

Meeting Name:	Flood Insurance Premium Assistance Taskforce Meeting 2
Date:	March 6, 2024
Start Time:	1:00 PM
End Time:	3:23 PM
Venue:	Capital Associates Building Forster Room / Microsoft Teams Meeting

Attendees

Commissioner Michael Humphreys (Chair), Senator Lisa Baker (Alternates: Mark Grochocki/Chris Ramsey), Deputy Secretary Stacey Cameron, Director David ‘Randy’ Padfield (Alternate: Tom Hughes), Senator Steve Santarsiero (Alternate: Cory Smith), Representative Perry Warren, Representative David Zimmerman

Minutes

Meeting Objectives

Roll call, welcome, public comment, PSU Presentation, Panel Discussion

Welcome

- Approval of meeting minutes or changes
- Motion to approve minutes
 - Deputy Secretary Cameron
 - Representative Warren
- Minutes approved

Public Comment Period

- None

Penn State Harrisburg Presentation

- Partnering for Protection: A Study of Flood Insurance in Pennsylvania Across Three Professional Roles
- The presentation will focus on key findings of the research
 - The Penn State Harrisburg research team conducted 30 interviews including those with realtors, insurance agents, and banking/lending professionals
 - The interviews explored flood insurance purchasing habits of clients & communication efforts
- Real estate professionals
 - Interviews noted that often they are the first line of interaction for folks trying to buy a home
 - It is important that clients receive transparent information and have access to digital tools for accurate flood data

- Insurance professionals
 - Insurance professionals are the individuals who clients are talking to get information on flood risk and insurance coverage
 - Detailed education on insurance options is important to help clients make better purchasing decisions
- Lending Professionals
 - It is vital to integrate flood insurance into other financial aspects of property ownership
 - These professionals also can help protect borrowers against flood losses
- Professional organizations
 - These organizations are important in advancing industry knowledge and compliance
- Public Sector Agencies
 - These agencies oversee flood insurance programs and implement policies to reduce flood
 - They also can enhance community resilience
- Do the researchers have any specific recommendations?
 - FEMA should publicize their case studies
 - Monitoring and improvement – there should be an updated relevant website with accurate information including:
 - A webinar and webinar series
 - A feedback mechanism on website
 - There should be a requirement for professionals to provide FEMA/PEMA resources to each client that is buying a house
 - Educational resources for renters should be expanded upon
 - Purchasing trend data should be analyzed to inform the flood insurance landscape
 - Further research by the Penn State team should be specifically focused on renters and landlords
 - The team also plans on conducting more qualitative research to gain insight into the consumer perspective
- One consideration should be continuing education - the Commissioner wants to consider legislation that 2/24 hours could be in a flood specific course for P&C agents
- Representative Warren asked - Is there any thought about flood insurance/any further communication that is done with consumers after the home is purchased?
 - Once the purchase of the property is done there is not more communication with the homebuyer
- Representative Zimmerman asked - What cross-section did you see for the interviews?

- The researchers looked through an omnibus survey completed every two years by PSU
- This is broken out by age, sex, region
- They did get a lot of responses from the SEPA regions, South Central PA, etc. not many from Western PA
- Was there difference in responses by region?
 - SEPA had some differences - due to chronic flooding, heard a lot more personal experience
- Deputy Secretary Cameron asked - What types of responses did the research team receive?
 - The poll did not include open ended responses
 - The researchers wanted to get information on who had flood insurance and where they heard about it
 - Further research on consumer experience will be looking at various different people - people that haven't even bought flood insurance, those who live in a flood zone etc.
 - However, this research will not be done before the taskforce's report is due
- Any incremental data the researchers receive can be shared as we move forward in the taskforce – the survey will be conducted first

Panel Discussion

- Terrence - head of user experience research at CODEPa
 - Has facilitated conversations on flood insurance with FEMA
- Bill Bradfield – FEMA region 3 flood insurance liaison
- Cheryl Snyder - compliance and CRA (community reinvestment act) officer - F&M Trust Bank
- Mark Monroe - independent insurance agent in West Chester - Member of Insurance Agents and Brokers
- Mark Kibbe - PA Association of Realtors
- The overarching question of this entire conversation is - How to increase flood insurance coverage across the state?
- To break this question down further there are three main focuses: insurance affordability, communication challenges, perceptions/misperceptions of risk
- What do you think is the single biggest obstacle and why is it an obstacle?
 - Bill B. – Cost is the number one obstacle, affordability keeps coming up, a close second would be awareness of flood insurance and the misconceptions of risk and why flood insurance is expensive - many people think that they are tied together
 - Making financial decisions just to be able to stop paying flood insurance
 - Mark K. – Cost and affordability – how the market has been over the last few years especially with the real estate market being the way it is. Buyers are spending more money to get a house and the added cost of flood insurance can be cost-prohibitive

