

October 24, 2016

**To: NAR Insurance Committee**  
**From: Scott Louser, Chair, Flood Insurance Work Group**  
**Subject: Final Report on National Flood Insurance Reform**

### PURPOSE

- Conduct in-depth research and analysis of FEMA flood maps, property mitigation programs and the community rating system.
- Identify opportunities to educate real estate professionals about these flood insurance programs.
- Report back to the Committee with findings and/or recommendations regarding NAR policy.

### OVERALL FINDINGS & RECOMMENDATIONS

- Congress has until September 30, 2017 to reauthorize the National Flood Insurance Program.
- Last time the program was up for renewal (2008), it took 18 short-term extensions and two shut downs before Congress was able to agree to the 2012 Biggert-Waters reauthorization bill.
- Today, Congress is more divided over NFIP reform and further behind schedule than 2012.
- While NAR should continue to work toward a timely, 5-year reauthorization in 2017, NAR should also prepare for the possibility of shorter extensions.
- With the goal of reducing reliance on the 2017 Congressional reauthorization, NAR should:
  - Work to ease FEMA regulations in order to improve flood mapping, streamline property mitigation grant/loan programs and encourage Community Rating System participation;
  - Offer assistance to states that provide private market, mapping or mitigation options in addition to the NFIP; and
  - Create a REALTOR® awareness campaign on the importance of flood insurance both inside and outside of mandatory purchase areas, where few will voluntarily participate.

### FEMA FLOOD MAPPING

- **Advocate for FEMA's adoption of modern flood mapping technologies.** Today, due to a limited budget, the Agency proposes lower quality maps and relies on property owners to spot inaccuracies and pay for the land surveys which are necessary to make corrections. However, by taking advantage of modern mapping technologies including Light Detection and Ranging or LiDAR (like radar but with laser pulses from airplanes), FEMA could more efficiently collect the survey data and produce higher quality maps upfront. Shifting the burden back to FEMA would also minimize the number of property owners that have to spend out of pocket on appeals.
- **Develop a toolkit to encourage/assist state mapping programs.** North Carolina has taken over FEMA's flood maps for the state and shown how using LiDAR and leveraging private-public funding partnerships can produce higher quality maps at lower cost. The Work Group met with NC's mapping director, and he's agreed to work with NAR to help develop a toolkit including model legislation and supporting materials for other states to replicate NC's program. NAR should pursue this partnership.

### **PROPERTY MITIGATION PROGRAMS**

- **Streamline Flood Mitigation Assistance (FMA).** The FMA offers hundreds of millions of dollars annually for state/local grant programs to elevate, flood proof, relocate or buyout high-risk properties. Many communities don't apply for funding because the process is burdensome and, as a result, many property owners don't have access to grants that could help them reduce their risk-based NFIP rate. NAR should work with FEMA to streamline the application process so more communities can participate and also explore expanding pilot programs to offer grants directly to property owners in non-participating communities.
- **Increase cost of compliance coverage (ICC) for pre-flood mitigation.** ICC coverage, which is a standard part of every NFIP policy, offers up to \$30,000 to elevate, relocate or flood-proof properties. However, \$30,000 is not enough to cover the average property expense and FEMA doesn't allow access to ICC funds until after the property floods, when the cost of mitigation increases. By increasing ICC funding to \$75,000 and allowing pre-flood access, more property owners would be able to strengthen structures against future flooding, reducing the potential for additional Treasury borrowing and also keeping NFIP rates affordable.

### **COMMUNITY RATING SYSTEM (CRS)**

- **Streamline the application process for CRS** which offers flood insurance discounts of 5-45% to property owners only in participating communities.
- **Develop educational materials to encourage participation.** The Work Group worked with Dewberry, a FEMA contractor, to develop a three-page overview which could help REALTOR® associations educate their communities about joining (see Appendix A).

### **NAR MEMBER EDUCATION**

- **Create a REALTOR® Flood Awareness Campaign** including testimonials, short videos and before-after examples that educate the public about the flood risk both inside and outside of the mandatory purchase areas and encourages purchasing flood insurance including where not federally required.
- **Work with the International Association of Structural Movers (IASM) to jointly develop mitigation educational resources** re: elevating/relocating properties and identifying potential funding sources, such as ICC coverage, FHA 203k loans, FMA state grants and Fannie Mae's HomeStyle® Renovation Program.
- **Arrange for "Flood 101" Training for NAR members** at the annual meeting in Orlando and follow up with a webinar-based training for members who can't attend. Also work with NAR's convention department, state/local government affairs directors and the Insurance Committee membership to promote, advertise and market these trainings organization-wide.
- **Develop talking points and other information for REALTOR® leaders**, including Regional Vice Presidents to educate members about flood insurance, risk, maps, mitigation, the office of the Flood Insurance Advocate and any other information that could help NAR members.

