



May 2016

Reauthorization of the National Flood Insurance Program

Background

The National Flood Insurance Program (NFIP), created as a result of the National Flood Insurance Act of 1968, offers a special flood insurance policy for homeowners, renters and businesses. The NFIP is a Federal program, managed by the Federal Emergency Management Administration (FEMA). The NFIP has three main components, 1) provide flood insurance, 2) improve floodplain management, and 3) develop maps of flood hazard zones.

The Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12) reauthorized the NFIP through Sept. 30, 2017 and made a number of reforms aimed at making the program more financially and structurally sound.

In 2014, the Homeowner Flood Insurance Affordability Act was enacted, which repeals and modifies certain controversial BW-12 provisions and makes additional changes to the program. Specifically, the law lowers the rate increases on certain policies, prevents some future rate increases, and implements a surcharge on all policyholders. It also repeals certain rate increases that had already gone into effect and provided for refunds to those policyholders.

Key Facts

We expect the future of the NFIP to be challenged when it comes up for reauthorization in 2017; this means that the program is set to expire unless a bill to continue the program is passed through **both** the House and Senate. Once a program is re-authorized, it is eligible for funding through an appropriations bill in congress.

The NFIP has accumulated significant debt in recent years; as of 2015, NFIP owed the U.S. Treasury \$23 billion. Due to this, some Members of Congress have suggested eliminating the program in its entirety and moving toward private insurers as the sole source for flood insurance. Key House and Senate members and staff are currently in the process of vetting new ideas and modifications to the program, which can be implemented in the reauthorization legislation in 2017.

RIMS Position

RIMS supports the reauthorization of the NFIP in 2017.

The reauthorization should:

- ✓ Continue to move toward risk based premiums.
- ✓ Emphasize updating FEMA maps.
- ✓ Encourage increasing the number of participants in the program.
- ✓ Clarify what constitutes an equivalent private flood insurance policy.
- ✓ Encourage competition among private insurers to provide consumers with enhanced policy options.
- ✓ Establish a safe harbor for consumers when an insurer certifies that a flood insurance policy meets federal requirements.
- ✓ Recognize that lease requirements and mortgage requirements to maintain flood insurance mandate a viable NFIP and, in the private marketplace, a comparable flood insurance policy.
- ✓ Encourage local governments to standardize data and flood related information and adopt FEMA maps.