

# National Flood Insurance Program

## Congressional Action Needed

- Authority for the National Flood Insurance Program (NFIP) expires on September 30, 2017.
- Urge Congress to pass a multiyear reauthorization with needed private market reforms to avoid adding uncertainty to real estate markets.

## Congressional Actions To Date

- House Financial Services Subcommittee Chair Sean Duffy (R-WI) is now drafting an NFIP reauthorization bill that includes mapping, mitigation and private market reforms; the Senate is waiting on the House bill.
- Senators Heller (R-NV) and Tester (D-MT) and Reps. Ross (R-FL) and Castor (D-FL) have reintroduced the “**Flood Insurance Market Parity and Modernization Act**” (S. 563/H.R. 1422) to reduce barriers to private flood insurance.

## What To Tell Your Representatives And Senators

### Long-term Reauthorization Is Critical

- Don't let NFIP lapse.
- Each lapse costs 40,000 property sales per month.
- Without reauthorization, NFIP cannot issue or renew policies in 22,000 communities where flood insurance is required for a mortgage.

### Accurate Flood Maps Are Essential

- NFIP should use modern mapping technology to produce building-specific risk assessments.
- Currently, property owners bear the burden of amending the maps to remove low-risk buildings from the floodplain.
- Map amendments require property owners to buy 25,000 land surveys each year at \$500 each.
- The current method of flood mapping and amendment is inefficient. States are using the more effective light detection and ranging (LiDAR) to collect the data for whole neighborhoods at once.

### Risk Mitigation Keeps Rates Affordable

- The best way to keep NFIP rates reasonable is to reduce the risk.
- Elevating a property by two feet can cut flood insurance premiums by as much as two-thirds.
- U.S. government spends \$1.4 billion a year on grants to property owners to repair flood damage.
- Mitigating, elevating or relocating these properties would save taxpayers \$4 for every \$1 spent.
- Currently, property owners cannot access mitigation grant dollars until after the property floods despite it being more cost effective to elevate or relocate beforehand.

## Private Market Options Must Be Included

- Pass the “**Flood Insurance Market Parity and Modernization Act**” (S. 563/H.R. 1422), which was unanimously adopted (419-0) by the House last year.
- NFIP premiums are based on national averages, so half of policyholders pay too much and half pay too little in premiums.
- Enabling consumers to meet federal requirements with a private plan offers an alternative to overpriced NFIP policies.
- There is a considerable and growing private market that is offering better coverage at a lower cost than the NFIP.

## Issue Background

The NFIP was created to provide incentives for communities to rebuild to higher standards and steer development away from flood zones. In exchange, communities gain access to flood maps, mitigation assistance and subsidized insurance to prepay for future damage and recover more quickly from flooding. However, the program was never designed to absorb the catastrophic losses of the last decade including Katrina (2005), Sandy (2008) and Baton Rouge (2016). As a result, NFIP has borrowed \$25 billion from the Treasury and is making interest-only payments of \$400 million a year.

The NFIP was last up for reauthorization in 2008. There were 18 short-term extensions and a two-month shutdown before Congress reauthorized the program in 2012.

## Opposing/Supporting Viewpoints

- **NFIP critics argue** that the federal government should not be in the business of flood insurance and it is time to privatize the NFIP. **NFIP supporters** respond that the private market cannot guarantee access to affordable flood insurance for all 5 million NFIP policies.
- **Flood mapping critics say** “scrap the maps” and let the private sector do it. **Mapping advocates say** that the current maps are developed by the private sector and without them, communities, lenders and property owners could not determine where to build, lend or buy.
- **Private market critics believe** that private insurers will “cherry pick” the low-risk properties from NFIP. **NFIP supporters counter** that the private market is targeting high-risk, subsidized properties that are net revenue losers for the NFIP.
- **Mitigation critics argue** that taxpayer dollars should not be invested in flood-prone properties. **Advocates note** that U.S. taxpayers are already spending billions on repairing flooded properties and elevating or relocating those properties would be more cost effective.