

National Flood Insurance Program: Reauthorization?

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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 Lapse

- ◆ FEMA can pay out claims
- ◆ No new or renewed policies
- ◆ NAR: 40,000 closings/month

Current Status

- ◆ December – two short-term reauthorizations
- ◆ Program expires January 19, 2018 (tomorrow)
- ◆ H.R. 2874 passed by House; no action by Senate
- ◆ Politics

Popular Issues

◆ Severe Repetitive Loss Properties

- At least 4 NFIP claim payments over \$5,000 OR two claim payments with cumulative amount exceeding market value
- 1% of insured properties; 25-30% of flood claims
- Existing programs – grants for mitigation (acquisition, relocation, conversion to open space, elevation, dry flood-proofing)
- Existing program – insurance premiums increase when policy holder refuses offer of mitigation
- H.R. 2874 – increasing premiums, community plans, denial of coverage if mitigation measures not implemented (for "extreme" SRL properties)

◆ Private Insurance Market

- More options (less expensive?) for consumers; more owners covered
- H.R. 2874 – allows private policies to satisfy insurance requirements

California On its Own?

- ◆ CA is a "donor" state – subsidizing the NFIP
- ◆ CVFPP recommends a study of state insurance program
- ◆ State could use premiums to fund flood system repairs/improvements
- ◆ Questions
 - Who is required to pay? Enforcement?
 - Role of private insurers?
 - Does it decrease state liability under *Paterno*?

Looming on the Horizon - Endangered Species Act

- ◆ Ensure that federal agencies protect and conserve endangered/threatened species
- ◆ Section 7 – consultation; if jeopardy, a biological opinion with reasonable and prudent alternatives (RPAs)
- ◆ NFIP – is it an action subject to ESA?
- ◆ Oregon and Washington – RPAs with drastic impacts on work in floodplains
- ◆ CA Delta case

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