

## **Topline Summary of Flood Insurance Reauthorization and Reform Legislation**

*Reauthorizing the National Flood Insurance Program (NFIP) is essential to our housing market and our economy. Families and businesses continue to face great affordability challenges, and communities and homeowners continue to lack the means and the tools necessary to engage in robust mitigation. Further, Americans deserve a fair, transparent, and accountable claims process that puts the policyholder first. The provisions described below ensure that the NFIP can continue its important work of building resilient communities and protecting property and life in the face of disaster.*

**Reauthorization** – Long-term reauthorization of the NFIP and its National Flood Mapping Program will ensure stability and confidence in the market while providing critical signals about flood risk.

- Reauthorize the National Flood Insurance Program for ten years; and
- Reauthorize the National Flood Mapping Program for ten years, including authorizing \$7.5 billion for the Risk MAP program.

**Affordability** – The NFIP was created to make flood insurance affordable and available, yet rising premiums, fees, and surcharges are leaving many policyholders struggling to make ends meet. Further, current policyholders are burdened with a \$24.6 billion debt that is the direct result of Congressional design.

- **Prohibition on Premium Increases and Other Fees**
  - Prohibit future premium increases above current law and maintain grandfathering;
  - Repeal surcharges mandated by the Homeowner Flood Insurance Affordability Act (HFIAA), saving homeowners and small businesses anywhere from \$25 to \$250 annually; and
  - Require FEMA to identify policyholders with annual premiums in excess of one percent of total coverage.
- **Affordability Assistance Program**
  - Authorize the creation of an affordability assistance program, to be administered by FEMA, which allows eligible policyholders to receive financial assistance to pay their premiums. FEMA would be directed to create a tiered voucher system with the level of assistance reflective of an individual's area median income (AMI); and
  - Allow FEMA to grant a one-time credit of \$500 for the cost of obtaining an elevation certificate.
- **Address the \$24.6 billion debt**
  - The NFIP debt must be addressed. At a minimum, we should redirect the estimated \$400 million that FEMA pays annually in interest on its debt towards the cost of providing affordability assistance under the newly created affordability assistance program.

- Provide relief to Main Street
  - Create a definition for “small business” that would allow FEMA to direct premium assistance to Main Street and be eligible for the elimination of the HFIAA annual surcharge.
- Disclosure of Premium Methodology
  - Require FEMA to develop a transparent public process to explain and engage with the public on its methodology to determine premium rates for NFIP coverage.
- Use of Replacement Cost In Determining Premium Rates
  - Require FEMA to use the replacement cost value of structures when establishing rates.
- Consideration of Coastal and Inland Locations in Premium Rates
  - Require FEMA to consider the differences in properties in local coastal and inland areas, including sea level rise, when establishing rates.
- Monthly Installment Payments of Premiums
  - Authorize the FEMA Administrator to expedite the implementation of the monthly installment payment of premium provision in current law.
- Refund of Premiums Upon Cancellation of Policy Because of Replacement with Private Flood Insurance
  - Require FEMA to align with private sector practices and allow policyholders who cancel their NFIP policies during the middle of the policy term to receive refunds on a pro-rated basis if the policyholders elect to replace their NFIP policies with a private policy, provided that the property has not been mitigated using NFIP funds.
- Establish Flood Damage Savings Account
  - Encourage the development of optional Flood Damage Savings Accounts for individual policyholders who wish to reduce or eliminate their NFIP premiums, which shall be used for pre-disaster and/or post-disaster mitigation.

**Private Market Development and Consumer Protection** – The development of a private market for flood insurance can offer families and businesses choices, but any such development must preserve affordability and availability of coverage for all.

- Establish Private Market for Flood Insurance
  - Clarify that private policies meet the mandatory purchase requirement for certain classes of properties, and include provisions that enhance safety and soundness in the housing market;
  - Require private policies to include the federal policy fee, which contributes to the cost of flood mapping, to be remitted to FEMA;
  - Require private policies to include the Increased Cost of Compliance (ICC) fee, which contributes to the cost of mitigation, to be remitted to FEMA; and

- Limit the availability of private flood policies to properties in NFIP participating communities.
- Risk-Sharing Pilot with Write-Your-Own Companies
  - Allow WYOs to assume a first-loss position on claims up to \$50,000.

**Flood Mapping Reform** – Flood maps help communities understand and prepare for flood risk. It is estimated that taxpayers save over \$2 for every \$1 spent on flood mapping.

- Use of Other Risk Assessment Tools in Determining Premium Rates
  - Authorize the use of other risk assessment tools, such as risk assessment scores, in addition to applicable flood rate maps when determining annual premium rates;
- Improve Flood Mapping Technology
  - Direct FEMA to build on its technological capacities by funding the acquisition and use of the latest technologies, such as LiDAR data to update its flood maps;
  - Require FEMA to use the most current coastal flood modeling available
- Updating Flood Zone Classifications
  - Direct FEMA to assign credit to areas that have partial mitigation in levee-protected areas; and
  - Include the text of H.R. 2170, the Flood and Agriculture Risk Management Cost Reduction Act of 2017 (*LaMalfa-Garamendi*), which exempts agricultural structures from the requirement to elevate new or rebuilt structures above the base flood elevation, directs FEMA to develop a new flood zone that includes levee basis not protected by levees, and authorized the development of a pilot program for umbrella policies that allow multiple structures on a property to be insured under the same policy.

**Updates and Reforms to the NFIP’s Mitigation**– Investing in the resiliency of high-risk communities on the front-end saves taxpayer dollars on the back-end. It is estimated that \$4 is saved for every \$1 spent on mitigation.

