National Flood Insurance Program Reauthorization: What Counties Need to Know

Monday, June 26, 2017
3:00 P.M. – 4:00 P.M. (EDT)
Webinar Agenda

Welcome and Opening Remarks
Hon. Bill Truex
Chairman, NACo Justice and Public Safety Steering Committee
Emergency Management Subcommittee

Today’s Presenters:
• Ms. Caitlin Berni, Vice President for Policy and Communications Greater New Orleans, Inc.
• Mr. Jason Tuber, Senior Advisory, Office of Sen. Robert Menendez (D-N.J.)
• Mr. John Steitz, Legislative Assistant, Office of Sen. John N. Kennedy (R-La.)
• Mr. Jacob Terrell, Associate Legislative Director, National Association of Counties
Now Presenting

Caitlin Berni
Vice President for Policy and Government Relations
Greater New Orleans Inc.
(504) 527-6900
cberni@gnoinc.org

About:

Ms. Berni serves as the Vice President for Policy and Government Relations at Greater New Orleans Inc. who’s mission is to serve as the catalyst for wealth creation in the 10-parish region of Southeastern Louisiana. Ms. Berni recently testified before the U.S. House of Representatives Financial Services Committee regarding their recent legislative package aimed at reauthorizing the National Flood Insurance Program (NFIP).
NFIP Reauthorization and Reform Priorities

NACo Webinar
June, 2017
The Coalition for Sustainable Flood Insurance (CSFI) was formed by GNO, Inc. in 2013, and grew to be national in scope.

- 35 states
- 250 organizations from across the USA
Concerns with House Legislation

• House Proposal Risks Destabilizing the NFIP

While the House bills do make some positive changes, particularly to the claims process, improving mapping, and modernizing ICC coverage, the overall package risks destabilizing the NFIP. Top concerns include:

• **Removal of Grandfathering** – The legislation prohibits a renewal of coverage for grandfathered properties that have been remapped into higher risk zones beginning 1/1/21. A grandfathered property is designated as any property built to FEMA’s required Base Flood Elevation and standards at the time of construction and is thus allowed to be grandfathered in to the zone and BFE at time of construction. Under current law, if your community adopts a new map and under the new map, your property is now below the Base Flood Elevation or you are remapped into a new zone, you are not forced to pay a rate based on the new base flood elevation. Those who played by the rules and built as they were told should not be penalized under new, sometimes inaccurate, maps. **This scenario is what caused premiums to skyrocket post Biggert-Waters.** A helpful overview of grandfathering can be found [here](#).
Concerns with House Legislation

• House Proposal Risks Destabilizing the NFIP

Top Concerns, cont’d:

• **New Construction in Special Flood Hazard Areas (A or V zones)** – The legislation prohibits offering NFIP coverage for new construction in the Special Flood Hazard Areas after 1/1/21.

• **Any structure with a $1M replacement value cost** - The legislation prohibits offering NFIP coverage for any property with a replacement cost value of $1M+ in the Special Flood Hazard Areas after 1/1/21.

• **Rate Increases** – The legislation increases the floor of rate increases from 5% to 8%, which compound annually. This provision will impact pre-FIRM subsidized homeowners, which is about 20% of NFIP properties. The Homeowner Flood Insurance Affordability Act retains the Biggert-Waters requirement that these properties move to actuarial rates but slowed phase in. Congress should not accelerate this mandate. Further, if the provisions regarding grandfathering outlined above are implemented, grandfathered post-FIRM properties will be subject to this increase as well.
Impact of Biggert-Waters

• Unintended consequences from Biggert-Waters reform legislation threatened to make flood insurance unaffordable across America.

<table>
<thead>
<tr>
<th>14272 Highway 23, Belle Chasse, LA</th>
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</thead>
<tbody>
<tr>
<td>$350,000 current value</td>
</tr>
<tr>
<td>Built in 1998, fully to code</td>
</tr>
<tr>
<td>Built 2’ above FEMA required elevation at the time</td>
</tr>
<tr>
<td>House never flooded</td>
</tr>
<tr>
<td>New BFE = -6’</td>
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Premium will go from $633 to $17,723 per year.

