

HURRICANE SANDY REBUILDING STRATEGY

Progress Update — Insurance



Spring 2014



Credits for Images on Cover Page:

Cover (Left) Photo: Levkr, "Road Under Reconstruction," iStockphoto/Thinkstock.com.

Cover (Center) Image: The Big U, Rebuild by Design Team, "The Battery Berms,"/Rebuildbydesign.org.

Cover (Right) Photo: Luvemakphoto, "After Hurricane Sandy: Ashbury Park," iStockphoto/Thinkstock.com.

BACKGROUND

On August 19, 2013, the Hurricane Sandy Rebuilding Task Force released its [Rebuilding Strategy](#) for the Sandy impacted region. The Rebuilding Strategy included a long-term plan for rebuilding that guides Sandy Supplemental spending to drive regional coordination and make communities more resilient to future disasters. The Rebuilding Strategy also aligns federal, state and local policies to achieve seven goals that are important to the long-term rebuilding of the region in the most economically efficient, ecologically robust and innovative ways possible. These goals are:

- Promoting Resilient Rebuilding through Innovative Ideas and a Thorough Understanding of Current and Future Risk
- Ensuring a Regionally Coordinated, Resilient Approach to Infrastructure Investment
- Restoring and Strengthening Homes and Providing Families with Safe, Affordable Housing Options
- Supporting Small Businesses and Revitalizing Local Economies
- Addressing Insurance Challenges, Understanding, and Affordability
- Building State and Local Capacity to Plan for and Implement Long-Term Recovery and Rebuilding
- Improving Data Sharing Between Federal, State, and Local Officials

The Rebuilding Strategy identified 69 specific recommendations across these broad goals as well as specific member agencies¹ to lead the implementation of each of them. Since the publication of the Rebuilding Strategy, these agencies have continued to work closely together to move the recommendations forward and deliver on their commitments to the region and the President.

This report includes an update on the implementation of one of the Rebuilding Strategy goals. This report is one section of a larger report that includes each of the seven Rebuilding Strategy goals and the internal efforts to improve data sharing and accountability through the Sandy Program Management Office (PMO); recommendations are grouped according to these goals. This shorter report includes background information from the original Rebuilding Strategy, identifies the relevant leading agencies¹, and includes brief updates on highlighted areas of progress made since the publication of the Rebuilding Strategy through the spring of 2014. Additional Rebuilding Strategy goal reports and a report on the PMO can be downloaded individually or can all be downloaded in the full report. A full list of the Rebuilding Strategy recommendations is included in the full report as an appendix to the report. To learn more about the Task Force or the Sandy Supplemental, to read the original Rebuilding Strategy, or to see the status of the Sandy Supplemental funding, please visit the following websites:

- Executive Order 13632, establishing the Hurricane Sandy Rebuilding Task Force: <http://www.gpo.gov/fdsys/pkg/DCPD-201200936/pdf/DCPD-201200936.pdf>

¹ While the Rebuilding Strategy identified specific agencies (such as the Department of Housing and Urban Development) to lead implementation, in some cases these leads have changed, or more specific subcomponents of or offices within an agency (such as the Office of Community Planning and Development) have been identified. Further, for some recommendations, the Rebuilding Strategy also identified contributing or supporting agencies. This progress report reflects the latest lead agencies only, and does not include contributing agencies, which in some cases have played a significant role to support implementation.

- Disaster Relief Appropriations Act, 2013, or “Sandy Supplemental,” which provided \$50 billion in disaster relief funding to Federal agencies: <http://www.gpo.gov/fdsys/pkg/PLAW-113publ2/pdf/PLAW-113publ2.pdf>
- The Hurricane Sandy Rebuilding Strategy, published by the Task Force on August 19, 2013: <http://portal.hud.gov/hudportal/documents/huddoc?id=HSRebuildingStrategy.pdf>
- Recovery.gov Hurricane Sandy maps, for the latest status of Sandy Supplemental funds by state: <http://www.recovery.gov/Sandy/whereisthemoneygoing/maps/Pages/HudPmo.aspx>

