

NATIONAL FLOOD INSURANCE PROGRAM

Focus Areas: Program/Project Management, Repetitive Loss Properties, Flood Map Modernization, Standard Business Processes.

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Supporting Organization(s): Offices of the Chief Financial Officer; Federal Emergency Management Agency

AREA B1: NFIP Program Oversight

Description

Established in 1968, the National Flood Insurance Program (NFIP) reduces future flood damage through hazard identification and mapping, effective community floodplain management, and insurance protection for property owners. Congress designated FEMA to administer the NFIP and the FEMA Mitigation Division has responsibility for program management and oversight. FEMA's management of NFIP has evolved to best manage mounting flood losses and escalating costs of disaster relief.

As originally conceived, the NFIP was the means to get communities and citizens to understand their risk from flooding and to mitigate against future flood damage. Congress provided the incentives to do this by encouraging community participation, discounting premiums for Pre-FIRM structures, mandating the purchase of flood insurance and authorizing grant programs to mitigate repetitively damaged structures. The NFIP's flood risk identification and floodplain management land use and building standards will have reduced the costs and consequences of flooding by an estimated \$14 billion from 2000 through 2010. It would be difficult to comprehend what the costs of flooding would be for all levels of government if these standards were not in place.

The nation has benefited from the NFIP's cost savings both in human and economic terms. The challenges facing the NFIP, which place it in a high risk category, include: the outstanding debt from the 2005 hurricanes, the inability to build loss reserves, and premium discounts available to Pre-FIRM properties. Addressing these challenges requires legislative solutions.

Expected Outcomes

- Forgiveness of the NFIP's debt and accrued interest costs from the 2005 hurricanes will bring an end to borrowing to pay the cost of debt servicing.

- Creating a reserve fund will provide funds to pay claims in greater than historic average loss years.
- Increased premiums for certain classes of properties that currently receive premium discounts will provide more revenue to the NFIP.

Accomplishments

- The Administration has been and will continue working with the Congress to secure passage of H.R. 3121 EAS.

Impediments/Challenges

- Failure to resolve the NFIP's \$17.36 billion debt will result in additional new loans to cover semi-annual interest payments and make it unlikely that the NFIP will never be able to retire its debt. Any headway made as a result of subsidy reduction and setting up a reserve fund will have a limited impact if the NFIP continues to be burdened by this level of debt.

Actions Required to Complete

- Resolve the NFIP's \$17.36 billion debt and accrued interest costs for losses from Hurricanes Katrina, Rita and Wilma.
- Create a reserve fund to reduce the likelihood of future NFIP borrowings and amend the Flood Fund's investment language. Currently, 42 USC 4017 gives the Flood Fund authority to invest in obligations issued or guaranteed by the U.S. only after all outstanding obligations of the Flood Fund have been liquidated.
- Eliminate the subsidy for certain classes of properties.

Measure

Secure passage of H.R. 3121 EAS, which contains language to resolve the NFIP's debt, create a reserve fund, and eliminate the subsidy on selected classes of properties. If the legislation passes by September 30, 2008, the following milestones are applicable:

Debt Forgiveness:

- September 30, 2008 – NFIP debt forgiven.

NFIP Reserve Fund:

- December 31, 2008 – Establish NFIP reserve fund with Treasury.
- June 30, 2009 - Complete analysis of rate increases need to fund the NFIP reserve fund.
- May 1, 2010 – Implement rate increases needed to fund the NFIP reserve fund.

Subsidy Elimination:

- June 30, 2009 – Complete analysis of rate increase need to accomplish the phased-in elimination of the subsidy for classes of properties.
 - May 1, 2010 – Initiate rate increase to eliminate the subsidy for classes of properties.
 - May 1, 2015 – No subsidy is provided for classes of properties.
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AREA B2: Severe Repetitive Loss (SRL) Pilot Program

Description

The Severe Repetitive Loss (SRL) Pilot Program, authorized by the Flood Insurance Reform Act of 2004, is in the initial year of implementation. The Act authorizes FEMA to provide assistance to reduce or eliminate the risk of flooding to more than 7,000 Severe Repetitive Loss properties nationwide. An SRL property is a residential property that is covered under an NFIP flood insurance policy and:

- (a) That has at least four NFIP claim payments (including building and contents) over \$5,000 each, and the cumulative amount of such claims payments exceeds \$20,000; or
- (b) For which at least two separate claims payments (building payments only) have been made with the cumulative amount of the building portion of such claims exceeding the market value of the building.

