

F E D E R A L
I N S U R A N C E
A D M I N I S T R A T I O N

1996



Stakeholder's Report

The Federal Emergency Management Agency (FEMA) has within its organization one of the world's largest single line property insurance companies, the National Flood Insurance Program (NFIP), administered by the Federal Insurance Administration (FIA).

The NFIP is a Federally backed program that makes flood insurance available to residents of communities in exchange for the communities' adoption and enforcement of the NFIP's floodplain management requirements.

The NFIP was initiated in 1968 providing Federally backed insurance to residents needing help to rebuild after a flood loss. In January 1978, the Federal government assumed the direct insurance writing and claims processing of NFIP policies. A Servicing Agent contract was established to handle the sale and servicing responsibilities.

In 1983, the FIA established the Write Your Own (WYO) program whereby private insurance companies, under special arrangements, are permitted to sell and service flood insurance under their own names.

As of September 30, 1996, 86 companies had signed arrangements with FIA to sell and service flood insurance.

Today, there are more than 18,550 communities participating in the NFIP. At the end of September 1996, there were 3,546,050 policies with \$369,500,953,800 total insurance in force.

In Fiscal Year 1996, the NFIP paid 36,319 claims totaling \$783,677,373. While the Federal government still distributes disaster relief funding, flood insurance is starting to be viewed as the best way to recover from a flood disaster. The NFIP remains a self-supporting program for the average historical year, using no appropriated funds to pay claims or operating expenses.

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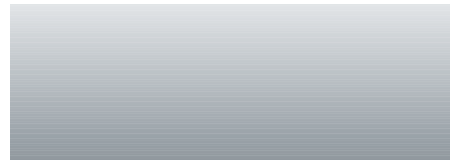
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...There is no such thing as a small flood; any flood that affects you or your family is a large flood, regardless of the attention it receives nationally...Emphasis on flood insurance and flood mitigation underscores our dedication to helping people prepare for and recover from floods.

Furthermore, it reduces the taxpayer burden of paying for uninsured flood losses....Members of the insurance industry, mortgage industry, and state and local governments, have a tremendous opportunity to help people. You can make sure that people are aware of how to protect themselves financially, through flood insurance, and how to protect themselves physically, through flood mitigation. Each one of you can help the people in your community—your friends, business associates, customers, and family—to recover more quickly and completely...Together, we can reduce the suffering that follows every flood by encouraging flood insurance and mitigation before the damage occurs...

(1996 National Flood Conference)



AL GORE
Vice President
of the United States

Dear NFIP Stakeholder:

The National Flood Insurance Program is a true government success story. It is an example of risk reduction as a mainstream approach: policies that are sold by local agents, policies that are required by local lending institutions, and communities that enforce sound floodplain management in exchange for the availability of affordable flood insurance.

In the past year, through the compliance provisions of the National Flood Insurance Reform Act of 1994, the Cover America marketing campaign, and your efforts, we had nearly 3.5 million policies in force by the end of Fiscal Year 1996.

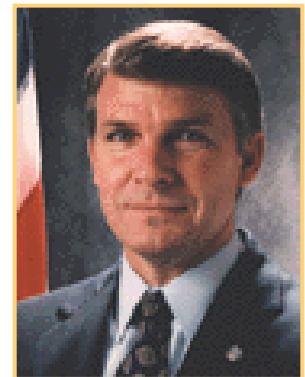
I am pleased with the flood insurance policy increase you have worked with us to achieve. Because millions more Americans still need this important coverage, I would like to see the number of flood insurance policies continue to increase during Fiscal Year 1997. Record flood years, like this past one, show us that flood insurance helps reduce economic hardship for individuals as well as reduce Federal disaster expenditures.

It is important to ask what the nation's resistance to flood risks and disasters would look like without the NFIP. Without the NFIP, there would be virtually no incentive for reducing the cost and damage of floods. There would be more private and public losses of all kinds. The NFIP provides a way for communities to reduce flood damage to homes and businesses with floodplain management requirements and it gives individuals the opportunity to protect themselves financially with flood insurance. The NFIP is an example of how mitigating, before a flood, helps communities and residents recover more fully and quickly after a flood.

I am proud to be part of the National Flood Insurance Program in this exciting time. I am proud that this Federal government program works and does so, with your help, to the benefit of the American people.

Sincerely,

James L. Witt
Director, Federal Emergency Management Agency



JAMES L. WITT
Director
Federal Emergency
Management Agency





Spence Perry
Executive Administrator
Federal Insurance
Administration
FEMA

Dear NFIP Stakeholders,

The National Flood Insurance Program is in the midst of exciting, innovative times. In the last year, we have seen new coverages (ICC, condos and co-ops, timeshares), new methods of premium payment (credit cards, lender escrows), and new departures in sales and marketing techniques. All of these initiatives have been aimed at better serving our insureds while offering participating companies and agents new opportunities for income growth.

We have worked hard to build the delivery system for flood insurance products. We began with reorganization and staffing up within the Federal Insurance Administration. While this effort was underway, we worked with our major contractors to insure their responsiveness to rapidly changing marketplace realities. We increased our focus on agent servicing and information training and speedy, sensitive claims adjustment.

FIA is looking to the future. In the year ahead, our studies and long range planning will consider such items as underwriting subsidies, claims and underwriting procedures, flood insurance impact on coastal and floodplain development, and company marketing goals and compensation. We will be paying close attention to the results of our annual financial audits, our marketing evaluation, and most importantly, our stakeholders' views on how we can improve and become more responsive to their needs.

It's been a great year for the NFIP. We hope it's been a great year for you, and we look forward to making the coming year the best of all for all of us.

Sincerely,

Spence W. Perry
Executive Administrator, Federal Insurance Administration



Richard W. Krimm
Executive Associate Director
Mitigation Directorate
FEMA

Dear NFIP Stakeholders:

Over the past two years, the Mitigation Directorate and the Federal Insurance Administration have been working closely to implement the provisions of the National Flood Insurance Reform Act of 1994. This law has made the tie between flood mitigation and flood insurance even stronger through the new Flood Mitigation Assistance Program and Increased Cost of Compliance coverage.

We appreciate the insurance industry's important role in helping protect people from the devastating financial losses floods cause. As insurance industry representatives and others involved with the National Flood Insurance Program, you know the value of reducing risks. Our goal in FEMA's Mitigation Directorate is to help home and business owners see the value of reducing their risks through mitigation. Steps people take today can help reduce the financial and emotional devastation that follows flood disasters. You can help make sure your policyholders know how they can reduce their risk of flood damage.

