

National Flood Insurance Program

Congressional Action Needed

- Authority for the National Flood Insurance Program (NFIP) expires on September 30, 2017.
- Urge the House of Representatives to bring up and pass the 21st Century NFIP Reform Package (includes seven bills) at the first opportunity.
- Urge the Senate to amend S. 1751, introduced by Chairman Crapo (R-ID) and Ranking Member Brown (D-OH) to include access to private market insurance (see S. 563 below), as well as make mapping and other key reforms to strengthen the solvency of the NFIP.

Congressional Actions To Date

- The House Financial Services Committee has passed seven bills, which reauthorize and reform NFIP. NAR supports these bills, and they are expected to be combined into H.R. 2874, "The 21st Century Flood Reform Act", before a floor vote.
- Senate Banking Committee leaders have introduced S. 1751, a 6-year extension bill with relatively minor reforms; the bill currently does not address access to private market insurance, or make other key reforms supported by NAR policy. S. 1751 has not yet been considered by the Senate Banking Committee.
- Senators Heller (R-NV) and Tester (D-MI) and Reps. Ross (R-FL) and Castor (D-FL) have re-introduced the "**Flood Insurance Market Parity and Modernization Act**" (S. 563/HR 1422) to reduce barriers to private flood insurance. These provisions are currently included in the House Committee Bill but not the Senate Committee bill.

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 when states are using 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.

Risk Mitigation Keeps Rates Affordable (continued)

- 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

- Attach the "Flood Insurance Market Parity and Modernization Act" (HR 1422/S. 563) to the NFIP Reauthorization Package; this bill 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** taxpayer dollars should not be invested in flood-prone properties. **Advocates note** that US taxpayers are already spending billions on repairing flooded homes and elevating or relocating those homes would be more cost effective.