For both (a) and (b) above, at least two of the referenced claims must have occurred within any 10-year period, and must be greater than 10 days apart.

In fiscal year 2006 and fiscal year 2007, Congress authorized FEMA to transfer up to \$40 million from the National Flood Insurance Fund to mitigate severe repetitive loss properties. In fiscal year 2008, Congress authorized \$80 million for the SRL program, making a total of \$160 million available for assistance in the initial year of the program.

Types of assistance available include:

- Acquisition and relocation or demolition of flood prone structures, with conversion of the underlying property to permanent open space;
- Elevation of flood prone structures;
- Floodproofing of floodprone structures; and
- Construction of minor, localized flood reduction projects.

The SRL program is unique in that property owners who decline an offer of mitigation assistance may be subject to an increase in their flood insurance premium rate.

By statute, 10% (\$16 million) of the available funds were set aside for states with 50 or fewer SRL properties; applications for set aside funds were due May 7, 2008. FEMA received approximately \$1 million in applications for these funds. The remaining funds are available to target states with 51 or more SRL properties via a target allocation amount; applications from target states are due May 30, 2008.

Expected Outcomes

- Reduce or eliminate claims on SRL properties insured by the National Flood Insurance Program by funding cost-effective mitigation projects.
- Provide outreach, guidance and technical assistance to applicants interested in the SRL program.

Accomplishments

- FEMA notified State Hazard Mitigation Officers and NFIP Coordinators about the SRL program in July, 2007.
- FEMA published regulations to implement the SRL program on October 31, 2007.
- Provided extensive training and outreach on the SRL program began in November 2007.
- Guidance for the SRL Program was released January 14, 2008.
- States representing more than 95% of the SRL properties nationwide have been trained in the program.
- Applications from non-target States accepted on May 7, 2008.

Actions Required to Complete

- Close application periods for Target States.
- Review submitted applications for eligibility and completeness.
- Process eligible grant awards.
- Release program guidance for upcoming grant cycle.

Impediments/Challenges

- Capability and capacity to develop grant applications at state and local level.
- Reluctance of state and local officials to pursue program with an insurance component.
- Limited capability of data systems to track grant closeout and status of mitigated properties.

Measures

- June-December, 2008 - Post Guidance and Open Application Period
 - December 2008 - Close Application Period
 - January -March, 2009 - SRL application review
 - April 2009 - Selection & Notification
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AREA B3: Flood Map Modernization

Description

Floods inflict more damage than any other natural hazard in the United States. In 2003, Congress funded the multi-year Federal Emergency Management Agency (FEMA) Flood Map Modernization (Map Mod) initiative to provide a technology-based, cost-effective, long-term process for updating, maintaining, storing, and distributing the flood hazard and risk information portrayed on Flood Insurance Rate Maps (FIRMs).

The advantages of digital maps over paper maps include the ability to present information in a variety of ways to support more powerful analysis, electronic access and transmission, and lower long-term production and maintenance costs.

In response to Congressional intent and stakeholder input, FEMA designed Map Mod to leverage program resources through partnerships with other Federal agencies and State and local governments involved with the NFIP and flood hazard identification.

When the Map Mod initiative is completed, it will have developed:

- Digital flood hazard data and maps for 92 percent of the U.S. population;
- New, updated, or validated flood hazard data for 30 percent of the mapped stream miles;
- Credible floodplain boundaries for 75 percent of mapped stream and coastal miles;
- Strong, effective partnerships with State, local, and other Federal agencies; and
- A premier flood data collection and dissemination platform.

Investments in flood hazard mapping ultimately results in reducing the risks to life and property from flooding, supporting the fiscal soundness of the NFIP, and lessening the financial impact on the Treasuring following natural disasters.