- **Spearhead/organize a forum with the National Association of Insurance Commissioners** to identify opportunities for state mapping/mitigation and private flood insurance options in addition to NFIP. NAR should invite state insurance commissioners or senior staff members.

### **ACCOMPLISHMENTS**

- Testified twice before Congress – at a Senate Small Business Hearing on NFIP reauthorization and at a House Financial Services Roundtable on improving flood mapping.
- Met with key members of Congress and senior staff to advance NAR priorities for the NFIP Reauthorization.
- Successfully advocated for House passage of H.R. 2901, the Flood Insurance Market Parity and Modernization Act, and advocated for passage in the Senate.
- Met with FEMA leadership to explore ways to address NAR priorities through expedited rulemaking and guidance.
- Persuaded FEMA to explore developing more than one NFIP rate table in order to better align with risk and also to work with NAR to pilot test their “Risk Rate 2.0” Initiative.
- Met with the Federal Housing Finance Agency, Fannie Mae, Federal Housing Administration and many others to encourage acceptance of private flood insurance; most recently, the Federal Reserve, Federal Deposit Insurance Corporation, Office of the Comptroller of Currency, Farm Credit Administration and National Credit Union Administration proposed a new rule to make it easier for private insurers to write flood insurance.
- Forged new relationships with the Smarter Safer Coalition, Association of State Floodplain Managers, MAPS Association of private geospatial companies, Guy Carpenter Reinsurance Brokerage and the International Association of Structural Movers among many others.
- With the help of state REALTOR® Insurance Contacts, met with two dozen state Insurance Commissioners and persuaded the National Association of Insurance Commissioners to make flood insurance reauthorization a priority.
- Working with the state of North Carolina to develop a tool kit including model legislation and supporting materials for other states to take over and produce more accurate maps than FEMA.
- Obtained cost estimates to use LiDAR to map the nation; the estimated nationwide cost is less than \$750 million total, which is only a fraction of FEMA’s budget.
- Obtained FEMA data and analysis to better assess national flood insurance affordability.
- Worked with Dewberry to develop Community Rating System (CRS) educational overview for REALTOR® associations to educate communities (Appendix A).

### **CONGRESSIONAL MEETINGS**

- Rep. Blaine Luetkemeyer, Chair, House Financial Services Subcommittee
- Rep. Maxine Waters, Ranking Member, HFSC
- Sen. Heller, Chair, Senate Banking Subcommittee
- Rep. Steve Scalise, House Majority Whip

- Reps. Dennis Ross, Patrick Murphy and Bill Posey, all flood bill sponsors

**FEMA REPRESENTATIVES**

- David Stearrett and Joe Cecil, Office of the Flood Insurance Advocate
- Andy Neal, Chief Actuary, NFIP Insurance Rates
- Carolyn McGill, Increased Cost of Compliance & Claims Program
- Ryan Janda, Flood Mitigation Assistance Grant Program
- Jana Green, Risk Mapping, Assessment & Planning Program (RiskMAP)
- Bill Lesser, National CRS Coordinator

**STATE & LOCAL OFFICIALS**

- John Dorman (North Carolina Flood Mapping Program) re: NFIP flood maps
- Chad Berginnis (Association of State Floodplain Managers) re: FEMA mitigation grants.
- Larry Larson (ASFPM) re: National Academies of Sciences’ study on NFIP rate methods.
- Sue Hoegberg (Dewberry) re: the science of developing flood maps as a FEMA contractor.
- Maggie Mathis (Dewberry) re: increasing CRS participation as an advisor to communities.
- Scott Giberson (CoreLogic) re: need for FEMA flood maps and additional educational tools.
- Jenn Fogel-Bublick (Capitol Counsel); Steve Ellis (Taxpayers for Common Sense); and Josh Saks (National Wildlife Federation) re: NAR’s coalition with SmarterSafer to renew the NFIP.
- Tim Trautman (Charlotte-Mecklenburg County) re: one of the country’s most effective mitigation grant programs.
- Rodd Scott (International Association of Structural Movers) re: historic property mitigation.

**NAR WORK GROUP MEMBERS**

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## **APPENDIX A: OVERVIEW OF THE COMMUNITY RATING SYSTEM**

The National Flood Insurance Program's (NFIP) Community Rating System (CRS) recognizes community floodplain management activities that exceed the NFIP standards. **CRS recognizes these efforts by reducing the cost of flood insurance premiums from 5 percent to 45 percent for flood insurance policies in communities that participate in CRS.**

CRS recognizes [19 creditable activities](#) organized under four categories: Public Information, Mapping and Regulations, Flood Damage Reduction, and Flood Preparedness. Based on the number of credits received, a community is ranked in one of ten CRS classes with class 1 requiring the most credit points and giving the largest premium reduction.