Mitigation helps everyone: policyholders, the insurance industry, the lending industry, the Federal government, State and local governments, and all taxpayers. The National Flood Insurance Program has reduced flood damage by nearly \$800 million a year, a testimony to the strength of the tie between insurance and mitigation. We hope to continue to improve the relationship between these two important facets of the National Flood Insurance Program and look forward to continuing the partnership with the many private industries that help make the National Flood Insurance Program successful.

Sincerely

Richard W. Krimm
Executive Associate Director, Mitigation Directorate

Committees

WYO Standards Committee



Richard F. Russell
Amerisure
Companies

The WYO Standards Committee for the Write Your Own (WYO) Program was established to monitor, evaluate, and make recommendations about WYO company and NFIP performance. The members are appointed by the Federal Insurance Administrator to oversee the financial and data reporting requirements of the WYO Program, consistent with the Financial Control Plan. The committee is made up of representatives from the FIA, FEMA's Financial Management Office, and the WYO companies. They meet three times a year and their activities are administratively confidential.

Their Statement of Purpose is to: evaluate the WYO program's financial and statistical data and recommend improvements in quality and efficiency; work with companies that are not meeting program requirements to bring resolution to the areas in which they are deficient; and recommend actions for failure to attain acceptable levels of performance.

Insurance Institute for Property Loss Reduction (Flood Committee)



James A. Sadler
Unisun Insurance
Company

The Insurance Institute for Property Loss Reduction (IIPLR) flood committee continues to support the NFIP. FIA looks to the flood committee to provide insurance industry experience and perspective, especially with the WYO Program.

For Fiscal Year 1996 the IIPLR flood committee participated in establishing rates and recommending program simplification areas; planning the 1996 National Flood Conference; and implementing NFIP changes resulting from the National Flood Insurance Reform Act of 1994 concerning lender compliance. The committee also supported the Cover America Campaign; resolved a program inquiry about updating the WYO Arrangement; and contributed to the development of the Increased Cost of Compliance coverage and other program related issues.

WYO Marketing Committee



David K. Meehan
Bankers Insurance
Company

The WYO Marketing Committee is comprised of members from WYO insurance companies and FIA marketing staff. The committee's purpose is to study and develop ideas to increase market penetration for flood insurance and to encourage WYO companies to more actively market flood insurance.

In Fiscal Year 1996, this committee was instrumental in supporting achievement of the FEMA Director's 20 percent growth goal, supporting Cover America, and supporting FIA in promoting agent training, co-op advertising, and marketing through direct mailings and grassroots efforts.

Flood Insurance Producers National Committee



Robert F. Denny
Edward F. Cook
Agency, Inc.

The Flood Insurance Producers National Committee (FIPNC) serves as a vital and direct communications link between the insurance producers and FIA. This committee is involved in NFIP education and promotion, as well as the development of procedures, manuals, and new products.

In Fiscal Year 1996, FIPNC was involved in participating in the program simplification task force, supporting Cover America, and planning the 1996 National Flood Conference.

ACHIEVEMENT AWARDS

Every year, the Federal Insurance Administration (FIA), part of the Federal Emergency Management Agency (FEMA), recognizes outstanding insurance industry partners and others with special awards for their contribution to the National Flood Insurance Program (NFIP).

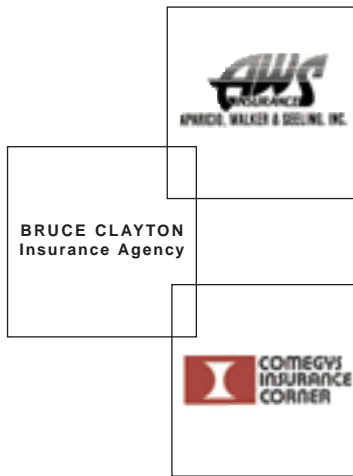
The 1995 Arrangement Year awards were presented at the 1996 National Flood Conference held in Nashville, Tennessee. The 1996 conference focused on NFIP's commitment to increase the number of people covered by flood insurance by 20 percent in two years. The winners were at the forefront in achieving this 20 percent growth goal.

Agency of the Year Award

Three insurance agencies were selected to receive the 1996 Agency of the Year Award. The agencies were chosen for their innovative marketing strategies, superior policy growth, adherence to established underwriting guidelines, and participation in flood awareness activities.

The 1996 Agency of the Year Award Winners:

Aparicio, Walker & Seeling, Inc., of Metairie, Louisiana; Bruce Clayton Insurance Agency of Baytown, Texas; and Comegys Insurance Corner of St. Petersburg, Florida.



Administrator's Club

The Administrator's Club Award is a prestigious honor bestowed upon those WYO companies that achieve significant flood insurance growth. Each WYO company was placed into one of six categories, based upon its size. Companies with the highest percentage of new growth over the last year within their category qualified for the 1996 Administrator's Club. A special trophy was awarded to the company with the highest overall percentage growth, with an increase of more than 2,000 new contracts. The 1996 Administrator's Club Trophy was awarded to Southern Farm Bureau Casualty Insurance Company.

The 1996 Arrangement Year Administrator's Club Winners:

American Sterling Insurance Company, California State Automobile Association, Nationwide Mutual Insurance Company, Southern Farm Bureau Casualty Company (trophy winner), Union American Insurance Company, and U.S. Security Insurance Company.



Public Awareness Materials Contest

Each year WYO companies and NFIP Stakeholders are invited to submit Public Awareness Materials that they have developed for use in promoting the awareness of floods and flood insurance. Materials are placed into one of ten different categories, and the number of entries is not limited. Public Awareness Materials are displayed at the National Flood Conference, where conference attendees are given the opportunity to vote for their favorite entry in each category. Winners of the contest are announced at the awards banquet.

The categories and the winners for the 1996 Public Awareness Materials contest are:

Poster	American Bankers Insurance Company
Newsletter	Bankers Insurance Group
Spanish language item	INTEGRAND Assurance Company
Advertising envelope	ITT Hartford
Specialty item	Liberty Mutual Group
Mailing insert/stuffer	NCSI
Brochure	Omaha Property and Casualty
Kit	Prudential Property & Casualty Insurance Company
Training item	Selective Insurance Company
Print or video ad	USAA



Michael J.
Moye

NationsBanc

Donald L. Collins Partnership Award

The 1996 National Flood Conference marks the second year of the Donald L. Collins Partnership Award. The award is named for Donald L. Collins, an FIA executive who passed away in 1995. For more than 20 years, Mr. Collins fostered a close working relationship with our private sector partners and was responsible for much of the industry's goodwill toward the NFIP.