Map Mod is on track to successfully deliver on its measures. At the end of the second quarter of fiscal year 2008 the Program has provided digital flood hazard data to 63.9% of the Nation's population. Typically a flood map project takes about 2-3 years to deliver; as a result the projects started under Map Mod our measures will ultimately be met.

Impediments/Challenges

- Recognition of levee system protection and risk reduction on Effective Flood Insurance Rate Maps (FIRMs)

Levees or levee systems have been constructed in approximately one-quarter of the counties that will receive DFIRMs as part of the Flood Map Modernization effort. Thus, levees that have been shown and are accredited with providing flood protection on the effective FIRMs; levees that may not be shown or accredited on the effective FIRMs, but exist; and any map updates that are necessary to accurately reflect the flood hazard and risk information in levee-impacted areas will need to be addressed during the mapping process for the affected DFIRM panels. FEMA will only

recognize those levee systems that meet, and continue to meet, minimum design, operation, and maintenance standards. Title 44, Chapter 1, Section 65.10 of the Code of Federal Regulations (44 CFR 65.10) describes the data and documentation that FEMA must receive in order to credit a levee or levee system with providing a 1-percent-annual-chance level of flood protection. The required data and documentation must be supplied to FEMA by the community or other party seeking recognition of the levee or levee system. Levees that cannot meet the requirements of 44 CFR 65.10 typically will require additional engineering, mapping, and community coordination time on the part of FEMA, FEMA contractors, and FEMA mapping partners to correctly map the current flood risk in levee-impacted areas.

- **Coordination and timeframe of community review of DFIRMs**

To facilitate community adoption of DFIRMs, coordination of an adequate review and comment period with all impacted communities is necessary to provide due process. This coordination may be affected by community ordinance or State law that requires the community to adopt the maps under strict guidelines or at a given time of year (e.g., annual town meeting). Community officials and citizens may provide feedback on mapping issues during the review period immediately following the issuance of the preliminary DFIRM and/or during the 90-day appeal period, which can delay completion of the DFIRM. Community review often results in new information to be incorporated into the preliminary DFIRM. When a community or other interested party files an appeal of the proposed Base Flood Elevations or base flood depths, FEMA or the mapping partner must review the data to determine whether they are technically or scientifically correct. The review and appeal periods and the resulting appeal resolution process are important in developing the most accurate maps possible. Data provided during this process can assist in this endeavor. However, appeals and/or incorporation of new information after issuance of the preliminary DFIRM can result in delays to the map completion schedule. In certain cases, additional funding may be necessary to resolve community comments or incorporate new information.

- **New Mapping Partners**

Mapping partners that are new to Flood Map Modernization may not be familiar with the map production process and workflow. Although mapping partners have progressed since the beginning of Flood Map Modernization, new mapping partners have been added over the years, especially in support of Cooperating Technical Partners (CTPs). The coordination time required to provide additional assistance and outreach to affected communities and other new mapping partners may affect projected timeframes for completion of the DFIRM.

- **Natural Disasters**

In the event of a natural disaster, FEMA staff supporting the Flood Map Modernization effort may be tasked to provide support to areas affected by natural disasters. In addition, State Mapping Programs may be delayed as the CTP staff is redirected to response and recovery efforts. This shift in focus from updating flood maps to responding to immediate disaster needs can cause delays in the schedule of map production.

Actions Required to Complete

- Manage Program Risks
- Continue executing on Flood Map Modernization's plan, the Multi-Year Flood Hazard Identification Plan (MHIP)
http://www.fema.gov/plan/prevent/fhm/dl_mhip.shtm
- Continue using the Map Mod Mapping Information Platform (MIP) to monitor schedule and performance of Map Mod projects

Measures

- Conduct Joint Program Review Monthly to track Program Schedule, Cost, and Performance - 3rd Thursday of each Month
 - Conduct Quarterly Risk Inventory review to track against mitigation actions - No later than final day of each FY Quarter
 - Meet Quarterly Key Performance Parameter targets. - Updated Balanced Score Card no later than final day of each FY Quarter
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