National Flood Insurance Program (NFIP) Reform

What does Florida need?

Quick Facts: Florida

Florida is the nation's 3rd largest state and accounts for 1/3 of all NFIP policies in the nation.

Nationwide Policies:	5.5 million
Florida Policies:	1.77 million (35% of total)
Florida NFIP Contributions:	$988.3 million (annual)
Florida Coverage:	$448.5 billion
Florida NFIP Payouts (since 1978):	$3.8 billion – as of 2017
	$5.1 billion – as of 2018

The National Flood Insurance Program is due to expire on May 30, 2019. The NFIIP is vital to the nation's economy and is necessary to provide stability in the housing market, particularly along America's coasts.

The Florida Association of Counties (FAC) has identified the following program and policy priorities as key to any reauthorization bill.

KEY PROGRAM POLICY PRIORITIES

- Spread the Risk - Broaden the Base of Policy Holders.
- Improve Mapping Process
- Increase Funding for Flood Mitigation
- Ensure Rates are Consistent for *all* Properties
- Rate Disclosure Must be Improved
- Provide a More Reasonable Glide Path if rates must increase.
- Encourage Careful Growth in the Private Flood Insurance Market.

<u>Spreading the Risk</u>

While there are more than 5.5 million NFIP policies nationwide, some reports state that only 20% of American homes at risk for flooding are covered by flood insurance. To help keep insurance premiums down the risk should be spread over more policy holders. Accordingly, efforts should be made to (1) encourage more individual participation in the NFIP and (2) ensure lending institutions, who write mortgages for properties located in flood zones, are complying with the requirement that flood insurance policies be renewed annually.

Mapping & Risk Assessment Must Be Made Transparent

FEMA's current re-mapping process is not transparent, is fraught with data gaps, lacks coordination with local government, and often results in inaccurate maps and premiums.
Prior to re-mapping a jurisdiction, FEMA must issue guidelines for the data and the modelling that the Agency will use to develop a local government's new flood maps and utilize available local data that meets FEMA's criteria.

Flood Mitigation

FAC recommends that flood mitigation efforts be aggressively expanded to (1) increase federal funding for flood mitigation (pre- and post-disaster), (2) pilot an alternative voucher program that would allow property owners to undertake mitigation efforts that lower their risk and, consequently, their insurance rates, and (3) provide tax credits to policy holders who undertake mitigation with their own funds.

Pre-FIRM Properties Should be Treated Equally

Current law extends a favorable rate premium to properties that were purchased before community floods maps were developed but were later included in a flood zone. These properties are often referred to as "Pre-FIRM" structures or Section 205 properties. While these structures realize a lower premium than those built after the adoption of flood maps, the premium only applies to primary residences. Non-primary residences (i.e., vacation rentals, investment properties, and businesses) receive annual 25 percent premium increases until full-risk rates are achieved. **Florida has more than 47,000 properties** that are subject to these increases, including vacation rental properties that support the state's tourism industry. FAC believes that all Pre-Firm properties should be treated the same.

Rate Disclosure Must Be Improved and Made Transparent

To ensure NFIP rates are not excessive, inadequate, or unfairly discriminatory, the rate making process needs to be overhauled and made more transparent to the public. The newly created Flood Insurance Consumer Advocate should have the authority to render non-binding opinions regarding individual rate increase to the FEMA's Flood Insurance Administrator.

Provide a More Reasonable Glide Path if rates must increase.

Prior to 2012, FEMA had the authority to increase rates by no more than 10% per year. Under the 2014 Homeowners Flood Insurance Affordability Act (HFIAA), renewal premiums for certain properties (grandfathered and Pre-FIRM) will experience rate increases of between 18 percent and 25 percent until the full risk rate is reached. Meanwhile, the nation's CPI average has not exceeded 3.22% since 1990, and median incomes adjusted for inflation have remained stagnant. FAC believes that a more reasonable glide path to higher rates provides greater economic stability and fairness. It would also allow time for property owners to evaluate alternatives to NFIP and/or pursue mitigation options.

Encourage Growth in the Private Flood Insurance Market.

While it should be remembered that NFIP was established to fill a void created when the private market abandoned flood risk, the private market today could serve as a complement to NFIP and provide consumers with more choices. This could be facilitated by:

- Requiring FEMA to share NFIP claims data with insurers and modelers so they can assess actual flood risks.
- Allowing state regulators the authority and discretion to regulate flood insurance policies as they do other insurance products.
- Applying Community Rating System discounts to private flood insurance policies.

However, it should be understood that a significant move to privatize flood insurance could further damage the solvency of NFIP as private insurers choose to cover the safest risks, unless regulations require a full spectrum of risk to be taken up.

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