Under the House plan, beginning on 1/1/21, this home will be rated actuarial on renewal, and will result in the homeowner hitting the $10,000 annual cap. In both Senate bills, this homeowner – who played by the rules – will maintain his current premium.
NFIP 2.0 – Reauthorization in 2017

• The CSFI strategy has four focus areas for incremental improvement:

1. Mitigation
2. Mapping Process
3. Affordability
4. Program Participation
NFIP 2.0 – Reauthorization in 2017

1. Mitigation

**Transformational Improvements**
- Redirect current surcharges or freeze interest accrual to FEMA mitigation funds, generating $400M annually

**Incremental Improvements**
- Add option for increased ICC coverage
- Improve efficiency and flexibility of Hazard Mitigation Grant Program (HMGP)
- Consider additional financial options for mitigation via local governments
- Authorize a disaster savings account policy for individuals
- Streamline and otherwise improve the Community Rating System (CRS) program
NFIP 2.0 – Reauthorization in 2017

• 2. Mapping Process

  • Transformational Improvement
    • Adopt recent innovations in elevation science to radically improve mapping and precision, including use of LIDAR data
    • Increase authorization for the National Flood Mapping Program to accelerate the completion of the mapping the entire country

  • Incremental Improvements
    • Codify exclusion provisions so that parishes and counties can adopt portions of maps at a time
    • Provide a credit to all pre-FIRM properties who secure an elevation certificate
    • Fund reimbursements for successful map appeals
NFIP 2.0 – Reauthorization in 2017

• 3. Affordability

• Transformational Improvement
  • Formalize 1% cost: policy value limit

• Incremental Improvements
  • **Preserve grandfathering** and basement exception
  • Include continuous coverage language in reauthorization to allow property owners to leave and NFIP and subsequently return if they choose
  • Include all fees associated with a policy when calculating annual premium increases
  • Eliminate PAYGO surcharge established in HFIAA ($25 for primary residences, $250 for second homes and businesses) or rededicate them to mitigation
  • Ensure proposals to prohibit offering coverage on new construction in Special Flood Hazard Areas are not adopted
NFIP 2.0 – Reauthorization in 2017

• 4. Program Participation

Transformational Improvement
• Offer a default “opt-out” flood insurance policy

Incremental Improvement
• Consider mandatory purchase of flood insurance for properties that have experience a loss and federal disaster assistance was accepted to repair or replace the structure
• Increase renewal periods from 1 year to 2 or 3 years
Coalition for Sustainable Flood Insurance

• Key Information and Contacts

  • Whitepapers on these subjects can be found at csfi.info/resources-and-information
  • To participate on regular update conference calls with coalition members, email Caitlin Berni at cberni@gnoinc.org

  Michael Hecht
  President and CEO
  mhecht@gnoinc.org

  Caitlin Berni
  VP of Policy and Communications
  cberni@gnoinc.org

  Website:
  csfi.info
Now Presenting

Jason Tuber
Senior Advisor
Office of Sen. Robert Menendez (D-N.J.)
(202) 224-4744
jason_tuber@menendez.senate.gov

Hon. Robert Menendez (D-N.J.)
United States Senator

About:
The Sustainable, Affordable, Fair, and Efficient (SAFE) NFIP Reauthorization Act of 2017

**Long-Term Certainty.** Reauthorizes the NFIP for six years, providing certainty for communities.

**No Exorbitant Rate Hikes.** Ends runaway premium hikes by capping annual increases to 10 percent. Currently, premiums increase by up to 25 percent every year, depressing property values, creating affordability challenges, and discouraging participation in the program.

**Cuts Wasteful Expenses to Pay for Investments.** Freezes interest payments and establishes new controls for private insurance company compensation in order to reinvest in proactive mitigation efforts and affordability measures, including low-interest loans for homeowners' mitigation projects and affordability vouchers.

**Strong Investments in Mitigation.** Provides robust funding levels for large-scale, communitywide mitigation efforts, and mitigation assistance programs, which have a 4:1 return on investment and are the most effective way to reduce flood risk.

**Expanded Increased Cost of Compliance (ICC) Coverage.** Increases the maximum limit for ICC coverage to better reflect the costs of mitigation projects and expands eligibility in order to encourage more proactive mitigation before natural disasters strike.

