

National Flood Insurance Program Reauthorization Update

Andrea P. Clark, Downey Brand LLP
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National Flood Insurance Program

- ◆ Goal: reduce federal expenditures for flood losses through insurance
- ◆ FEMA maps flood-prone communities – Special Flood Hazard Zones
- ◆ Community participation in program
 - Adoption of ordinance
 - Regulation of activity in the floodplain through permit
 - Mandatory flood insurance for property in SFHZ with federally-backed mortgage

THE COST OF
**FLOOD
INSURANCE**
IS A DROP IN
THE BUCKET
COMPARED TO
THE COST OF
**FLOOD
DAMAGE**

\$700/YEAR
AVERAGE FLOOD
INSURANCE POLICY

\$43,000
AVERAGE FLOOD
INSURANCE CLAIM



FEMA

- ◆ Was not designed to be actuarially sound - pre-FIRM rates and grandfathering
- ◆ \$24 billion debt after Katrina and Sandy
- ◆ Balancing books versus increased rates (Biggert-Waters)
- ◆ Fall 2017 \$16 billion forgiven
- ◆ Program currently in debt over \$20 billion

Program Lapse

- ◆ FEMA can pay out claims
- ◆ No new or renewed policies
- ◆ NAR: 40,000 closings/month
- ◆ Last long-term reauthorization was Biggert-Waters (2012)
- ◆ Ten short-term reauthorizations since

Current Status

- ◆ December 2018 – short-term reauthorization
- ◆ Program expires May 31, 2019
- ◆ H.R. 2578
 - Reauthorization to September 30 (end of current FY)
 - Passed by House on Tuesday
- ◆ H.R. 2157
 - \$19B in disaster aid
 - Includes reauthorization of NFIP until September 30
 - House passed May 10
 - Puerto Rico politics

Current Status

◆ House Financial Services Committee – March Hearing

- Affordability Bill – forgives NFIP debt; assistance to low-income policy holders; fee reduction; monthly premium payments
- Mapping Bill - \$400M/year for Natl Flood Mapping Program; incorporate local data into mapping; mapping future risk; new zones for levee-impacted and ag areas
- Mitigation Bill – reforms to Increased Cost of Compliance (ICC) program (funding for building elevation, flood-proofing); authorizes community assistance program (grants to states to build capacity for FP management)

ASFPM Priorities

◆ Forgive NFIP debt

- Create a backstop for NFIP

◆ Mapping

- Complete national mapping, improve technology, increased funding (\$1.5B annually)

◆ Flood insurance

- No further stimulation of private insurance market needed after 2012
- Keep requirement that coverage be "at least as broad as" NFIP policies
- Equal playing field for private market – get rid of new loophole allowing lenders to decide to accept private policies that are different from NFIP

◆ Mitigation

- Enhance Increased Cost of Compliance (ICC) mitigation spending, and expand triggers for it (e.g., to repetitive loss properties)

Next Steps

- ◆ Senate votes on HR 2578 by May 31 (?)
- ◆ Disaster bill deal before May 31 (?)
- ◆ June NFIP seminars by Congressional Research Service and Congressional Budget Office

Andrea Clark, Partner
Downey Brand LLP
aclark@downeybrand.com
(916) 520-5424