National Flood Insurance Program (NFIP) Reform

What does Florida need?

<u>Quick Facts: Florida</u>

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:	1.8 million (35% of total)
Florida NFIP Contributions:	$988.3 million (annual)
Florida Coverage:	$448.5 billion
NFIP Payouts to Florida:	$3.8 billion (since 1978)

<u>RECOMMENDATIONS</u>

RETAIN EXISTING PROVSIONS

- **<u>Pre-FIRM (Sec. 205) Properties – Repeal of Property Sale Trigger</u>**
  HR 3370 repealed the immediate full-risk rate trigger upon purchase of a pre-FIRM property or if a policy lapses.
  - *<u>FAC Position</u>: FAC supports this change and opposes any effort to reintroduce the provision in 2017.*

- **<u>Post-FIRM (Sec. 207) Properties – Grandfather Rates</u>**
  HR 3370 restored grandfathering of rates for properties that were built to code but later remapped and covered by more stringent maps (for example, moving from an A-zone to a V-zone).
  - *<u>FAC Position:</u> FAC supports this change, which places these properties in the same status before passage of Biggert-Waters*.

- **<u>Substantial Improvement</u>**
  HR 3370 returns the "substantial improvement threshold" (i.e. renovations and remodeling) to the historic 50% of a structure's fair market value level (as opposed to the 30% threshold under BW-12) and ensures that necessary renovations can continue without penalizing homeowners with excessive flood insurance rate hikes and costly mitigation.
  - *<u>FAC Position:</u> Given Florida's recovering economy and its construction rebound, FAC supports this change.*

NEW ISSUES

- **<u>Pre-FIRM - Make No Distinction Between Primary & Secondary Properties, or Businesses</u>**
  While HR 3370 repeals the portions of the BW-12 that removed Pre-FIRM subsidies on properties purchased after July 6, 2012, the repeal only applies to primary residences. Non-primary residences (i.e., vacation rentals, investment properties, and businesses) will 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.
  - *<u>FAC Position</u>: FAC recommends that all Section 205 properties (a.k.a. pre-FIRM structures) be treated the same (i.e., primary, secondary, businesses).*

- **<u>Rate Disclosure Must Be Improved and Made Transparent</u>**
  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.

- **<u>Flood Mitigation</u>**
  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.

- **<u>Mapping & Risk Assessment Must Be Made Transparent</u>**
  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.

- **<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.

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