NAR Issue Summaries

Insurance / National Flood Insurance Program

NAR Committee:

Insurance Committee

What is the fundamental issue?

Congress must reauthorize and reform the National Flood Insurance Program (NFIP) to continue providing flood insurance on a sustainable, long-term basis.

I am a real estate professional. What does this mean for my business?

Flood insurance is required for a mortgage in more than 20,000 communities nationwide. While there is a growing private market for flood insurance, millions of small business and home owners depend on the NFIP to protect their property against flooding, the most costly and common natural disaster in the United States. Without a federal insurance program, more property owners could become uninsured and turn to the Federal government for taxpayer-funded disaster aid and rebuilding assistance after flooding.

NAR Policy:

- NFIP reauthorization should be long term.
- To keep rates affordable, the federal government should offer pre-disaster risk mitigation options – including guaranteed loans, grants and buyouts for property owners to build stronger or relocate to higher ground.
- Private flood insurance barriers should be removed so consumers can choose lower cost options that meet federal coverage requirements.
- Premiums should continue to align with the specific flood risk of each building while gradually phasing in full-risk rates for older properties.
- Flood mapping should be accurate, modernized and completed throughout the nation.
- Real estate disclosures should be improved at the state level but buyers and renters should have direct access to NFIP claims and disaster aid data.
- The Office of the Flood Insurance Advocate should be fully supported in order to directly assist policyholders with flood insurance-related disputes.

Opposition Arguments:

Opponents argue that home buying in riskier flood zones will continue as long as flood insurance is underpriced by federal subsidies. As a result, NFIP could be forced to borrow more to make up for the shortfall between premiums and claim payments.

Legislative/Regulatory Status/Outlook

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NFIP's insurance-writing authority is next set to expire on September 30, 2024. NAR is urging Congress to turn to a long-term reauthorization and reform measure at the earliest opportunity.

On March 13, 2014, Congress passed the Homeowner Flood Insurance Affordability Act, which:

- Repealed FEMA's authority to raise insurance rates at the time of propertysale;
- Rewound premiums back to pre-Biggert Waters levels and gradually phases-in full risk rates over time;
- Limited future rate increases to no more than 18% annually for newer properties and 25% for older ones;
- Added a nominal surcharge to NFIPpolicies untilpropertyowners pay full-risk rates; and
- Established the Office of the Flood Insurance Advocate to help property owners with flood mapping and insurance rating concerns.

On July 6,2012, Congress passed the Biggert-Waters Flood Insurance Reform Act reauthorizing NFIP for 5 years and including numerous reforms to flood mapping, mitigation assistance and private flood insurance options.

Current Legislation/Regulation (bill number or regulation)

Congressional authorizing committees have not introduced long-term NFIP reauthorization legislation at this time.

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