National Flood Insurance Program Reauthorization (NFIP-RE) Act

The bipartisan NFIP-RE Act, which includes more than 40 NFIP reforms while reauthorizing the program for five years, addresses the program's critical problem: low participation rates, inaccurate flood maps, an indifference to the benefits of flood control infrastructure, agency mismanagement, and unsustainable debt service costs.

- Reauthorizes the NFIP for five years and provides for continuous operation in the event of a government shutdown, thus ensuring stability for homeowners, small business owners and the real estate market.to provide more certainty for communities.

- Ends runaway premium hikes by capping annual rate increases to 9 percent. Currently, premiums can increase by up to 25 percent a year— in perpetuity, which depresses property values, creates affordability challenges, and discourages participation in the program. This will put guardrails on FEMA's new, unproven rating methodology, known as Risk Rating 2.0, and prevent a rate shock that undermine and weaken the flood insurance program and put taxpayers on the hook for even more disaster assistance grants.

- Excludes catastrophic loss years in the average historical loss year calculation in accordance with accepted actuarial principles. This will have the effect of not only lowering policy premiums and addressing affordability issues, but also ensuring private insurers have a realistic market to compete in and stability for the housing market.

- Temporarily freezes interest payments on NFIP debt, forces management and contracting reforms, and establishes new controls for private insurance company compensation in order to reinvest in proactive mitigation efforts and affordability measures to increase program enrollment.

- Provides robust funding levels for large-scale, community-wide mitigation efforts, and mitigation assistance programs, which have a 6:1 return on investment (with some projects having seen a 54:1 return) and are the most effective way to reduce flood risk.

- Creates a new community mapping appeals process regarding FEMA-created flood map for states, local governments, or property owners. Making appeal reimbursement an eligible expense of the NFIF would give FEMA the incentive to "get it right the first time" and repay policyholders for contributing to the body of flood risk knowledge. Also, ends FEMA reliance on antiquated flood maps and authorize funding for Light Detection and Ranging (LiDAR) technology for more accurate mapping of flood risk across the country.

- Fundamentally Reforms claims process to protect policyholders. Provides a level playing field for during appeals and litigation by holding FEMA to strict deadlines for payments to homeowners, banning aggressive legal tactics that prevent homeowners from filing legitimate claims, and ending FEMA's reliance on outside legal counsel from expensive for-profit entities—reforms that apply lessons learned from previous disasters. Makes the program more efficient, and encouraging participation even from those who do not perceive immediate flood risk. Ensuring that home and business owners who have played by the rules, built to code, and carried insurance are protected.

- Ensures a stable, affordable and sustainable flood insurance market, a private market for flood insurance must be allowed and encouraged to develop. Increasing private sector involvement also could benefit consumers by expanding available insurance coverage options, lowering costs and increasing the number of at-risk properties that are insured.

Certainty. Provides long term certainty for homeowners, renters and small business owners that depend on the program for flood damage protection. Delivers needed stability for the companies and agents that sell and administer the NFIP policies to millions of consumers across the country. Without reauthorization, the NFIP cannot issue new policies or renew existing ones. The National Association of Realtors estimates that a lapse in authorization could jeopardize an estimated 1,300 sales each day or about 40,000 transactions per month.

- Reauthorizes the National Flood Insurance Program (NFIP) for 5 years, extending the program until September 30, 2024. The bill also provides for continuous operation in the event of a government shutdown, thus ensuring stability for homeowners, small business owners and the real estate market.

Addresses Affordability and Solvency. Protects current and future policyholders from sticker shock and unpredictable rate increases. Historically, the NFIP had been able to cover its costs, and when borrowing from the U.S. Treasury, the debt was repaid with interest. Accumulating published FEMA data for the last 40 years, NFIP premium income has exceeded NFIP claims costs by $6.2 billion. The issues of solvency and affordability are two equally important goals, and that is what our legislation attempts to secure. According to GAO, the NFIP debt to the U.S. Treasury is because of (a) payments to WYO insurers, (b) NFIP operation expenses, and (c) interest payments on outstanding debt.

- Ends runaway premium hikes by capping annual rate increases to 9 percent. Currently, premiums can increase by up to 25 percent a year— in perpetuity, which depresses property values, creates affordability challenges, and discourages participation in the program. This will put guardrails on FEMA's new, unproven rating methodology, known as Risk Rating 2.0, and prevent a rate shock that undermine and weaken the flood insurance program and put taxpayers on the hook for even more disaster assistance grants.

- Excludes catastrophic loss years in the average historical loss year calculation in accordance with accepted actuarial principles. This will have the effect of not only lowering policy premiums and addressing affordability issues, but also ensuring private insurers have a realistic market to compete in and stability for the housing market. The issues of solvency and affordability are two equally important goals, and that is what our legislation attempts to secure.

- Temporarily freezes interest payments and establishes new controls for private insurance company compensation in order to reinvest in proactive mitigation efforts and affordability measures, including low-interest loans for homeowners' mitigation projects and affordability vouchers.