This year's award was presented to Michael J. Moye of NationsBanc. Mr. Moye is a long-time partner and supporter of the NFIP. Among his many achievements is the establishment of the National Lenders' Insurance Council.



FINANCIAL
HIGHLIGHTS

Fiscal Year 1996

October 1, 1995 - September 30, 1996

Data as of September 30, 1996

Policies In Force	3,546,050
Contracts in Force	2,825,543
Insurance in Force	\$369,500,953,800
Total Revenue	\$888,711,408
Total Operating Expenses	\$1,458,048,599

Policyholders, Premium, and Insurance in Force Fiscal Year 1996

October 1, 1995 - September 30, 1996
Data as of September 30, 1996

	Policyholders	Premium	Insurance in Force
By Occupancy:			
Residential			
Single-Family	2,330,546	\$864,381,974	\$259,016,373,600
2-to 4-Family	145,554	\$54,209,340	\$13,684,137,800
Other Residential	145,181	\$55,373,733	\$11,978,817,300
RCBAPs	770,612	\$96,113,915	\$55,027,658,100
Non-Residential	154,154	\$139,098,047	\$29,793,949,400
Other	3	\$1,327	\$17,600
TOTAL	3,546,050	\$1,209,178,336	\$369,500,953,800
By Zone:			
All A Zones	2,535,060	\$898,308,566	\$257,136,304,100
All V Zones	80,626	\$55,000,510	\$8,626,710,200
B, C, and X Zones	917,829	\$250,172,753	\$102,970,249,300
Other	12,535	\$5,696,507	\$767,690,200
TOTAL	3,546,050	\$1,209,178,336	\$369,500,953,800
Special Policies:			
Residential Condominium Building Association Policy	55,893	\$96,113,915	\$55,027,658,100
Preferred Risk Program	308,551	\$53,751,965	\$28,638,255,700
Mortgage Portfolio Protection Program	6,089	\$4,013,044	\$293,809,800

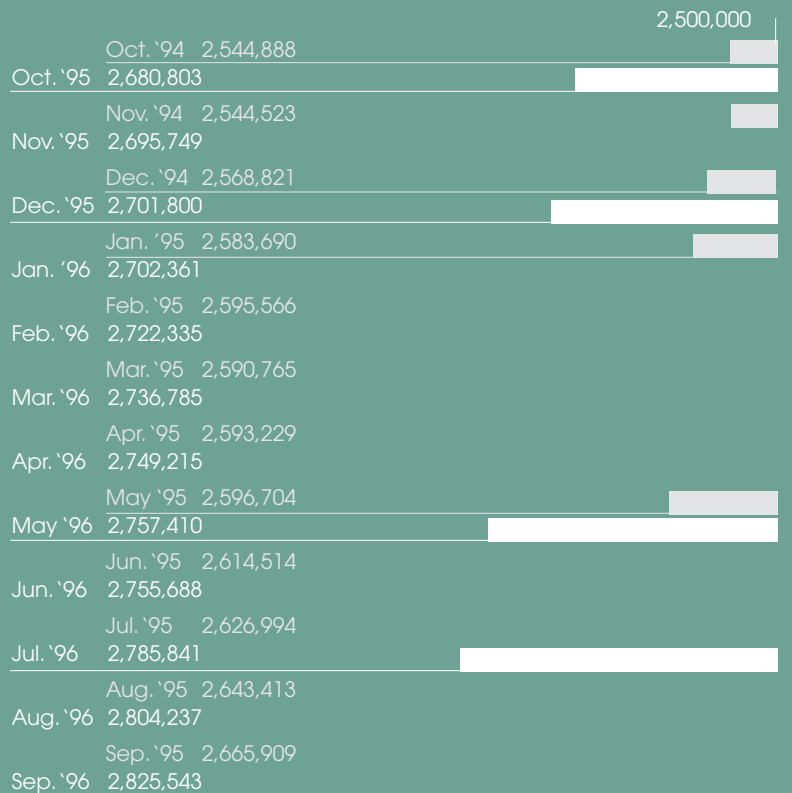
Policy Count

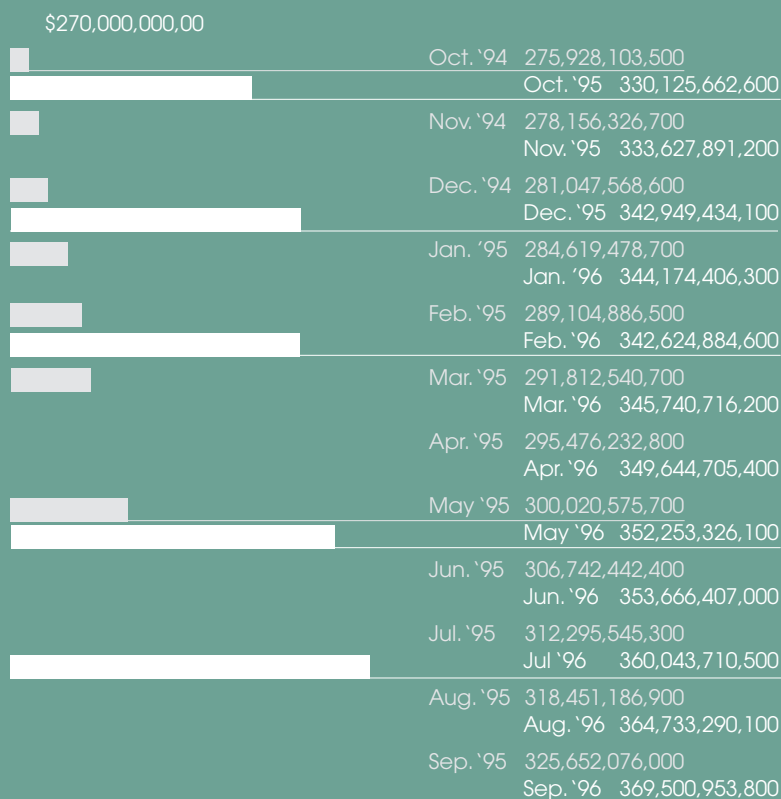
Policy count is the number of units (small businesses, homes, apartments, condominiums, etc.) that are now covered by the NFIP. During our goal period, October 1, 1994 through September 30, 1996, the NFIP covered 761,385 additional units, resulting in a 27.1 percent policy growth rate.