REBUILDING STRATEGY GOAL: ADDRESSING INSURANCE CHALLENGES, UNDERSTANDING, AND AFFORDABILITY

When risks are known and disasters are imminent, individuals can take immediate precautions, such as boarding up windows when the forecast predicts high winds, seeking shelter during tornadoes, and clearing basements of valuables in the face of floods. Businesses can likewise prepare for disruption and, in some cases, plan to operate remotely. For risks less imminent and/or more difficult to predict, insurance can be an important line of defense against economic loss. In the absence of insurance, the cost of repairing damaged property is usually borne by the property/business owner or through Federal assistance and often has negative social consequences—disrupting lives and livelihoods.

There are two approaches to reducing the cost of recovery from future disasters. The first is to mitigate and reduce risk by moving out of harm's way or hardening properties to better withstand floods or other hazards. The second is to insure property and spread the risk. The Task Force is proposing initiatives to encourage investment in both hazard mitigation and insurance. For these approaches to be effective, individuals need to understand their risks, take steps to reduce risk, and invest in applicable insurance products that will adequately transfer their risk in the case of a disaster.

Lead Agencies

Department of Housing and Urban Development (HUD)
Department of Treasury (Treasury)

Federal Emergency Management Agency (FEMA)

Progress Update

With the recent passage of the [Homeowner Flood Insurance Affordability Act of 2014](#), there are legislative requirements that now further support and provide guidance to assist in implementing and completing the insurance recommendations in the Rebuilding Strategy.

For example, the legislation calls for the standing up of a Technical Mapping Advisory Council (TMAC) to provide guidance on various aspects of improving mapping, including incorporation of the best available climate science to assess flood risks and use of the best methodology for impact of sea level rise. The recommendation to improve the National Flood Insurance Program (NFIP) policyholder awareness of factors that affect flood risk and insurance rating decisions is supported by the Act which requires a Flood Insurance Advocate. In part, the Advocate will be responsible for educating policy holders about their individual flood risks, their options in choosing a policy and assisting property owners through the map appeal process. The TMAC will better equip FEMA to make accurate long-term rating decisions and is critical to the effectiveness of the Flood Insurance Advocate.

Another recommendation that will be implemented through the Homeowner Flood Insurance Affordability Act of 2014 is the analysis of the affordability of flood insurance and the impact of increased premiums on

economically distressed households. The Act retains the provision from the Biggert-Waters Flood Insurance Reform Act of 2012 that requires FEMA to conduct an affordability study, but adds additional criteria to be included in the study, and also requires FEMA to draft an affordability framework to address the issues of affordability of flood insurance sold under NFIP.

A final example is the recommendation to encourage increased hazard mitigation activities, including elevation, in order to protect property against future losses. This recommendation will be met through the Act's requirement that FEMA establish guidelines for property owners that provide other alternative methods of mitigation, other than building elevation to reduce flood risk to residential buildings that cannot be elevated due to their structural characteristics. FEMA must also inform property owners about how the implementation of mitigation methods may affect their risk premium rates for flood insurance coverage under the NFIP. Upon implementation of these legislative requirements, the recommendations will be completed or revised accordingly.

What this means for communities

The new legislation will ensure that key components of the Task Force recommendations will be implemented and even expanded upon – resulting in **homeowners having more information** and a **new affordability framework** for the NFIP.

