

Reauthorizing National Flood Insurance Program (NFIP)

Legislative History

- Over the last century, floods claimed more lives & property than any other natural disaster in the U.S.
- No private market for flood insurance so property owners had to rely on federal assistance to rebuild
- Federal government could no longer ignore cost to taxpayers after Hurricane Betsey struck in the 1950s

Legislative History (cont'd)

- NFIP created in 1968 to provide federal insurance alternative to rebuilding assistance

Uninsured Property



(Taxpayers)

Insured Property



(Property Owner)

Legislative History (cont'd)

- Important Dates:
 - 2004: Last time reauthorized (Bunning-Bereuter-Blumenauer)
 - 2008: Senate/House passed but did not conference H.R. 3121
 - 2008 – 2011: Extended **nine** times & expired **five** times
 - » Expired **twice** last year each for several weeks
 - » 47,000 closings delayed/cancelled in June 2010
 - Sept. 30, 2011: Again set to expire
- Real Estate Markets Require Certainty to Recover!

Current Status

House

- Committee passed H.R. 1309 (Biggert, R-IL; Waters, D-CA)
 - Extends NFIP authority for 5 years
 - Reforms & strengthens its solvency
- Expecting full House consideration before mid July
- Urging passage to work on remaining issues in Senate

Senate

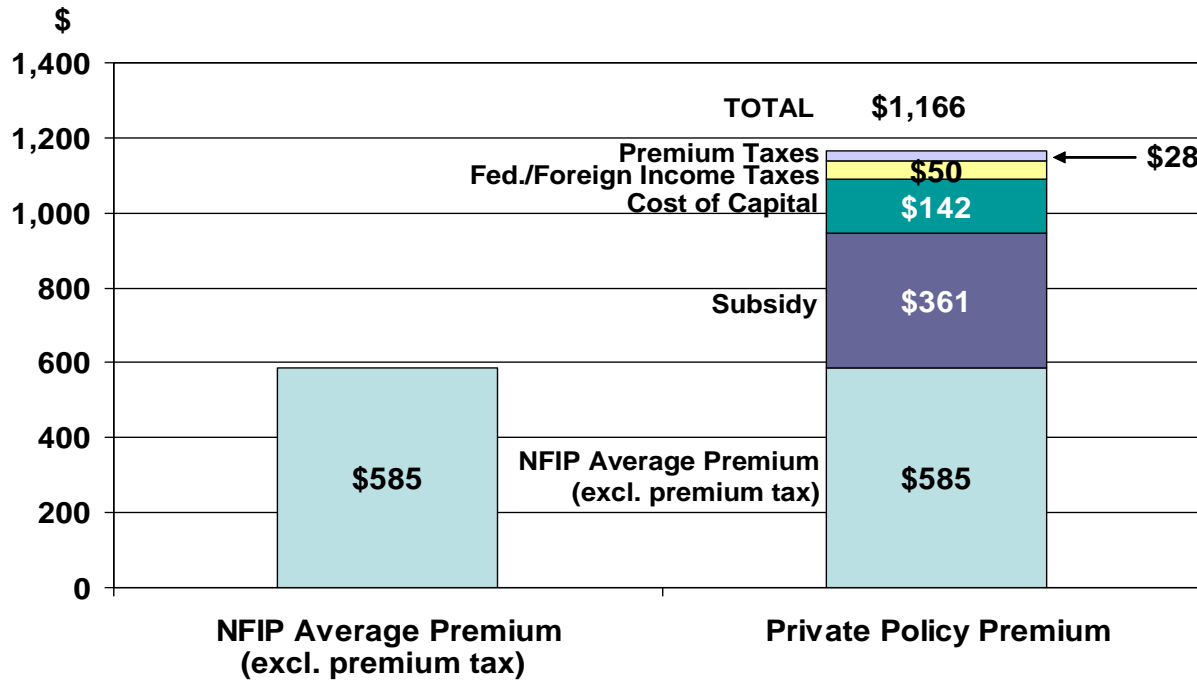
- Committee held first hearing on June 9, 2011, to begin its process of writing a 5-year reform bill
- We need your help!

Reform, Don't End the NFIP

- Market cannot guarantee access to affordable flood insurance
 - Only four companies write virtually all the private flood insurance
 - Only for high-value properties (“at least \$1 million”) and “high net worth” owners (GAO)
 - Would have to ramp up by 3,000% to 5.6 million NFIP policies
 - Private flood insurance costs at least 1.3 to 3.4 times more
 - Includes reinsurance, taxes, capital & profit which are not covered by FEMA

Reform, Don't End the NFIP (cont'd)

