SUMMARY OF KEY PROVISIONS OF FLOOD INSURANCE REFORM

21st Century Flood Reform

Reauthorize the National Flood Insurance Program (NFIP) for five (5) years, place the NFIP on sound financial footing, and institute new programmatic reforms that:

1. **Address Consumer Cost and Affordability**
2. **Provide Greater Private Market Access, Competition, and Consumer Choice**
3. **Encourage Flood Mapping Reforms and Fairness**
4. **Enhance Mitigation Efforts for Properties that Flood Frequently**
5. **Strengthen Taxpayer Protections**
6. **Incorporate NFIP Claims Processing and Superstorm Sandy Reforms**

Affordability and Consumer Costs – *Current and future policyholders must be protected from sticker shock and unpredictable rate increases.*

- Limit Annual Premium Increases.
  - Lowers from 18 to 15 percent the cap on any individual policyholder's annual rate increases.
  - Limits the chargeable risk premium of any residential property to no more than $10,000 in any given year.
  - Cuts annual surcharges in half for certain low-risk, non-owner occupied residential properties.

- State Affordability Program.
  - Authorizes the creation of voluntary state-based affordability programs through which states can identify and qualify eligible low-income homeowners to receive chargeable premium rate discounts from FEMA.

- Disclosure of Premium Methodology.
  - Requires FEMA to develop a transparent public process to explain and engage with the public on its methodology to determine premium rates for NFIP coverage.

- Use of Replacement Cost In Determining Premium Rates.
  - Requires FEMA to use the more precise up-to-date replacement cost value of a structure when establishing rates.

- Consideration of Coastal and Inland Locations In Premium Rates.
  - When developing the annual premium rates, the NFIP must consider the differences in properties in local coastal and inland areas.

- Monthly Installment Payment of Premiums.
  - Authorizes the FEMA Administrator to expedite the implementation of the monthly installment payment of premiums provision in current law.
- Refund of Premiums Upon Cancellation of Policy Because of Replacement with Private Flood Insurance.
  - Requires FEMA to align with private sector practice and allow policyholders who cancel their NFIP policies during the middle of the policy term to receive refunds on a pro-rated basis if the policyholders elect to replace their NFIP polices with private flood insurance, provided the property has not been mitigated using NFIP funds.
- Establish Flood Damage Savings Account.
  - Encourages the development of optional Flood Damage Savings Accounts for individual policyholders who wish to reduce or eliminate their NFIP premiums.

Private Market Development and Consumer Choice – *Consumers need real choices on private market alternatives to the NFIP so they have the option to take their business elsewhere or stay in the government's program.*

- Establish Private Market for Flood Insurance.
  - Includes the text of the Ross-Castor Flood Insurance Market Parity and Modernization Act [H.R. 1422] to provide greater private market access, competition and consumer choice. Similar legislation passed in the 114th Congress by 419-0.
- Elimination of Non-Compete Requirement.
  - Eliminates the non-compete clause to allow Write Your Own (WYO) insurance companies to sell their own private flood insurance policies outside of the NFIP.
- Public Availability of Program Information.
  - Requires FEMA to develop an open-source data system to allow public access of all information related to assessing flood risk or identifying and establishing flood elevations and premiums, including data related to risk on individual properties, if available, and loss ratio information and other information identifying flood losses related to the program. Personal identifiable information shall not be made available; information will be provided by zip code or census tract.

Reform the Flood Mapping Process – *Communities need increased accuracy and fairness of flood mapping.*

- Allow for the Acceptance of Community Flood Maps.
    - Includes the text of the Luetkemeyer Taxpayer Exposure Mitigation Act [H.R. 2246] to allow localities, who elect to use their own resources, to develop their own alternatives to NFIP flood maps, subject to FEMA approval.
- Use of Other Risk Assessment Tools In Determining Premium Rates.
    - Reduces the reliance on flood maps as the sole measure of flood hazard risks by requiring FEMA to use other risk assessment tools, such as risk assessment scores, in addition to applicable flood rate maps when determining annual premium rates.

Updates and Reforms to the NFIP's Mitigation of Properties that Flood Frequently – *Expanded mitigation efforts should focus on high-risk homes, especially pre-disaster to prevent problems before they occur.*

- Community Accountability for Repetitively Flooded Areas.
    - Includes the text of the Royce-Blumenauer Repeatedly Flooded Communities Preparation Act [H.R. 1558] to require flood prone areas (communities with 50 or more multiple loss structures or 5 or more severe repetitive loss structures) to develop a community-specific plan for mitigating continuing flood risks.
- Create Pilot Program For the Voluntary Removal of Flood-Prone Properties.
    - Authorizes FEMA to create a pilot program to provide financial assistance for low-income homeowners and incentivize communities to purchase and acquire properties that have incurred substantial damage from a flood event.
- Increased Cost of Compliance Coverage.
    - Doubles the maximum amount of coverage under the NFIP's Increased Cost of Compliance (ICC) program from $30,000 to $60,000 per structure, by providing voluntary coverage for policyholders at an amount above the standard $30,000 level.
    - Includes language to target ICC funds for properties pre-disaster.
    - ICC coverage is an insurance program within an NFIP policy designed to defray the costs incurred by policyholders who are required to bring their properties into compliance with the local ordinances following a flood loss that resulted in substantial damage.
- Simplifies FEMA's approach to designating and addressing multiple flood loss properties.