- Floodplain maps are also a barrier - communication is often around 1 in 100 year floods, which many people take to mean that they do not need flood insurance and these rare floods will not happen to them
- Mark M. - Along with affordability there is often confusion about what flood insurance actually is, flood is used as common terminology and many think that homeowners insurance will cover flood especially if it is in the basement, clear communication is necessary
- Cheryl – The lenders are often the first people to tell clients that they need flood insurance and then look like the bad guys, clients do not want to incur expensive costs, clients are confused about risk - clients avoid needing to pay
- What is the National Flood Insurance Program (NFIP)?
 - The NFIP was created by Congress in 1968, designed to provide flood insurance and adopt minimum standards. The federal government took mapping floodplains and making flood insurance available to consumers
- What do NFIP rates look like?
 - This has gotten to be a tricky question with the advent of risk rating 2.0 which looks at more variables when assessing risk and pricing a policy
 - Floodmaps are only used for mandatory purchase requirements
 - This makes the conversation more challenging
- What is the ballpark of cost for a policy? How do we communicate this?
 - Insurance agents need to be part of this conversation early on - they can run these numbers and have these conversations that others may not be able to have
 - A homebuyer can buy up to \$250K through FEMA, \$100K on contents through FEMA, the range of premiums is \$500 per year to \$5K per year and this depends on where the property is and all of the other factors
- Are NFIP rates continuing to rise?
 - NFIP has tried to right the ship but this included a sharp increase in premiums
 - Created a guidepath but this included an 18% premium increase to get to the final point
 - Risk rating 2.0 - about 25% of premiums decreased - those who were overpaying saw an immediate decrease
 - Others saw a \$10-20 increase but this is in line with the 18% increase they would have seen
- How is the day-to-day bottom line affected?
 - The premiums can become a big chunk of peoples' investments/paychecks. Homes in flood zones take longer to sell
 - Realtors want to make sure that clients are going in with their eyes wide open and are aware of the risk

- Seller's disclosure has a substantial section on flood but agents are responsible for making sure that the buyers are reading these
- Is NFIP the only game in town or is there private coverage?
 - There are private insurance options, they do pretty well with price
 - However, some individuals who have private insurance and experience a disaster can be non-renewed
 - Private insurance has made significant inroads and can offer things out of the regulatory requirements, but private will not write in certain areas because the risk is too high
 - It is always good to encourage folks to get both an NFIP and a private quote
- Usually competition is good - if the private insurance market is doing well, will NFIP premiums be lowered?
 - At this point unsure because NFIP premiums are based on what is coming out of Risk Rating 2.0
- What is the average client cost?
 - \$1K is the average NFIP cost
 - Lower limit policies outside of special flood zones could cover up to \$15K, \$50K etc. that could be offered with cheaper premiums
 - To find the average cost you must look at what data is used to determine premiums
 - Once you remove the mandatory purchase requirement you could start to play with coverage limits and deductibles for someone who wants to insure risk
- How do you help first time homebuyers who can't afford flood insurance?
 - Are there federal or state resources that could help people?
 - It depends on the program - higher debt to income ratios - primarily subsidized by the govt
- It shouldn't be by the time you get to the mortgage company when you find out you need to pay for flood insurance
 - States nearby improved and strengthened disclosures
 - Provided them earlier on in the process
- When would be the most helpful to have disclosures?
- Currently, disclosures are filled out by seller, provided to client before offer, but is a public document
 - When real estate agents show a house they have an estimated cost sheet that includes insurance
- Disclosures usually ask the homebuyers to attest to the "best of my knowledge" regarding flood and are not always as complete/accurate as they should be
- The timing of the flood certification might affect pricing of flood insurance

- In MLS system there is a button agents can hit to show a flood map and give an initial indication whether a property is in a flood zone
- Is it a recent development for Zillow etc. to include flood zones on it?
 - A couple of home-buying platforms will include hazard risk and provide factors 1-10
 - However this does not communicate actual risk
- If you've got a federally backed mortgage and are in special flood hazard area you must have flood insurance, if you are outside of it then you do not have to purchase insurance. How are you communicating flood risk?
 - The lender is required by regulation to notify the borrower before settlement and within a reasonable time frame
 - This is provided via form letter, but there will usually also be a phone call or meeting
 - This is communicated at the point of first contact meaning lenders are most likely the first people to communicate the flood risk to the client
- Are you doing anything to dispel flood insurance misconceptions with their clients?
 - Insurance agents can do email blasts to clients
 - Could look to establish a month to promote flood insurance
 - There is flood awareness week, MD has a flood awareness month, communication is often pushed to NFIP and Emergency Management offices
- How might the audience differ and how aware are they of this messaging? Is anyone looking at how things must be communicated depending on different areas of the state?
 - Clients need to be spoon-fed from people they trust during the process
- Flood insurance rate map is the cause of some confusion - how is FEMA trying to get around the potential misperception by having these flood maps still available online?
 - With risk rating 2.0 - flood maps are no longer used for rating, FEMA is looking at a broader range of storms, but the flood maps are still available, causing confusion
- Would people be receptive to a few hours of flood insurance Continuing Education Credits?
 - The insurance agents do not see why this would be an issue
 - Realtors also believe it makes sense to have this included
 - Pre-licensing for realtors mentions flood training but there is not much in-depth information
- Are more companies and more policyholders implementing or accepting water mitigation devices/early warning systems? How do they tie to reductions?
 - This is something that DC adopted
 - Consumers could get credit for the elevation of utilities, etc.
 - There used to be significant discount for mitigation activities from the NFIP but many of these have gone away

