

NAR Issue Brief

Access to Affordable Flood Insurance

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Without reauthorization, the National Flood Insurance Program (NFIP) will expire on September 30th, 2011. NAR urges Congress to reauthorize NFIP long-term to ensure access to affordable flood insurance.

Legislative History

On May 13, 2011, the House Financial Services Committee unanimously approved H.R. 1309, the Flood Insurance Reform Act (Biggert, R-IL; Waters, D-CA). The bill would:

- Extend for five years, NFIP's authority to issue flood insurance which is not available in the private insurance market, except for the wealthiest property owners.
- Reform the NFIP to strengthen participation and put the program back on the path to fiscal solvency, including by a) indexing coverage limits and adding options for business interruption and living expenses; and b) improving the floodplain mapping and appeals processes.

NAR Recommendation

- Reauthorize NFIP for at least five years and end the uncertainty of extensions and shutdowns; above all, please do not let this vital program lapse again.
- Support moving H.R. 1309 to the Senate where the legislation can continue to be improved.

Issue Background

Millions of American Taxpayers Rely on the NFIP for Flood Protection. Floods claimed more lives and property than any other natural disaster in the U.S. over the last century. Unable to ignore the rising cost to taxpayers of disaster payments for uninsured properties or the lack of a private market for flood insurance, Congress created the NFIP in 1968. Today, 5.6 million property owners rely on the program in 21,000 communities where flood insurance is required for federally related mortgages.

Stopgap Extensions and Shutdowns Have Exacerbated Market Uncertainty. Since September 2008, Congress has approved nine NFIP extensions and allowed five lapses. During the June 2010 lapse, 47,000 home sales were delayed or cancelled according to NAR survey data. Real estate markets require certainty to make the long-term investments that are vital to the U.S. economic recovery.

Private Markets Will Not Guarantee Access to Affordable Flood Insurance. The four large insurers that write virtually all the private flood insurance today do so only for "high net worth" owners and high-value property at an average price twice the NFIP's. Reinsurance would not address the fundamental market failure, which would force private insurers to set rates that no one but the wealthiest could afford while attempting to cover NFIP's 5.6 million policies.

Reauthorizing the NFIP Saves Taxpayers Both Money and Property. Historically, the NFIP has collected enough revenue to cover its cost or pay back a short-term loan from the U.S. Treasury with interest. Even with the 2005 loan balance currently at \$18 billion, reauthorization would not add to the federal budget deficit according to the CBO. However, the program's requirements have already averted \$16 billion in losses by strengthening millions of properties against floods. Without NFIP, there would be more uninsured and unmitigated properties, taxpayers would still be "on the hook" for disaster assistance to these properties, and there would be no premiums to pay down any remaining loan balance or collect interest.

Floods Are a National Problem Requiring a National Solution. Floods are not just a coastal issue. Flood disasters have been declared in every state — along rivers, anywhere where snow melts or rain falls. Historic claims data shows the top three states contributing the most net revenue to NFIP coffers were on the Gulf; the top three with the most NFIP net loss years were in the Midwest.