- Updates policy coverage limits for the first time since 1994 to insure the fair market value of the property. The current $250,000 coverage limit is increased to $500,000 for residences and $1,000,000 for multifamily and business structures from the current $500,000.

- Requires FEMA to consider offering business interruption coverage in the NFIP policy.

Development of private flood insurance market. Ensures a stable, affordable and sustainable flood insurance market, a private market for flood insurance must be allowed and encouraged to develop. Increasing private sector involvement also could benefit consumers by expanding available insurance coverage options, lowering costs and increasing the number of at-risk properties that are insured.

Flood Control and Mitigation Reforms. According to FEMA and CBO, mitigation programs save the American public an estimated $5.2 billion dollars annually. Flood protection projects have prevented more than $1.5 trillion in national flood losses since the 1920s. The time has come to make an ambitious national reinvestment in cost-effective flood control and mitigation that reduces risk across the country.
Our current system is backward. Under the current system, FEMA spent more than $277 billion in disaster aid to rebuild communities after floods from 2005 to 2014, but only a fraction of that on efforts to stop or control floodwaters to avert disasters. Rebuilding communities after a disaster is far more expensive than working proactively to reduce or prevent their devastation. FEMA has found that every dollar spent on mitigation,

society as a whole saved at least $6 in future savings, (54:1 or higher return in the case of community-wide projects) and are the most effective way to reduce flood risk. To finance more reliable flood mapping and mitigation projects, the measure would temporarily freeze interest payments on NFIP debt, force management and contracting reforms, and cap premium increases as a means to increase program enrollment.

- Increased Cost of Compliance (ICC) Coverage doubled to better reflect the costs of mitigation projects and expands eligibility in order to encourage more proactive mitigation before natural disasters strike.

- Provides robust funding levels for large-scale, community-wide mitigation efforts, and mitigation assistance programs, which have a 6:1 return on investment (with some projects having seen a 54:1 return) and are the most effective way to reduce flood risk.

- Directs FEMA to consider all available and practicable flood mitigation approaches that provide benefits to an entire floodplain and have the highest net benefits in order to fully recognize the physical and financial protections gained from these cost-shared investments.

- Requires FEMA to establish flood risk zones that recognize limited risk-reduction provided by non-certified levees. Current regulations require a certain level of federal participation to qualify for existing flood risk zone designations, and therefore prevent FEMA from giving communities fair credit for improvements made to existing flood control systems. Proactive communities that invest in mitigation should not be penalized for self-financing flood protection projects.

Mapping Reforms. Accurate mapping is fundamental to assessing and communicating risk, and to pricing it appropriately. FEMA does not know the real risks and costs associated with each NFIP policy because they do not have accurate, up-to-date elevation information for their policyholders. People should know the real risk of where they live and begin to plan for decreasing their risk. Currently, flood risk maps only exist for about 1/3 of the nation – only 1.2 million of 3.5 million miles of streams, rivers and coastlines have been mapped. Many areas have never been mapped, so there is no identification of areas at risk.

- The NFIP-RE Act creates a new community mapping appeals process regarding FEMA-created flood map for states, local governments, or property owners. Making appeal reimbursement an eligible expense of the NFIF would give FEMA the incentive to "get it right the first time" and repay policyholders for contributing to the body of flood risk knowledge.

- The bill would also end FEMA's reliance on antiquated flood maps and authorizes funding for Light Detection and Ranging (LiDAR) technology for more accurate mapping, which is fundamental to assessing and communicating risk, and to pricing it appropriately.

Fundamentally Reforms Claims Process to Protect Policyholders. Provides a level playing field for policyholders during appeals and litigation by holding FEMA to strict deadlines for payments to homeowners, banning aggressive legal tactics that prevent homeowners from filing legitimate claims, and ending FEMA's reliance on outside legal counsel from expensive for-profit entities—reforms that apply lessons learned from previous disasters.

- Requires FEMA to establish a process to allow policyholder to request his or her appeal be heard through independent, binding arbitration rather than through FEMA.

- Extends the deadline for a policyholder to appeal his or her claim determination to FEMA to 1 year after the determination was made.

- Requires FEMA to respond to claims appeals within 90 days.

- FEMA, its contractors and its partner write-your-own (WYO) insurance companies, as advised by the U.S. GAO, must be compelled to make their own, meaningful contributions toward NFIP solvency problems. NFIP debt issues cannot be addressed again on the backs of the policyholders alone.

    - Caps Write Your Own (WYO) compensation at 22.46% of written premiums, while maintaining agent commission at 15% of written premiums to ensure policyholders do not overpay WYO companies that sell policies and service claims but have no risk exposure. Savings achieved would be used to offset the cost of the means-tested, affordability program. This rate is comparable to what FEMA pays to service the NFIP Direct policies it directly underwrites. The cap remains in effect until FEMA determines the actual cost of providing these services, as required under the Biggert Waters Act.

- Creates new oversight measures for insurance companies and vendors, and provides FEMA with greater authority to terminate contractors that have a track record of abuse.

- Provides for increased training and certification of agents and adjusters to reduce mistakes and improve the customer experience