The program accepted the recommendation.
2. The program accepted the recommendation.

# Issue 2: Loss of Rating Discounts Following a Lapse in Coverage

Policyholders are frustrated when a third party, such as a lender, causes a lapse in coverage by not paying the flood insurance premium on time, resulting in the loss of eligibility for rating discounts.

## **OFIA Recommendations**

1. Allow the reinstatement of rating discounts when a third party made a late payment resulting in a lapse.
2. Clarify the written warning on the renewal offer that a lapse may result in a loss of discounts.
3. Reduce program complexity by simplifying the guidelines defining a lapse.

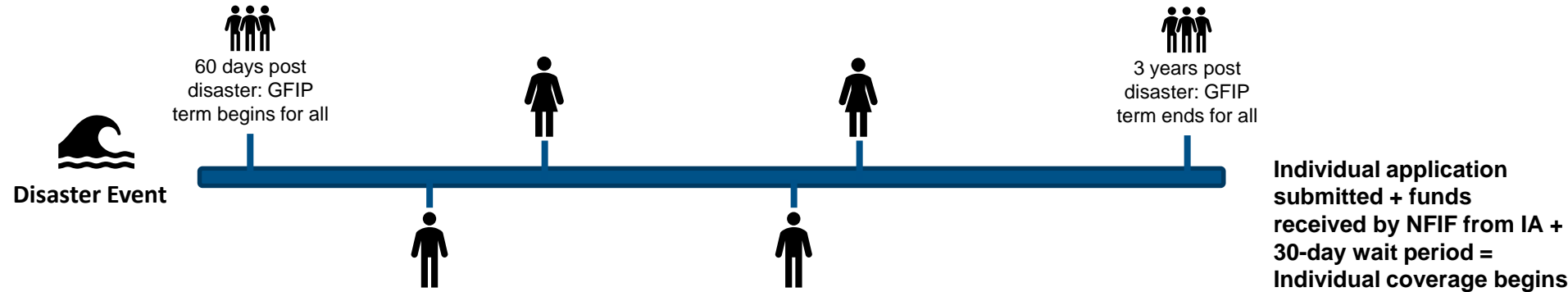
## **Program Responses**

1. The program accepted the recommendation for those who can demonstrate premium was paid in escrow.
2. The program accepted the recommendation.
3. The program will work with counsel to determine if the definition of a lapse can be simplified.