**Your community is likely already doing many of the activities that will earn credit under CRS.** The many benefits of CRS participation include:

- Insurance premium savings can help offset the elimination of certain premium subsidies as a result of [NFIP reforms](#).
- Enhanced public safety through outreach, warning systems and other projects and programs.
- Savings on flood insurance policies covering community-owned and leased buildings.
- Economic development through implementation of eligible activities and more money staying in your community instead of being spent on insurance premiums.
- Constituents are reminded your community is working to reduce flood losses and lower insurance costs.
- Outreach activities build a knowledgeable constituency who support flood protection.

### **What Prerequisites Apply?**

To join CRS, a community will need to meet the following prerequisites:

- The community must have been in the NFIP for at least one year.
- The community must schedule a [Community Assistance Visit](#) (CAV) with FEMA or the [NFIP State Coordinator](#), and the CAV must result in a determination that the community is in good standing with NFIP floodplain management requirements.
- Earn 500 or more CRS credit points for creditable activities as discussed above.
- For communities with repetitive loss properties: the properties must be mapped and a review of the repetitive loss flooding problem performed; an annual outreach project to the properties in the mapped repetitive loss areas must also be implemented. Communities with ten or more repetitive loss properties must prepare, adopt, and implement a plan to reduce damage in repetitive loss areas.
- The community must maintain all flood insurance policies required for community-owned properties.

*Repetitive loss properties are those properties for which two or more claims of more than \$1,000 have been paid by the NFIP within any 10-year period since 1978. (e.g., two claims during the periods 1978–1987, 1979–1988, etc.)*

## How Do I Join?

The CRS application is a multi-step process that includes coordination with the FEMA Regional office, [State NFIP Coordinator](#) and Insurance Services Office, Inc. (ISO). The overall application timeframe will vary based upon the extent and timeliness of follow-up activities required within the steps shown in Figure 1. However, at the minimum, the entire process is likely to take one year to complete.

### Who is ISO?

*Insurance Services Office, Inc. (ISO) helps FEMA administer the CRS program. ISO staff review CRS applications, verify credit points, and perform other support tasks.*

Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7
Evaluate ROI and Obtain Commitment from Community Decision Makers	Notify FEMA and State Coordinator of Interest in CRS	Begin Compiling Application Documentation	FEMA or State Holds CAV and Submits 'Letter of Good Standing' to ISO	ISO Schedules/ Completes Verification Visit	Community is Granted 30 Days to Compile Missing Documentation	Community Enters into CRS the Following May or October

Figure 1: CRS Application Process Timeline

## What Requirements Apply Once Your Community has been accepted in CRS?

### CRS Annual Recertification

Each year your community must recertify by October 1 that it is continuing to perform the floodplain management activities that are being credited by CRS. Each August, the ISO/CRS Specialist sends the community a list of its credited activities. The community must note whether it is still implementing each item on the list. Some activities have additional documentation that must be submitted with the annual recertification. These are also noted on the list that is sent to the community. In addition, the community must provide detailed information regarding development in the Special Flood Hazard Area (SFHA) during the past year in the form of a [completed CRS Program Data Table](#).

A community may add credited activities each year to improve its CRS class rating.

*After joining CRS, a community must remain in full compliance with NFIP minimum requirements in addition to the higher standards credited under CRS. In the event that FEMA becomes aware that a community is no longer fully compliant with these standards, it will be retrograded to a CRS Class 10 (i.e. no longer participating in CRS) and any flood insurance premium discounts previously awarded will no longer apply.*

### **Elevation Certificates**

It is a requirement for all CRS communities to maintain FEMA [Elevation Certificates](#) on all new and [Substantially Improved](#) structures in the SFHA after the date of the initial CRS application. Alternatively, for non-residential structures that meet the NFIP Dry-Floodproofing requirements, a FEMA Dry-Floodproofing Certificate must be maintained in place of the Elevation Certificate. Your community may receive a varying number of points for maintenance of FEMA Elevation Certificates depending on how extensively your community chooses to apply the requirement. The required Elevation Certificates must be based upon the “finished construction” of the structure. An important part of this requirement is for the community official to review Elevation Certificates for completeness and correctness. These completed Elevation Certificates must be kept on file and easily accessible.

### **CRS Cycle Verification**

In addition to the annual recertification process, cycle verifications are conducted every five years after the original application date for Class 6–9 communities. Cycle verifications for Class 1–5 communities are performed on a three-year cycle. During the verification visit, the ISO/CRS Specialist will review your community’s floodplain management program, verify that CRS credited activities are being implemented, request appropriate documentation, fill out activity workbooks, and calculate the verified credit points in the same way as in the initial verification visit. The verification visit will usually include some field verification.

#### **Helpful Resources**

*The [CRS Coordinator’s Manual](#) is the comprehensive resource for information about the program, including details on recertification and verification visits and credited activities and documentation.*

*The [CRS Application Letter of Interest and CRS Quick Check](#) document provide communities with a sample letter of interest and the “CRS Quick Check” tool for documenting their current activities and calculating their possible credit points.*

*Find out what [training is being offered and view CRS videos](#).*