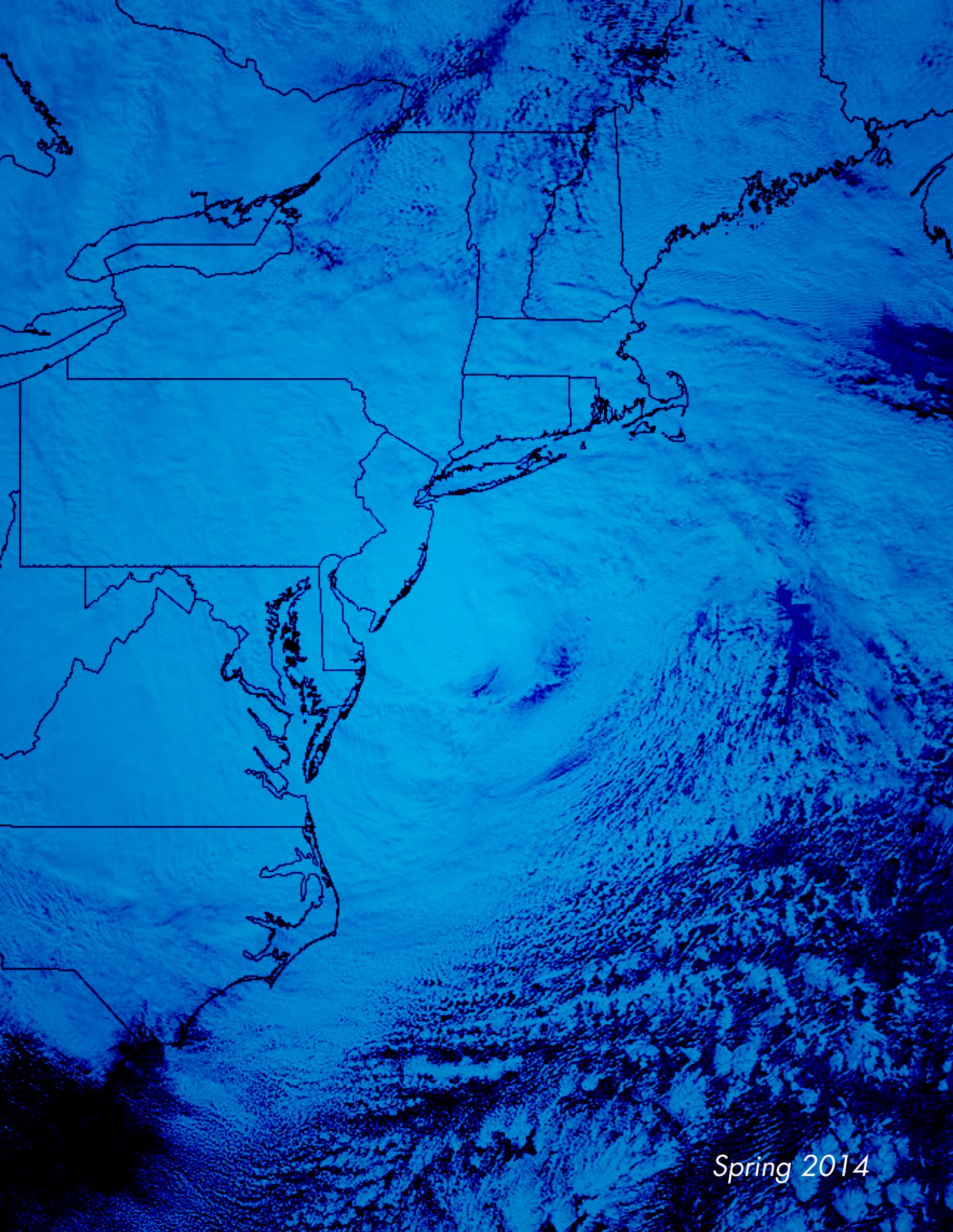
For More Information

- For NFIP reform and updates: <http://www.fema.gov/flood-insurance-reform>

INSURANCE RECOMMENDATIONS FROM THE HURRICANE SANDY REBUILDING STRATEGY

Insurance: Addressing Insurance Challenges, Understanding, and Affordability

1. Establish Unified Insurance Disbursement Process.
2. Support efforts to reduce consumer confusion regarding risk and insurance coverage while working to increase hazard preparedness.
3. Improve National Flood Insurance Program (NFIP) policyholder awareness of factors that affect flood risk and insurance rating decisions.
4. Encourage increased hazard mitigation activities including elevation in order to protect property against future losses.
5. Continue to assess actuarial soundness of decreasing premiums based on mitigation activities other than elevation.
6. Analyze affordability challenges of flood insurance and the impact on economically distressed households facing premium increases.



Spring 2014