- Provides a simpler and more useful definition of repetitive loss properties by creating an umbrella designation—"multiple loss properties" with three distinctions: "repetitive loss," "severe repetitive loss," and "extreme loss" properties.
- This definition enables FEMA to efficiently designate and track multiple loss properties, more accurately set rates, and better prioritize available mitigation funding.
- Targets funding through FEMA's existing Flood Mitigation Assistance program to prioritize projects to address multiple loss properties, with up to a 100 percent cost share.
- Requires FEMA to clearly communicate to policyholders the following: (1) their full flood risk determinations regardless of whether their premium rates are full actuarial rates, and (2) the number and dollar value of claims filed under an NFIP flood insurance policy over the life of the property.

➢ Creates Pilot Program for Investigation of Preexisting Structural Conditions.

- Authorizes FEMA to create a pilot program that allows, prior to insurance coverage or renewal, the WYO companies, at the request of policyholders, the ability investigate preexisting structural conditions of insured properties and potentially insured properties that could result in the denial of a claim under the NFIP in the event of a future flood loss.

Strengthen Taxpayer Protections – *Taxpayers deserve an NFIP that operates in an actuarial sound manner to cover its long-term expected losses.*

➢ Financial Soundness.

- Assigns, for the first time, FEMA accountability of the solvency and actuarial soundness of the NFIP, requiring an annual independent actuarial study of the flood insurance fund to determine whether the NFIP is collecting revenue sufficient to cover its long-term expected losses.

➢ Risk Transfer Requirement.

- Includes the text of the Luetkemeyer Taxpayer Exposure Mitigation Act [H.R. 2246] to require the FEMA Administrator to use risk transfer tools, such as reinsurance, catastrophe bonds, collateralized reinsurance, resilience bonds, and other insurance-linked securities, to reduce direct taxpayer exposure to insurance losses.

➢ Increases Funding to the Flood Insurance Fund.

- Decreases the chances of future borrowing from taxpayers by giving the NFIP the tools it needs to return to a strong financial footing while protecting homeowners.
- Requires FEMA to increase its Reserve Fund assessment rate by 1 percent over the prior year for any year the NFIP fails to collect its statutorily-required amount.
- Increases the Grimm-Waters Act policy surcharge by an average of less than $2 per month over the existing surcharge amounts statutorily-set in that Act.

    - Raises by 3 percent the minimum required increase within a risk classification for statutorily-subsidized residences and other subsidized properties when their rates are adjusted.

- Elimination of Coverage for Properties with Excessive Lifetime Claims.

    - Prospectively, requires the FEMA Administrator not to make available any new or renewed coverage for flood insurance for any property for which the aggregate amount in claims payments exceed ***twice*** the amount of the replacement value of the property for flood damage that occurs beginning 18 months after enactment.

- Addresses Tomorrow's High-Risk Structures Today.

    - Four (4) years after enactment, phases-out NFIP coverage for residential structures (1-4 residences) where the replacement cost of the building alone exceeds $1 million (subject to the local availability of private sector flood insurance options).
    - Four (4) years after enactment, prohibits the NFIP from selling new policy coverage to future structures built in today's highest-risk areas (subject to the local availability of private sector flood insurance options).
    - Four (4) years after enactment, for properties which are currently paying chargeable premium rates based on their real risk, requires FEMA to correctly measure and adjust those rates to track their real risk.

- Allowance for Write-Your-Own (WYO) Companies.

    - Increase the NFIP ability to pay claims from existing revenue by establishing a mechanism for capping WYO compensation at no more than 25 percent.

Incorporates NFIP Claims Processing and Superstorm Sandy Reforms – *FEMA must find and fix fraudulent practices in the claims process, and ensure that every policyholder gets the full benefit of the insurance coverage that they purchased.*

- Formalizes an appeals process that was established for consumers when they dispute their claims.

    - Codifies the due process protections for consumers pursuing their rights.

- Improved Disclosure Requirement for Standard Flood Insurance Policies.

    - Provide each policyholder a disclosure sheet that provides general information about the policyholder's standard NFIP policy.

- Strengthens WYO company litigation oversight.

  - Provides FEMA more authorities and responsibilities for overseeing litigation conducted by WYO companies acting on behalf of the NFIP.
  - Requires FEMA to ensure the reasonableness of litigation expenses and requires WYO companies and their attorneys to comply with FEMA's guidance and procedures related to litigation.

- Enforcement of Mandatory Purchase Requirements.

  - Reinstates a compliance report from federal regulators and the GSEs regarding mortgages and the NFIP's mandatory purchase requirements to ensure lending institutions are abiding by the law.

- Prohibition on Hiring Disbarred Attorneys.

  - Prohibits the FEMA Administrator from hiring any attorney in connection with the program who has been suspended or disbarred.