

National Flood Insurance Program (NFIP) Reauthorization

Draft Policy Issues

RETAIN EXISTING PROVISIONS

- **Pre-FIRM (Sec. 205) Properties – Repeal of Property Sale Trigger**

HR 3370 repealed the immediate full-risk rate trigger upon purchase of a pre-FIRM property or if a policy lapses. *FAC Position: FAC supports this change and opposes any effort to reintroduce the provision in 2017.*

- **Post-FIRM (Sec. 207) Properties – Grandfather Rates**

HR 3370 restored grandfathering of rates for properties that were built to code but later re-mapped and covered by more stringent maps (for example, moving from an A-zone to a V-zone). *FAC Position: FAC supports this change, which places these properties in the same status before passage of Biggert-Waters.*

- **Substantial Improvement**

HR 3370 returns the “substantial improvement threshold” (i.e. renovations and remodeling) to the historic 50% of a structure’s fair market value level (as opposed to the 30% threshold under BW-12) and ensures that necessary renovations can continue without penalizing homeowners with excessive flood insurance rate hikes and costly mitigation. *FAC Position: Given Florida’s recovering economy and its construction rebound, FAC supports this change.*

- **Rate Disclosures**

The new law requires FEMA to make publicly available the rate tables and underwriting guidelines that provide the basis for any change in risk premium rates at least 6 months before the rates go into effect. *FAC Position: FAC requested language similar to the disclosure provision be included in HR 3370 but recommends further improvements / clarification.*

- **Flood Insurance Consumer Advocate**

The HR 3370 requires FEMA to designate a Flood Insurance Advocate to educate and assist property owners and policyholders on flood insurance issues, mapping issues including the map amendment process, and mitigation techniques. *FAC Position: This was another issue*

that FAC specifically called for in the legislation. However, FAC believes additional changes are warranted.

NEW ISSUES

- **Pre-FIRM (Sec. 205) Properties**

While HR 3370 repeals the portions of the BW-12 that removed PreFIRM subsidies on properties purchased after July 6, 2012, the repeal only applies to primary residences. Non-primary residences (i.e., vacation rentals, investment properties, and businesses) will receive annual 25 percent premium increases until full-risk rates are achieved. Florida has more than 47,000 properties that are subject to these increases, including vacation rental properties that support the state's tourism industry.

FAC Position: FAC recommends that all Section 205 properties (a.k.a. pre-FIRM structures) be treated the same (i.e, primary, secondary, businesses).

- **Flood Insurance Advocate**

While HR 3370 created a new Flood Insurance Advocate, FAC believes that the law should be expanded to increase consumer protections, including the following:

- (1) At a minimum, each FEMA Region should have an office responsible for carrying out the responsibilities of the Flood Insurance Advocate (FIA);
- (2) The law should create a flood insurance policy review process under the Flood Insurance Advocate for policyholders who believe their premiums are inconsistent with the rate increases allowed by law. The Advocate should have the authority to render non-binding opinions regarding individual rate increase to the FEMA's Flood Insurance Administrator.

- **Flood Mitigation**

FAC recommends that flood mitigation efforts be aggressively expanded to (1) increase federal funding for flood mitigation (pre- and post-disaster), (2) streamline grant administration, (3) pilot an alternative voucher program that would allow property owners to undertake mitigation efforts that lower their risk and, consequently, their insurance rates, (4) provide tax credits to policy holders who undertake mitigation with their own funds, and (5) ensure NFIP premiums reflect risk reduction through mitigation.

OTHER NEEDS / ISSUES FOR DISCUSSION

- **Mapping** – In order to properly measure flood risk and set flood premiums, individual property data (i.e., Finished Floor Elevations) needs to be accounted for when maps are developed/revised. Generally, FIRMS are developed on community-wide basis, incorporating site-specific data only when available. Unless efforts are made to include individual property data in the mapping process, both the risk and the premiums will be overstated.
- **Spreading the Risk** - Currently, there are more than 5.5 million NFIP policies nationwide. However, some reports state that only 20% of American homes at risk for flooding are covered by flood insurance. Among the efforts to help keep insurance premiums down is to ensure the risk is spread over more policy holders. Accordingly, efforts should be made to (1) encourage more individual participation the NFIP and (2) ensure lending institutions, who write mortgages for properties located in a Special Flood Hazard Areas (SFHA), are complying with the requirement that flood insurance policies be renewed annually.