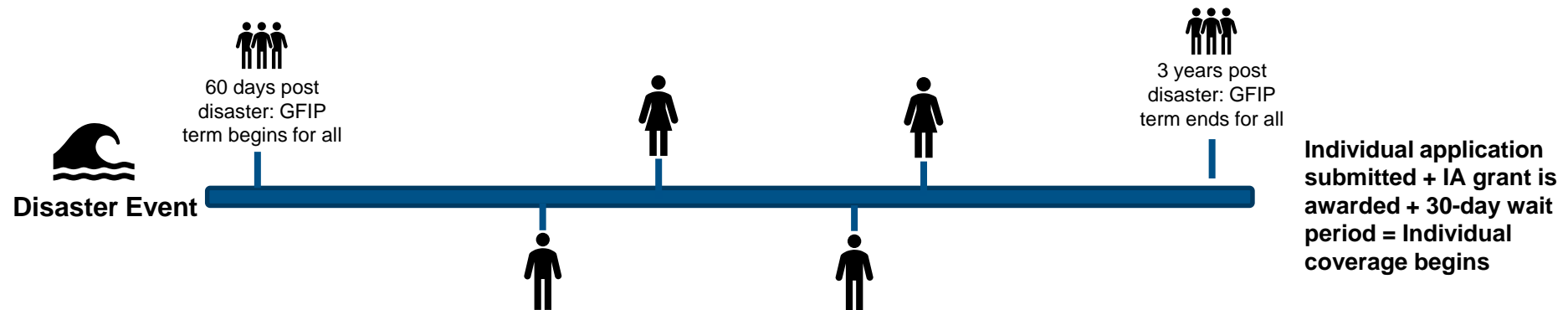


# Issue 3: Confusion Regarding Group Flood Insurance

## Current GFIP Process



## The OFIA's Recommendation



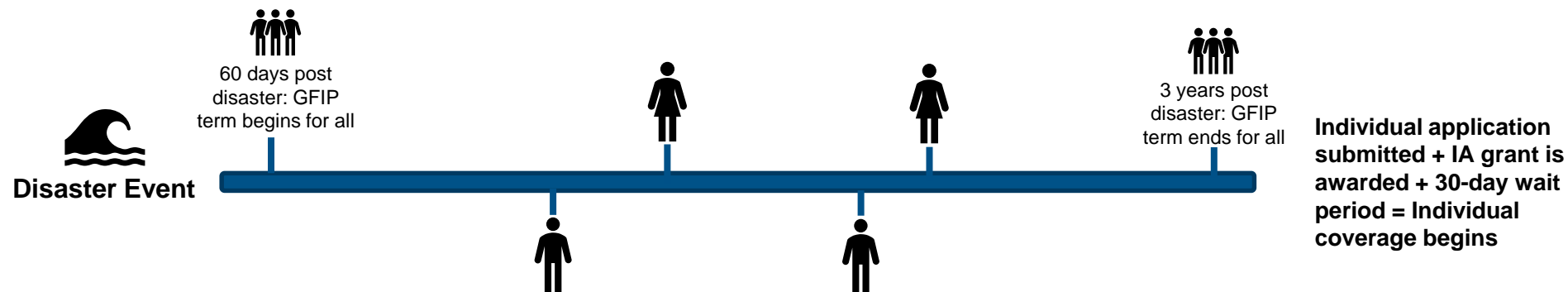
# Issue 3: Confusion Regarding Group Flood Insurance

## OFIA Recommendations

1. Review and amend the regulations to simplify the effective date rules for policyholders, such as making individual coverage effective when the IA grant is awarded.
2. Develop and publicize a process for IA recipients to follow when they believe they covered by the GFIP but have not received proof of coverage prior to a second flood.

## Program Responses

1. The Federal Insurance Directorate (FID) has worked with the Individual Assistance and with the States to ameliorate delays in processing GFIP application data. The recommendation to change the coverage effective date to the date of the IA award will involve the process of rulemaking.
2. FID will continue to work with IA on clarifying messaging and guidelines at the disaster sites so recipients can be clear on the process to follow and the points of contact if they are eligible for a GFIP but have not yet received proof of coverage.



# Issue 4: Limited Refunds After Receiving a Letter of Map Amendment, Out as Shown

Policyholders find it unfair when there are no refunds for terms prior to the effective date of a Letter of Map Amendment (LOMA) that shows their property is “Out as Shown” (OAS).

## **OFIA Recommendations**

1. Allow policy re-rating and prior-term refunds for a LOMA-OAS back to the date of the effective flood map for up to five years maximum.

## **Program Response**

1. The program accepted the recommendation.

# Issue 5: Denial of Increased Cost of Compliance (ICC) Funds When Permits Are Issued Before Substantial Damage Letters

Policyholders are frustrated when they are denied ICC claims because the community made a substantial damage declaration after a permit requiring flood mitigation was already issued.

## **OFIA Recommendations**

1. Honor the ICC claim by accepting a substantial damage or repetitive loss letter dated after the permit.

## **Program Response**

1. FEMA will review these claims on a case by-case basis..

# Moving Forward

The OFIA has identified five areas of focus that will require further analysis in the 2020 calendar year:

**1. Risk Rating 2.0**

The OFIA supports efforts to ensure that rates are equitable and reflect a property owner's unique risks. The new model aims to be more transparent and reduce the complexity of the NFIP.

**2. Elevation Certificate Requirement for Flood Insurance**

While Risk Rating 2.0 will alleviate this burden for most property owners, the EC requirements continue to be a source of frustration for many property owners.

**3. Flood Risk Disclosure During Property Transfer**

A lack of uniform flood risk disclosure laws during a property ownership transfer results in uncovered losses or price shock for new home owners.

**4. Underserved and Socially Vulnerable Populations**

OFIA is dedicated to reducing disaster suffering among vulnerable populations.

**5. Affordability**

Current NFIP policyholders will continue to face rising costs of flood insurance.



# FEMA