**LiDAR Mapping.** Authorizes funding for Light Detection and Ranging (LiDAR) technology for more accurate mapping of flood risk across the country, reducing confusion and generating better data.

**Oversight of Write Your Own (WYO) Companies.** Caps compensation for WYO companies to 22.4 percent of written premiums, creates new oversight measures for insurance companies and vendors, and provides FEMA with greater authority to terminate contractors that have a track record of abuse.

**Claims and Appeals Process Reforms Based on Lessons from Sandy.** Fundamentally reforms the claims process based on lessons learned in Superstorm Sandy and other disasters, to level the playing field for policyholders during appeal or litigation, bans aggressive legal tactics preventing homeowners from filing legitimate claims, holds FEMA to strict deadlines so that homeowners get quick and fair payments, and ends FEMA's reliance on outside legal counsel from expensive for-profit entities.

**Better Training.** Provides for increased training and certification of agents and adjusters to reduce mistakes and improve the customer experience.
Now Presenting

John Steitz
Legislative Assistant
Office of Sen. John N. Kennedy (R-La.)
(202) 224-4623
john_steitz@kennedy.senate.gov

Hon. John N. Kennedy (R-La.)
United States Senator

About:
Sen. John N. Kennedy serves on five committees in the U.S. Senate including the committees on: Appropriations; Banking, Housing, and Urban Affairs; Budget; Judiciary; and Small Business and Entrepreneurship. Sen. Kennedy is an original cosponsor of the Sustainable, Affordable, Fair, and Efficient (SAFE) National Flood Insurance Program Reauthorization Act of 2017.
Now Presenting

Jacob Terrell
Associate Legislative Director
National Association of Counties
(202) 942-4236
jterrell@naco.org

About:

Jacob Terrell serves as NACo's Associate Legislative Director for Emergency Management. He is responsible for all policy development and lobbying pertaining to the county role in responding to emergency response including manmade and natural disasters.
NACo Policies regarding the National Flood Insurance Program

- County priorities for reauthorization of the NFIP
- U.S. House of Representative NFIP Reauthorization Bills
- U.S. Senate NFIP Reauthorization Bills
- Next Steps for Counties
County priorities for reauthorization of the NFIP

Key Issues for Counties

- Rates for Policy Holders
- Program Administration
- Flood Zone Mapping
- Mitigation
U.S. House of Representative NFIP Reauthorization Bills

- House Financial Services Committee Markup of NFIP Reauthorization Bills
  - H.R. 2875, The NFIP Administrative Reform Act
  - H.R. 1558, The Repeatedly Flooded Communities Act
  - H.R. 1422, The Flood Insurance Market Parity and Modernization Act
  - H.R. 2565, To require the use of replacement cost value in determining the premium rates for flood insurance coverage under the National Flood Insurance Act
  - H.R. 2246, The Taxpayer Exposure Mitigation Act
  - H.R. 2874, The 21st Century Flood Reform Act
U.S. Senate NFIP Reauthorization Bills

• S.1361, The Sustainable, Affordable, Fair, and Efficient (SAFE) National Flood Insurance Program Reauthorization Act of 2017
  Cosponsors:
  Sens. Menendez (D-N.J), Kennedy (R-La.), Warren(D-Mass.), Rubio (R-Fla.), Van Hollen (D-Md.), Cochran (R-Tenn.), Booker (D-N.J.), Nelson (D-Fla.), Cassidy (R-La.)

• S. 1313, The Flood Insurance Affordability and Sustainability Act of 2017
  Cosponsors:
  Sens. Cassidy (R-La.), Gillibrand (D-N.Y.), Capito (R-W.Va.), Kennedy (R-La.)
Next Steps for Counties
Contacts

**Jacob Terrell**  
Associate Legislative Director  
National Association of Counties  
202.942.4236  
jterrell@naco.org

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Vice President Policy and Communications  
Greater New Orleans, Inc.  
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**Jason Tuber**  
Senior Advisor  
Office of Sen. Robert Menendez (D-N.J.)  
202.224.4744  
jason_tuber@menendez.senate.gov

**John Steitz**  
Legislative Assistant  
Office of Sen. John N. Kennedy (R-La.)  
202.224.4623  
john_steitz@kennedy.senate.gov