

## **SUMMARY OF KEY PROVISIONS OF FLOOD INSURANCE REFORM** *21<sup>st</sup> Century Flood Reform*

Reauthorize the National Flood Insurance Program (NFIP) for five (5) years, place the NFIP on sound financial footing, and institute new programmatic reforms that:

- 1. Address Consumer Cost and Affordability**
- 2. Provide Greater Private Market Access, Competition, and Consumer Choice**
- 3. Encourage Flood Mapping Reforms and Fairness**
- 4. Enhance Mitigation Efforts for Properties that Flood Frequently**
- 5. Strengthen Taxpayer Protections**
- 6. Implement NFIP Claims Processing and Superstorm Sandy Reforms**

**Affordability and Consumer Costs** – *Current and future policyholders must be protected from sticker shock and unpredictable rate increases.*

➤ **Limit Annual Premium Increases.**

Decrease from 18 to 15 percent the cap on annual rate increases; limit the chargeable risk premium of any single family residential property to \$10,000 per year, adjusted for inflation every five years; and increase the minimum average chargeable risk premium, within a single risk classification, from 5 percent to 8 percent.

➤ **Flood Insurance Affordability Program.**

Authorize states to voluntarily create a state flood insurance affordability program that identify and validate eligible owner-occupants of single family 1-4 unit residences who are unable to pay their chargeable risk premium due to family income. Eligibility, validated using existing Federal income eligibility programs as a guideline, is limited to policyholders with incomes below the threshold of the greater of 150 percent of the state poverty level or 60 percent of the state area median income. At a date certain, as defined by FEMA, the state would forward its validated list to FEMA consisting of all eligible policyholders for whom the state is seeking assistance, along with the recommended type of assistance for each policy. Assistance can be in the form of either (1) capping the amount of chargeable risk premium paid, or (2) limiting the amount of premium increase on an annualized basis. FEMA would calculate the value of the aggregate subsidy cost for eligible policyholders within the state, the cost of which would be recouped through an equally distributed surcharge on all other policyholders within that state.

➤ **Opt-Out of Mandatory Coverage Requirement for Commercial Properties.**

Eliminate the NFIP's mandatory purchase requirement for all commercial properties, while preserving the eligibility of commercial properties voluntarily to purchase NFIP coverage if they so choose.

➤ **Disclosure of Premium Methodology.**

Require the FEMA Administrator to develop a transparent public process to explain and engage with the public on its methodology to determine annual risk premium rates for NFIP coverage. Annual public forums in each of FEMA's Federal regions are required.

## *Expanded Discussion Draft*

➤ **Use of Replacement Cost in Determining Premium Rates.**

Require the FEMA Administrator to incorporate up-to-date replacement cost, by structure, when calculating annual chargeable premium rates, as opposed to the current practice that relied upon a national average, with a phase-in of geographic areas over a 1-3 year period.

➤ **Consideration of Coastal and Inland Locations in Premium Rates.**

Require the FEMA Administrator, when calculating annual chargeable premium rates, to consider the differences in properties located in local coastal and inland areas.

➤ **Monthly Installment Payment of Premiums.**

Authorize the FEMA Administrator to adopt policies and procedures to finalize implementation of the monthly installment payment of premiums provision, initially required by the Homeowner Flood Insurance Affordability Act of 2014.

➤ **Enhanced Clear Communication of Flood Risks.**

Require the FEMA Administrator to clearly communicate to all policyholders their full flood risks of their property, the number and dollar value of claims that have been filed over the life of a property, and the effect that filing any future claims would have on the cost of insurance for that property.

➤ **Availability of Flood Insurance Information Upon Request.**

Require the FEMA Administrator to make available, upon request of a policyholder, specific data and information related to the policyholder's property or structure, which includes any historical information, claims payments, flood damages, and whether the property may be required to purchase flood insurance due to previous receipt of federal disaster assistance.

➤ **Premium Rates for Certain Mitigated Properties.**

Authorize the FEMA Administrator to provide policyholders who are not eligible for preferred risk rate method premiums with credits on how they can reduce their risk premium rates through approved actions to mitigate the flood risk of their property, including innovative mitigation techniques for buildings in dense urban environments and the elevation of mechanical systems.

➤ **Study of Flood Insurance Coverage for Units in Cooperative Housing.**

Require the FEMA Administrator to conduct a study on the feasibility of offering NFIP coverage of individual dwelling units in cooperative housing developments.