Figure 1
Average Private Flood Premium is
Twice as Much as NFIP Premium



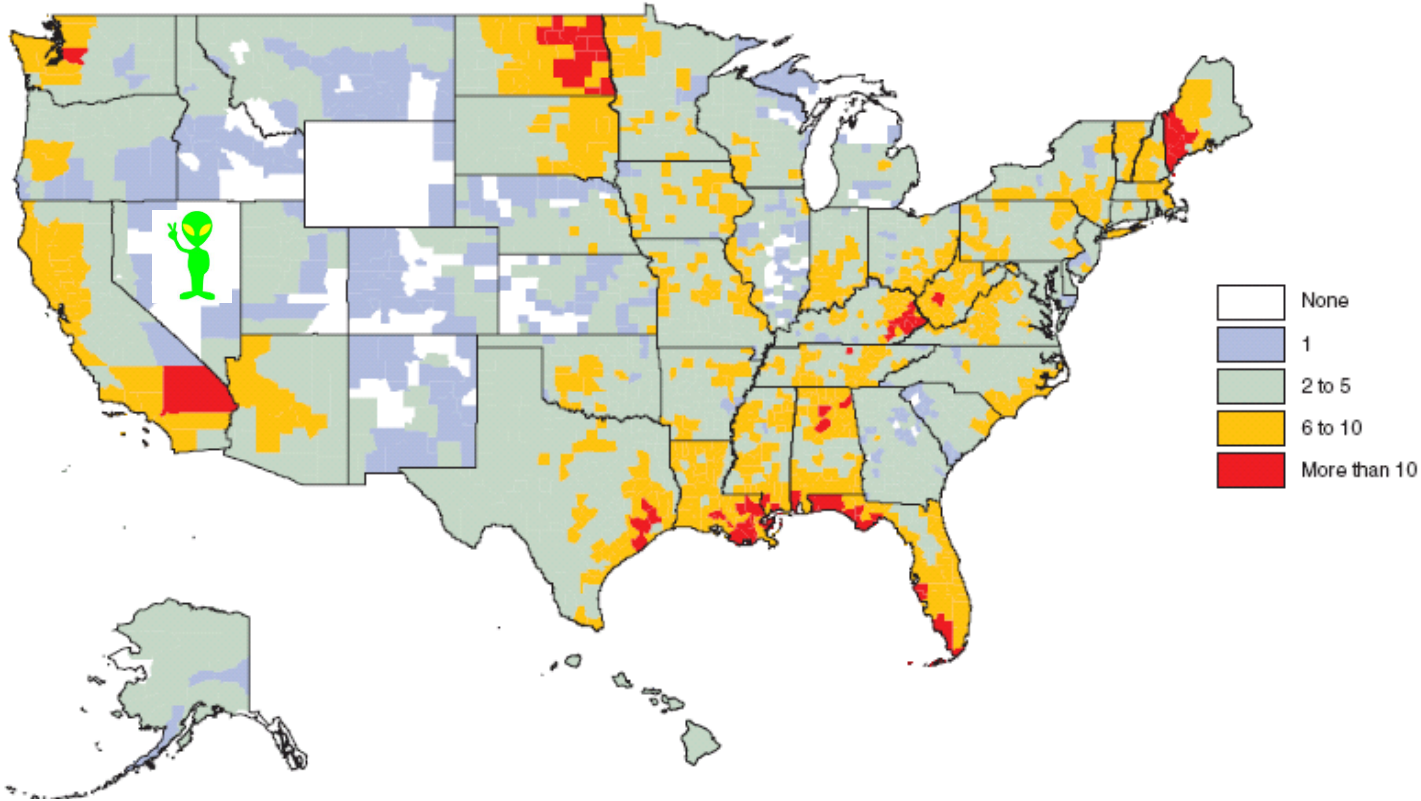
Source: PCI, based on NFIP Actuarial Rate Review and other sources

Reform, Don't End the NFIP (cont'd)

- Floods can happen anywhere; caused by:
 - Severe storms,
 - Rising rivers,
 - Snowmelt, and
 - Man-made Structures (e.g., levees), as well as
 - Hurricanes
- Data do not support the claim of a coastal issue
 - Most coastal areas are off limits to NFIP (<2% of policies)
 - Top-3 net-contributors are Florida, Louisiana, Texas, whereas Minnesota, Missouri, Ohio have most net-loss years

Reform, Don't End the NFIP (cont'd)

(Flood Disaster Declarations, 1980 – 2005)



Reform, Don't End the NFIP (cont'd)

- Last 10 flood declarations:
 - 6/10 New York
 - 6/10 Alaska
 - 6/7 Illinois
 - 6/6 & 5/27 Oklahoma
 - 5/20 Idaho
 - 5/13 South Dakota
 - 5/11 Mississippi
 - 5/10 Minnesota
 - 5/10 North Dakota
 - 5/9 Missouri
- Communities may already Opt-out if flood maps are inaccurate; maps have been modernized using LIDAR & satellite imaging
- Ending NFIP means returning to Rebuilding *via* Disaster Relief

By the Numbers: NFIP Saves Taxpayers Property & Money

- 5.6 million home and business owners rely on the program
- 21,000 U.S. communities have at least one floodplain where flood insurance is federally required
- \$16 billion avoided in property loss (and thus government payments) since 2000 because of NFIP building standards
- \$0 – The amount that NFIP adds to the federal deficit
 - » Premiums = losses + claims
- 97% of the U.S. population lives in a major-flood county
- \$6 billion in property loss occurs every year due to flooding
- 47,000 home sales delayed or cancelled during June 2010 lapse