- NFIP will recognize 3 mitigation efforts and discount premiums
 - Simply elevating a structure is not solving the problem, you are just at less risk
- For those who are looking to purchase a home in cases where communities have taken steps to help mitigate flooding is that something the industry responds to?
 - If the community is in a CRS, they will receive discounts
 - Depends on if they are participating in CRS, discounts can be 5%-45%
 - With new pricing model, a homebuyer does not have to invest in a surveyor coming out for home elevation
- Green stormwater infrastructure (GSI) - is this going to result in a reduction of premiums and is this information going to be proactively communicated?
 - This would not be recognized in any way at this time
- How do flood plain ordinances affect a client's chances of getting a mortgage or favorable rate?
 - These have no impact
- Do community leaders understand there is a benefit to entering into the CRS?
 - Flood plain management is extremely challenging especially due to the number of municipalities and the differences across each, ordinances are different and flood plain management programs require infrastructure and administrative investments
 - Code enforcement also needs to have stricter implementation
 - This is less an awareness issue than it is a cost issue – it is hard to enter CRS without funding a position to do this work
- Does FEMA have a flood communication playbook?
 - FEMA will look into this
- Is there a possibility that some people understand the risk but they just don't want to pay the cost? They are tied to their homes?
 - Some folks are avoiding premiums in any way they can even though they are still close to the flood zone
 - Many people said that they did not want to be told that they had to move
 - The big trick is the underserved communities or the renters that do not know they are in the flood zone or the new homebuyers who are unaware that they are in the flood zone until late into the process
- If homes are built - they can do things to lower insurance premiums? How can this be communicated?
 - This is where flood plain management comes in - have to submit building permit -and tell people what is approved and what is not
 - This gets into land development and moving homes away from water sources on the same parcel of land

- It is important to get knowledge into homeowners hands
 - Another issue is low-income properties that are all of a sudden in a flood zone and owners cannot afford flood insurance, but cannot sell the property so they are stuck
- What is the plan for increasing insurance coverage across PA?
 - We need to work with flood plain management to make inroads
 - Education of consumer is another important piece
 - Educating people that there is a flood risk, get IAB into "good neighbor day"
 - The three sectors need to collaborate earlier on and work together on how to open buyers' eyes
- What's in it for each of you?
 - Cheryl (lender) more loans and more income off loans
 - Mark M. (insurance agent) more policyholders
 - Mark K. (realtor) sell more homes if this is more affordable
- What kind of thought process or potential impact happens in the workplace when NFIP is not extended for a long amount of time?
 - It halts any progress for someone buying a building (home, business etc.)
 - FEMA delivered an affordability framework to Congress to make flood insurance more affordable, but Congress has not acted
- Have you seen a better coordinated system in other states? Better resources?
 - Things work better when it's more regionalized, if the NFIP were to regionalize like DEP or PennDOT it could work better
 - Stormwater management is important - Bethlehem has been using stormwater management to be more competitive for grants to improve communities
- What are potential incentives that might encourage insurance agents to market flood insurance?
 - The more clients the more income the agency receives
 - This could help round out clients' coverage
 - There are no financial incentives that can be given to agents
- Instead of actively having people add flood insurance, we could have them deny flood insurance
- How to incentivize municipalities and get more municipalities within a country to get CRS certified
 - Creating a central resource to help communities talk about what they need to get to different CRS levels would be helpful
 - Many communities would not have to do a whole lot to reach these CRS levels

- It is an administrative burden, but maybe a grant could offset this administrative burden

Next Steps:

- April 3rd in the Yardley area, location will be sent out shortly
- Tour of the area and see some of the mitigation efforts
- Discuss - community hurdles, different programs (mitigation etc.), guest speakers
- Themes so far - training (CE requirements), sample flood forms, credit/discount opportunities, CRS, how we help people already in areas that have been re-designated, consumers' perspective on what would impact them during the homebuying process, early request of flood zone certification
- March 18-22nd flood awareness week

Adjournment

- Adjourned at 3:23

Next Steps

- Next Meeting 4/3