National Flood Insurance Program Reauthorization Update

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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
NFIP

- 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
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