Contract Count

Historically, contracts have grown very little from month to month. During the period from October 1, 1994 through September 30, 1996, the NFIP increased the contract count by 11.4 percent with the addition of over 305,334 contracts. It is estimated that the program would have only grown by 235,661 contracts during this period based on the previous growth rates.

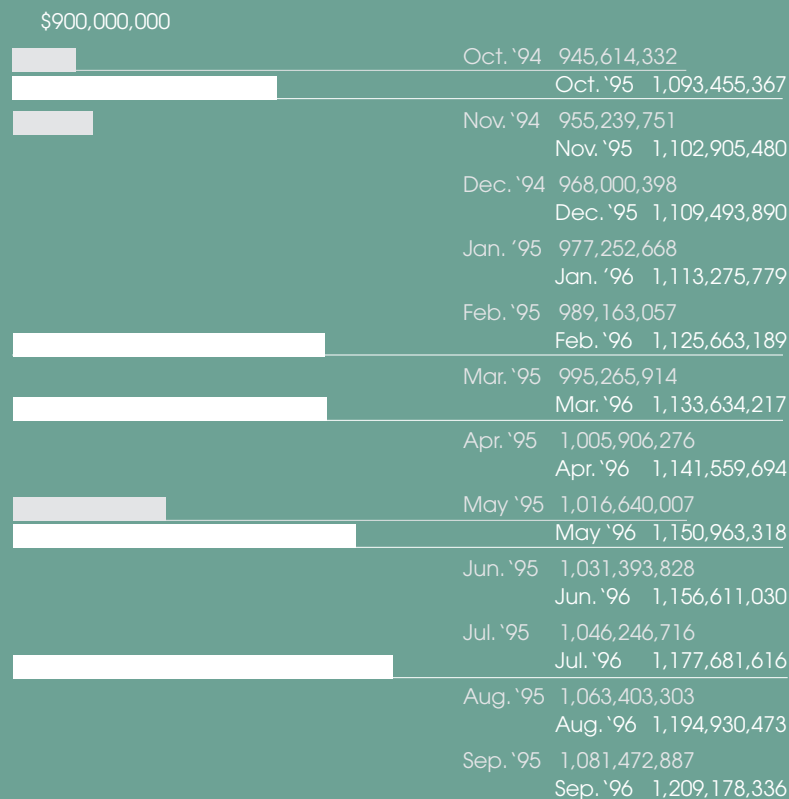




Insurance In Force

The total insurance in force went up by \$9.1 billion from \$369.5 billion to \$378.6 billion in October 1996. The average monthly increase was approximately \$4.0 billion.

The average historical growth over this period is about 19.3 percent. During the goal period insurance in force grew by \$103 billion or 37.7 percent. If we had continued to grow at the historical rate, we would probably have about \$327 billion insurance in force instead of the \$378.6 billion level our partners achieved.



Written Premiums

From October 1, 1994 through September 30, 1996, we grew by 30.04 percent or \$285.43 million additional dollars. The total written premium increased by 1.0 percent or \$12.6 million in just the last month's reporting period, which was also the twelfth month of the *Cover America* television and print advertising campaign.

Flood Insurance Claims Summary

In three of the past four fiscal years, especially 1996, claims have exceeded the historical loss averages. In Fiscal Year 1996 alone, the National Flood Insurance Program received 62,527 claims and paid out \$783,677,373 in loss payments.

Only days after Fiscal Year 1996 began, Hurricane Opal hit Alabama and the Florida panhandle, generating more than 8,000 claims. The following month saw eight more states (Massachusetts, New York, New Jersey, Ohio, Pennsylvania, Virginia, Vermont, and West Virginia) flooded as a result of heavy rainfall and snow melt. Throughout the year, significant floods occurred in 13 more states and territories. This was primarily a result of heavy rains from Hurricanes Bertha, Fran, and Hortense, which was the last storm of the fiscal year.

Recent history shows that many states are experiencing repeat flooding within a one year period. Forecasts for 1997 call for major floods to occur again in the Midwest which could rival the 1993 flooding.

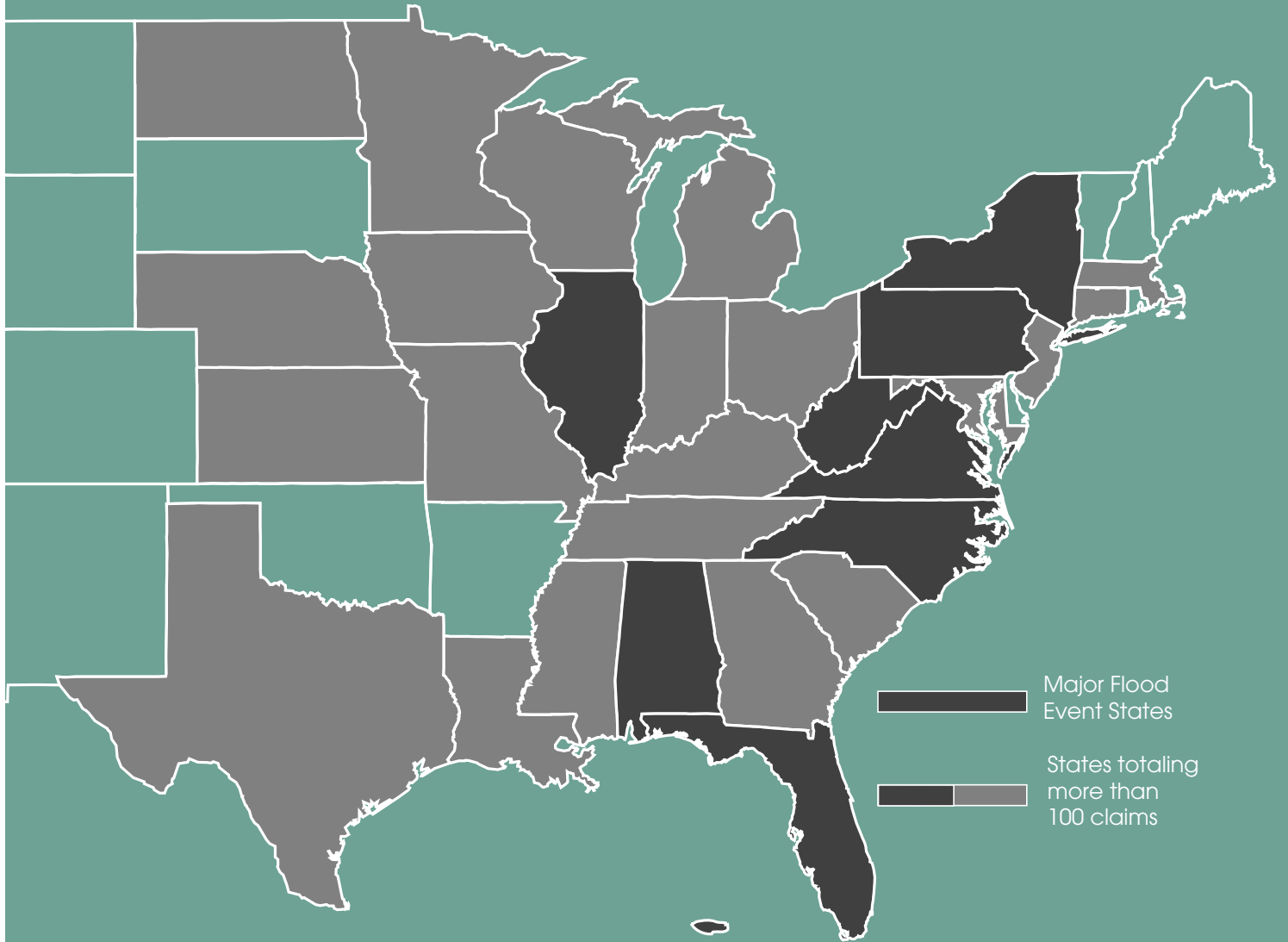
Fortunately, over the past few years, the number of people insured against floods is increasing gradually, reducing Federal disaster assistance outlays. We estimate that every \$3 paid in National Flood Insurance Program claims payments saves \$1 in Federal disaster assistance payments. Since its inception, the Program has paid more than \$7 billion in claims payments, including \$5 billion from 1986 to present.