- Create Pilot Program For the Voluntary Removal of Flood-Prone Properties
  - Authorize FEMA to create a pilot program to provide financial assistance for low-income homeowners and incentivizes communities to purchase and acquire properties that have incurred substantial damage from a flood event.
- Increased Cost of Compliance Coverage
  - Include the text of H.R. 1929, the Empowering Homeowners to Mitigate Flood Damage Act of 2017 (*Crist*), which doubles the maximum amount of coverage under the NFIP’s Increased Cost of Compliance (ICC) program from \$30,000 to \$60,000 per structure and clarifies that such payments do not count towards NFIP maximum claim or coverage limits;
  - Include flexibility to use funds for pre-disaster mitigation; and

- Expand eligible activities to include non-traditional mitigation that is appropriate for commercial and multifamily buildings.
- Simplify FEMA’s Approach to Designating and Addressing Multiple Flood Loss Properties
  - Provide a simpler and more useful definition of repetitive loss properties by creating an umbrella designation – “multiple loss properties” with three distinctions: “repetitive loss”, “severe repetitive loss”, and “extreme loss” properties; and
  - Target funding through FEMA’s existing Flood Mitigation Assistance program to prioritize projects to address multiple loss properties with up to a 100 percent cost share.
- Efficient Use of Mitigation Dollars
  - Create and fund a regional coordinator of the Community Rating System (CRS) to provide technical assistance for small communities to effectively participate and benefit from the CRS; and
  - Prioritize mitigation funds for low-income communities and low-income properties, such as Section 8 properties.
- Create Pilot Program for Investigation of Preexisting Structural Conditions
  - Authorize FEMA to create a pilot program that allows, prior to insurance coverage or renewal, the WYO companies, at the request of policyholders, the ability to investigate preexisting structural conditions of insured properties and potentially insured properties that could result in the denial of a claim under the NFIP in the event of a future flood loss.
- Improve the Army Corps of Engineers
  - Direct the Army Corps to consider flood risk when calculating its cost-benefit analysis to better target the planning and funding of mitigation projects.

**Strengthen Taxpayer Protections** – Taxpayers benefit from a strong and viable NFIP.

- Financial Soundness
  - Require an annual independent actuarial study of the flood insurance fund.
- Risk Transfer Authority
  - Provides authority to use risk transfer tools, such as reinsurance, catastrophe bonds, collateralized reinsurance, resilience bonds, and other insurance-linked securities, to reduce direct taxpayer exposure to insurance losses.
- Allowance for Write-Your-Own (WYO) Companies
  - Establish a cap on WYO compensation at no more than 25 percent.

**NFIP Claims Processing and Superstorm Sandy Reforms** – Superstorm Sandy brought to light widespread issues with the transparency, accountability, and oversight of claims payments and claims processing. Policyholders deserve better.

- Improvement of Administrative and Litigation Process for Claims Adjudication
  - Include the text of Section 5 of H.R. 1423, the National Flood Insurance Program Reauthorization and Improvement Act of 2017 (*Velazquez*), which makes a number of improvements to the administrative and litigation process for policyholders; and
  - Require FEMA to provide policyholders with a direct point of contact within the Office of the Flood Insurance Advocate to discuss the status of their claim, appeal, or other questions related to the processing of a claim.
  
- Improved Disclosure Requirements
  - Include the text of Section 3 of H.R. 1423, the National Flood Insurance Program Reauthorization and Improvement Act of 2017 (*Velazquez*), directs FEMA to produce both a plain language disclosures sheet and a plain language acknowledgement sheet to policyholders that is made available in Spanish and other languages; and
  - Require landlords to disclose to tenants the flood zone classification of the property, whether the property is covered by flood insurance, and the availability of contents coverage from the NFIP or the private market.
  - Direct FEMA to create a flood loss disclosure of known flood loss history for the property, regardless of change in ownership, and require sellers or landlords, agents, and homebuyers or tenants, to sign and date receipt of the disclosure.
  
- Improvement of Oversight and Training of Engineers
  - Include modified text of Section 6 of H.R. 1423, the National Flood Insurance Program Reauthorization and Improvement Act of 2017 (*Velazquez*), which improves the oversight of engineers assessing any claim of loss covered by a SFIP; and
  - Establish a pilot program to develop partnerships with local universities and colleges to provide technical courses on flood claims adjustment and the NFIP claims process.
  
- Increase Penalties for Bad Actors
  - Prohibits the FEMA Administrator from hiring any attorney in connection with the program who has been suspended or disbarred;
  - Direct FEMA to report on Congress on ways to minimize fraud in the Program; and
  - Require FEMA to conduct yearly reviews of all private entities that contract with the NFIP to provide services related to policies or claims, including adjusting, engineering and legal services to promote policyholder protection and the prevention of fraud.

**Improve and Increase Coverage** – Flood insurance helps families and businesses pick up the pieces following a disaster. The more properties that are covered, the better protected our communities will be.

- Increase Coverage Limits
  - Increase coverage limits from \$250,000 to \$500,000 for residential structures and \$500,000 to \$1,000,000 for multifamily and commercial structures.
  
- Increase Take-Up Rates and Strengthen Mandatory Purchase Compliance

- Create an office of lender liaison to coordinate with Federal banking regulators, including the compilation of data on mandatory purchase compliance. The office will be required to produce a report on the compliance rate, including recommendations to achieve 100 percent compliance;
- Direct FEMA to re-publish its previously published guidelines on mandatory purchase; and
- Direct FEMA to update its Q&A's for compliance questions on mandatory purchase.