Major Flooding Events

October 1, 1995 - September 30, 1996
Data as of September 30, 1996

EVENT	DATE	STATE	LOSSES FILED	LOSSES PAID	TOTAL DOLLARS PAID	PERCENT CLOSED
Hurricane Opal	Oct. '95	Alabama	1,742	1,193	15,225,845	94.9
Hurricane Opal	Oct. '95	Florida	11,297	7,817	316,402,918	92.1
Flooding	Jan. '96	New York	1,062	807	10,159,587	97.2
Flooding	Jan. '96	Pennsylvania	9,200	7,784	109,427,026	97.9
Flooding	Jan. '96	West Virginia	2,048	1,806	28,933,093	97.0
Flooding	Feb. '96	Oregon	1,162	944	27,038,805	97.7
Flooding	Feb. '96	Washington	1,438	1,242	29,973,014	98.3
Hurricane Bertha	Jul. '96	North Carolina	2,014	682	5,567,806	66.0
Flooding	Jul. '96	Illinois	1,627	1,100	15,020,634	88.1
Hurricane Fran	Sep. '96	North Carolina	6,641	167	2,037,332	4.8
Hurricane Fran	Sep. '96	Virginia	910	21	179,553	4.1
Hurricane Hortense	Sep. '96	Puerto Rico	916	28	228,066	3.4



Cumulative Flooding Statistics

October 1, 1995 - September 30, 1996
Data as of September 30, 1996

TOTAL LOSSES	CLOSED LOSSES	OPEN LOSSES	CLOSED WITHOUT PAYMENT LOSSES	TOTAL PAYMENTS
62,527	36,319	14,942	11,266	\$783,677,373



Program Enhancements

Paying for Flood Insurance

Making flood insurance easier to buy and sell was one of FIA's major goals during Fiscal Years 1995 and 1996. Two ways it became easier to buy flood insurance was through credit cards and escrow payments.

Starting October 1, 1995, the NFIP made it possible for WYO companies and agents to accept credit cards for flood insurance premium payments. Credit card payments were first reported on the November 1995 financial statements by 11 WYO companies for charges recorded in October 1995 totaling \$59,372. Of the 89 WYO companies currently writing flood insurance, approximately 33 percent are taking advantage of the credit card option. In Fiscal Year 1996, credit card payments averaged \$416,937 per month, or just over \$5 million for the entire fiscal year.

Another method of paying for flood insurance that will be very helpful in keeping more flood insurance policies in force is escrow. The National Flood Insurance Reform Act of 1994 requires that lenders who escrow for other purposes must also escrow for the flood insurance premium when the purchase of flood insurance is required. Lenders were allowed to escrow flood insurance premiums when the National Flood Insurance Reform Act was signed into law on September 23, 1994, but were required to escrow as of October 1, 1996.

With options like credit cards and escrow to pay flood insurance premiums, the rate of new and renewal business should continue to increase over the coming years.

Group Flood Insurance

Group flood insurance is an essential tool for providing protection against financial losses due to floods across the United States and its territories.

The Group Flood Insurance Policy (GFIP) was established for individuals who apply for disaster assistance following a Presidentially declared disaster. Individuals who qualify for Individual Family Grants (IFG) for flood damage, are required to purchase coverage under a GFIP as a condition for receiving the grant.

Coverage is unique in that it can be configured to cover either building or contents, or both at the time of the loss. The maximum coverage allowed is equal to the maximum allowable grant under the IFG program, \$12,900, and adjusted each year when the grant amount increased. The GFIP provides flood insurance protection for three years from the time of the reported event.

As of September 30, 1996, there were 583 certificates issued for group policies for 16 Presidentially declared disasters.

Conversion Into the Year 2000

NFIP programmers and statisticians have been preparing changes to their databases to accept the year 2000 date. The new date format expands the date field by two characters and has already been implemented to accommodate 3-year policies renewing on or after January 1, 1997. The date field as recorded on previous documents was depicted as YYMMDD. The new date field has been expanded to the Gregorian date format of YYYYMMDD, where YYYY is the full year, MM is the month designation, and DD is the day. The Gregorian date format is in place and applies to all documentation that extends into the year 2000.

Rate Table Revision

As part of the program simplification effort, a number of improvements were made to flood insurance rate tables. For instance, rate tables were reduced by combining rates and collapsing the flood zones where feasible, while rarely used or redundant tables were eliminated or placed in the submit-for-rate category. In addition, to achieve more equitable premiums for Pre-FIRM and non-SFHA policyholders, rates for buildings “with enclosures” were changed from those charged for buildings “with basements”.

Residential Condominium Building Association Policy (RCBAP) Update

FIA clarified coverage and co-insurance penalty concerns relating to the Residential Condominium Building Association Policy (RCBAP) during Fiscal Year 1996. In brief, if a condominium building is 75 percent or more residential and the association has purchased a RCBAP, then that policy covers the entire building. The loss will always be settled on a replacement cost basis. If, however the building is not insured to 80 percent, there is a co-insurance penalty, and the adjuster must apply the co-insurance formula. Unit owner coverage cannot be added to the Association coverage to make up the 80 percent to avoid the co-insurance penalty.

In April of 1996, two special workshops were conducted about condominiums and elevated buildings for adjusters in Florida to address the many issues faced during the adjustment of claims in the aftermath of Hurricane Fran.

On August 8, 1996, Spence Perry signed NFIP Policy Issuance 6-96 on Coverage for Cooperatives and Timeshares to answer questions about whether they are eligible for coverage under RCBAP.

Cooperative buildings where at least 75 percent of the building is used for residential purposes are considered as residential occupancies under the NFIP, and can be insured for a maximum building coverage of \$250,000 in a Regular Program community. Since they are not in the condominium form of ownership, they cannot be insured under the RCBAP. They must be insured under the General Property Policy.

Timeshare buildings in the condominium form of ownership are eligible for coverage under the RCBAP. These buildings are subject to the same eligibility, rating, and coverage requirements as other condominiums, including the requirement that 75 percent of the area of the building be used for residential purposes.

Timeshare buildings not in the condominium form of ownership where at least 75 percent of the area of the building is used for residential purposes are considered as residential occupancies under the NFIP, and can be insured under the General Property Policy for a maximum building coverage of \$250,000 in a Regular Program community.

A new brochure on "Condominium Coverages" was developed in 1996. It explains the Residential Condominium Building Association Policy and the major benefits associated with the policy. The brochure also covers Unit Owner Coverage, Building and Contents, and gives a brief explanation of why condominium owners should purchase flood insurance protection.



National Flood Insurance Reform Act of 1994 and Lender Compliance

The passage of the National Flood Insurance Reform Act of 1994 was the first major change in NFIP legislation in more than 20 years. The law affects every part of the Program. The goal of the law is to improve the financial condition of the NFIP and reduce the Federal expenditures for Federal disaster assistance. One major contribution to reaching this goal is increased lender compliance with the mandatory flood insurance purchase requirement.

The law is designed to strengthen compliance with the mandatory purchase requirement, initiated by the Flood Disaster Protection Act of 1973, while giving lenders the necessary tools to enforce the purchase of flood insurance. Lender compliance is crucial to making sure that people most at risk of flooding have the flood insurance protection they need.

Key provisions related to lender compliance include escrow of flood insurance payment; force placement of flood insurance by lenders; penalties for failure to notify a borrower that flood insurance is required, or to require flood insurance; and the use of a Standard Flood Hazard Determination Form.

Significant achievements were realized in 1996. One of the most important steps in implementing the National Flood Insurance Reform Act of 1994 occurred on August 29, 1996, when the financial regulatory agencies (Federal entities for lender regulation) issued their final joint regulations on Loans in Areas Having Special Flood Hazards. These became effective October 1, 1996. On January 2, 1996, FEMA issued rules for the Review of Determinations for Required Purchase of Flood Insurance. On June 4, 1996, FEMA issued the Guidance Regarding Required Information That Must Be Reported When Reporting Change of Servicer.

We are currently updating the booklet titled, *Mandatory Purchase of Flood Insurance Guidelines*. Revised flood insurance examination procedures were approved by the Federal Financial Institutions Examinations Council (FFIEC), and the new procedures will be incorporated into the compliance activities handbook as part of its next update.

To coordinate the implementation of the National Flood Insurance Reform Act of 1994 among the many lending industry groups, the FIA has addressed lenders at the major lender association conferences sponsored by the Mortgage Bankers Association. The FIA is also excited about the formation of the National Lenders' Insurance Council, which was created to serve as an advisory committee to the Federal Government for consideration of every major issue relating to the National Flood Insurance Reform Act of 1994. We have continued to coordinate our efforts with the financial regulatory agencies and have, on occasion, participated with them in teleconference sessions with lenders. The FIA believes that it is absolutely essential that we continue to participate with lenders, their associations, Federal entities for lending regulation, and others to ensure the successful implementation of the National Flood Insurance Reform Act of 1994.

Flood Insurance Interagency Task Force

The Flood Insurance Interagency Task Force, established by the National Flood Insurance Reform Act of 1994, is composed of representatives from the Federal Agencies, Federal Financial Regulators, and Government Sponsored Enterprises who are experienced with the NFIP.

This 10-member task force meets to review its work group activities and approve certain recommendations and reports. Over the past year the Task Force accomplished the following:

- Made available to the public and NFIP Stakeholders catalogued compliance assistance materials relative to the NFIP.
- Proposed recommendations to revise the material to reflect National Flood Insurance Reform Act of 1994 changes. These materials are being revised on an ongoing basis and information is available electronically via the internet.
- Developed a compliance model checklist to serve as a foundation for individual agency and corporation compliance models. The FDIC used this model to develop their FFIEC-approved revised flood insurance examination procedures, which were released in November 1996.
- Collected surveys and conducted research and studies of fees charged for conducting flood zone determinations to ascertain reasonableness of the fees being charged to lenders and affected borrowers.
- Collected enforcement procedures currently in use by all Federal Agencies and Government Sponsored Enterprises to review and ultimately develop standardized enforcement procedures as a guideline for all agencies and corporations responsible for enforcing compliance with the NFIP

The Task Force will include all of the information on these activities in their Interim Report to Congress in 1997.

Marketing

Cover America

The Cover America campaign, designed to increase awareness of flood insurance and generate responses, passed its 1-year anniversary on October 1, 1996.

Through Cover America, FIA communicates directly to consumers, educating them about flood insurance and motivating them to contact the NFIP or their own insurance company or agent. Those who contact the NFIP are put in touch with an insurance agent in their area who writes flood insurance if they don't already have an agent. And, with special materials, ad slicks, and the co-op advertising program, insurance companies and agents are able to tie in their marketing efforts with this national campaign. To design and implement Cover America, FIA hired Bozell Worldwide, Inc., an international advertising agency, in May 1995.



Advertising

The first phase of the campaign kicked off in October 1995, after market research was conducted to determine the messages and images that would have the greatest impact. The first flood insurance television commercial aired from October 1995 through March 1996 on nine national cable stations and network affiliates in 44 local markets. Compelling print ads, which used the same messages and images from the television spot, ran from October 1995 through May 1996 in 19 national magazines. Phase One was designed to create awareness of flood insurance and set the stage for the more response-oriented advertising of Phase Two.

The second phase of the campaign began in February 1996. This phase uses direct response advertising in addition to limited general awareness advertising. It is designed to continue increasing awareness while generating a response with a stronger call-to-action. The two new television commercials have run nationally and regionally on 36 cable stations, three networks (ABC, CBS, and NBC), and 21 syndicated programs. Two new print ads, using images and messages from these commercials, began appearing in 28 national and regional magazines in May 1996.

Co-op Advertising

To help our insurance industry partners tie in to these national ads, we initiated a co-op advertising program. This program enables our insurance industry partners to tell prospects that they sell flood insurance and to share flood insurance advertising costs with us. Those who participate in this program have their names and telephone numbers listed instead of the NFIP's number.

In the first year of the co-op program, our insurance industry partners' names appeared in close to 900 print ads and Yellow Pages display ads for flood insurance and 46 flood insurance television commercial modules.





Yellow Pages

To reach people locally, we started publishing an NFIP trademark listing in Yellow Pages directories across the country. In the first year, this trademark listing was published in 244 directories in 43 states and distributed through Yellow Pages directories to 12 million households. We also worked to establish a special “Flood Insurance” heading under the “Insurance” category in the directories. At the end of Fiscal Year 1996, the flood insurance heading was in 9 percent of all directories. By September 1997, the flood insurance heading will be in 91 percent of all directories.

Direct Mail

Another way the NFIP reaches people in local areas is through the mail. In June, we sent an informational package about the NFIP to 200,000 homeowners who did not have flood insurance in 18 counties. The package consisted of the *Never Say Never* brochure, a reply card, and a special envelope. The response rate was very good, at 1.5 percent.

Public Relations

A series of public relations efforts helped increase awareness as well. In the first year of the campaign, the NFIP reached an audience of more than 12.5 million through television, radio, and newspaper activities. The NFIP also generated a media kit, articles targeting the insurance industry, and monthly updates that are available on the FEMA Fax.

Cover America Results

In this first year of the campaign, close to 135,000,000 people were reached through Cover America advertising and public relations efforts. Nearly 100,000 written and telephone responses were directed to the NFIP (responses to insurance agents and companies are unmeasured). Market research conducted with 5,400 people shows that consumers are now more educated about floods and flood insurance, attitudes toward the NFIP are improving, and resistance to buying flood insurance is reducing.



Mini-Conferences

NFIP Mini-Conferences are 1-day “flood awareness” conferences hosted by the Federal Insurance Administrator or Executive Administrator. They are designed to educate and cultivate communication among flood colleagues. The Administrator interacts with a panel comprised of an insurance agent, a mortgage banker, an insured, a local community official, and a regional FEMA representative. A question-and-answer session between the audience and the panel affords attendees the unique opportunity to meet with Federal, state, and local government officials and experts in the field.

These mini-conferences are held in areas where such information exchanges typically have not been held. They provide an opportunity to educate and inform a wide variety of people about flood insurance. Three conferences were held in Fiscal Year 1996: Tucson, Arizona; Bellvue, Washington; and Westminster, Maryland. Of the 223 registrants 72.5 percent were insurance agents, 15.8 percent were lenders, and 11.7 percent were community officials. Our goal for Fiscal Year 1997 is to reach more of the lending institutions.

Agent Workshops (Producer Seminars)

Producer seminars are specialized workshops conducted nationwide to disseminate up-to-date information to producers and agents who write and/or plan to write NFIP policies. In Fiscal Year 1996, NFIP’s Bureau and Statistical Agent regional staff conducted a total of 282 agent workshops educating a total of 8,528 attendees nationwide. These workshops are open to licensed property and casualty agents and other interested parties. Workshops help increase awareness and improve flood insurance knowledge.

Lender Workshops

The NFIP Bureau and Statistical Agent also conducts specialized workshops designed to educate mortgage lenders about their financial and legal obligations regarding flood insurance. In Fiscal Year 1996, 236 lender workshops were conducted nationwide for mortgage lenders and other interested parties. These workshops contributed to increasing the knowledge base of 5,010 attendees.

FEMA Map Service Center

In Fiscal Year 1996, the Map Service Center (MSC) became the distribution center for all flood-related materials, including the *Flood Insurance Manual*. Customers can now order the manual, flood maps, public awareness materials, and other flood-related publications by placing a single telephone call to the MSC at 1-800-358-9616.

FUTURE INITIATIVES

Q3 Flood Data

The Q3 Flood Data are designed to serve the needs of FEMA for both disaster response and NFIP activities. The Q3 data was developed to satisfy the need to answer basic in/out queries and questions about the location of Special Flood Hazard Areas. This digital product is comprised of three products that include master Flood Insurance Rate Map (FIRM) files, vector FIRM files, and all accompanying metadata. Q3 is designed to allow rapid access to digital FIRM data already being utilized by FEMA. As files become available the vector Q3 Flood Data will be available on CD-ROM and through the internet. Internet users may download these data, along with associated data standards and metadata files by accessing FEMA's Map Service Center at www.fema.gov.

NFIP on World Wide Web

The FEMA web site is one of the top 5 percent most often accessed sites on the internet. Because the NFIP is part of FEMA, we are in the process of designing an NFIP web site that will be linked to the FEMA web site. Once completed, you will find comprehensive NFIP information from flood insurance to floodplain management to risk identification, all at one site. In addition, we are including the FEMA web site URL on all Cover America advertisements and public awareness materials.

The FEMA web site presently contains a wealth of information and can be accessed at www.fema.gov.

New NFIP Coverage to be Introduced

Effective June 1, 1997, new and renewal Standard Flood Insurance Policies will include the Increased Cost of Compliance (ICC) coverage. The coverage will be included under endorsement number 1. Up to \$15,000 of coverage will be available to help people elevate, floodproof, demolish, and/or relocate their flood damaged homes so they are in compliance with current floodplain management ordinances or laws. This coverage is another requirement of the National Flood Insurance Reform Act of 1994.

Flood Insurance and Coastal Development Study

The FIA is working on a study to determine the impact that flood insurance availability in coastal areas has on encouraging development. This study will examine coastal communities to:

- Identify the different categories of coastal communities.
- Identify which of those factors come into play in the studied communities.
- Attempt to assign weights or values to each of the factors used in each community studies.

FIA will use the information to determine where the availability of flood insurance fits into the process in each community studied. To ensure a comprehensive report, FIA is checking with other Federal sources for relevant information about any similar studies that may help with this effort.

Subsidy Study

Section 578 of the National Flood Insurance Reform Act of 1994 requires FEMA to "conduct a study of the economic effects that would result from increasing premium rates for flood insurance coverage made available under the NFIP for Pre-FIRM structures to the full actuarial risk based premium." The study will address areas of the country that will be subject to increased premiums. For each area, the study will determine the amount that premium rates would be increased, the number and types of properties affected, the number of insured properties whose owners would be likely to cancel flood insurance if rate increases are made, the effects of increased premiums on land values and property taxes, and the effects of increased premiums on the economy and homeowners.

Price Waterhouse is under contract to FEMA to conduct the study. Field data collection will occur in the spring of 1997 and the final report will be available in the fall of 1997.

Claims and Underwriting Study

In recent years, the NFIP has experienced remarkable growth in the number of flood insurance policies. At the same time the program's losses have exceeded historical averages. In fiscal years 1993, 1995, and 1996, the Program incurred more than \$1 billion in loss and loss adjustment expenses. As a result of these heavy loss years, the program borrowed more than \$750 million from the U.S. Treasury to cover its expenses. Proper underwriting and loss adjustment expenses are the major determinant of the solvency of the NFIP. In light of this recent loss experience and the increase in the number of policies, the NFIP is undertaking an evaluation of the underwriting and loss adjustment processes.

The study will be performed by an independent contractor and address three interrelated areas: the underwriting and claims requirements of the NFIP, how well these requirements are being met, and the nature and adequacy of FIA's controls over the underwriting and claims processes. FEMA hopes to award a contract for this study in Fiscal Year 1997.

WYO COMPANY LISTINGS

Many of the nation's leading property and casualty insurance companies have opened their doors to flood insurance under the Write Your Own (WYO) Program by signing an arrangement with the Federal Insurance Administration (FIA). All policies are financially backed by the Federal government and companies must follow the rules and regulations of the program. Policies may also be written directly with the Federal Government through the National Flood Insurance Program Servicing Agent.

- * Aetna Casualty & Surety Company
- * Allied Mutual Insurance Company
- * Allstate Insurance Company, Inc.
- * American Bankers Insurance Company of Florida
- * American Family Mutual Insurance Company
- * American Loyalty Insurance Company
- * American Modern Home Group
- * American National Property & Casualty Company
- American States Insurance Company
- * American Sterling Insurance Company
- * The Aries Insurance Company
- * Auto Club Group Insurance Company
- * Auto Club South Insurance Company
- * Auto-Owners Insurance Company
- * Automobile Club Insurance Company
- * Baldwin Mutual Insurance Company, Inc.
- * Bankers Insurance Company
- * Brethren Mutual Insurance Company
- * California State Automobile Association
- * Capital Assurance Company, Inc.
- * Century-National Insurance Company
- * Citizens Insurance Company of America
- * Cooperativa de Seguros Multiples de Puerto Rico
- * Delta Lloyds Insurance Company
- * Eastguard Insurance Company
- * Empire Fire & Marine Insurance Company
- * Everett Cash Mutual Insurance Company
- * Financial Savings Insurance Company
- * First Community Insurance Company
- First Financial Insurance Company
- * First Insurance Company of Hawaii, Ltd.
- * Fortune Insurance Company
- Generali-U.S. Branch
- * Government Employees Insurance Company (GEICO)
- * Great Pacific Insurance Company
- * Hartford Fire Insurance Company
- * Hartford Underwriters Insurance Company
- * Hastings Mutual Insurance Company
- Holyoke Mutual Insurance Company
- Homestead Insurance Company
- * IGF Insurance Company
- * Indemnity Insurance Company of North America
- * Independent Fire Insurance Companies
- * Integrand Assurance Company
- * Island Insurance Company, Ltd.
- ITT Lyndon Insurance Group
- * Liberty Mutual Fire Insurance Company
- * Main Street-Green Tree Group
- * Maryland Casualty Company
- * Middlesex Mutual Assurance Company
- * Millville Mutual Insurance Company
- * Minnesota Fire & Casualty Group
- * Mobile USA Insurance Company, Inc.
- * Mountain States Insurance Group
- * National Grange Mutual Insurance Company
- * National Insurance Company
- * National Lloyds Insurance Company
- * Nationwide Mutual Fire Insurance Company
- * NAU Country Insurance Company
- * New Jersey Re-Insurance Company
- * New York Central Mutual Fire Insurance Company
- * North Sea Insurance Company
- * Old Guard Mutual Insurance Company
- * Omaha Property & Casualty Insurance Company
- * Omega Insurance Company
- * Patrons Mutual Insurance Company
- * Pennsylvania Patriot Insurance Company
- * Philadelphia Contributionship Insurance Company
- * Pioneer Insurance Company
- * PRAICO Insurance Group
- * Preferred Mutual Insurance Company
- * Prudential of America Group
- * Redland Insurance Company
- * Residence Mutual Insurance Company
- * Seibels Bruce Group
- * Selective Insurance Company of America
- * Service Insurance Company
- * Sierra Pacific Insurance Company
- * Southern Farm Bureau Casualty Insurance Company
- * Standard Guaranty Insurance Company
- * State Capital Insurance Company
- * State Farm Fire and Casualty Company
- * TIG Premier Insurance Company
- * Travelers Group
- * Union American Insurance Company
- * Union Mutual Fire Insurance Company
- * Unisun Insurance Company
- * United Ohio Insurance Company
- * United Southern Assurance Company
- * United Surety & Indemnity Company
- * Universal Insurance Company
- * USAA Group
- * U.S. Security Insurance Company
- * U.S. Specialty Insurance Company
- * Utica First Insurance Company
- * Vesta Fire Insurance Company
- * Vesta Insurance Company
- * Western Wisconsin Mutual Insurance Company
- * White Hall Mutual Insurance Company
- * Windsor-Mount Joy Mutual Insurance Company

** Company issued flood insurance policies during Fiscal Year 1996.*



*This document was developed by the NFIP
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with FIA for presentation to NFIP Stakeholders.*

We can't replace your memories,
but we can help you build new ones.

