



2017 Legislative Priorities of the National Flood Determination Association-- Principles for the Reauthorization of the National Flood Insurance Program and the Strengthening of the Unified Approach to Protect the Public Interest Against Flooding

The National Flood Insurance Program (NFIP) was established almost 50 years ago as part of a unified national program to promote the public interest in the form of appropriate protection against flood losses. The unified approach—floodplain identification, floodplain management, and flood insurance—to protection against the impact of floods includes individual and community incentives to make sound decisions about property, development, and financial responsibility. Through this holistic approach, lives have been saved, families and businesses have been able to recover, and billions of dollars in flood damages have been avoided. Today, the NFIP is more critical to the public interest than even 50 years ago with nearly double the U.S. population, the concerns over more frequent and severe flood events, and the concentration of the population near the nation’s coasts.

The National Flood Determination Association (NFDA) is a professional association of companies that works with federally regulated lenders to facilitate compliance with the mandatory purchase requirements under the NFIP to ensure that properties located in the Special Flood Hazard Area are protected by flood insurance. The NFDA has seen firsthand the value that the NFIP has brought to the nation by offering its citizens quality coverage at affordable rates, by encouraging the education of property owners about the hazards of flood, and by guiding communities to govern development in ways which mitigate future risks through adoption and enforcement of sound ordinances. At the same time, we have seen the uncertainty and apprehension that results from multiple last-minute and brief extensions of the authority of the NFIP in past years as well as the actual lapses of the NFIP in 2010. As a result of those intermittent lapses, loan closings were put on hold and property owners were prevented from purchasing or renewing needed insurance protection as they were confronted with the 2010 hurricane season.

With almost 50 years of history behind us and the expiration of the NFIP looming in front of us, the NFDA joins other interested stakeholder groups by submitting its principles for reauthorization of the NFIP — “Principles for the Reauthorization of the National Flood Insurance Program and Strengthening of the Unified Approach to Protect the Public Interest Against Flooding.” We urge Members of Congress to take action consistent with these principles in order to ensure continued financial protection against the often catastrophic effects of flooding.

Principles for the Reauthorization of the NFIP

1. The NFIP should be supported through a long-term reauthorization.

More than 5 million property owners maintain a flood insurance policy under the NFIP and each month tens of thousands more face a loan transaction during which the availability of federal flood insurance is a consideration. Therefore, it is imperative that Congress act swiftly and decisively to pass legislation to extend for at least 5 years the program’s authority to issue and renew policies.

2. Private flood insurance options should be available to consumers.

Historically, the peril of flood creates challenges for insurers due to the concentration of risks and the lack of risk information available. Given the availability of hazard data and the reliability of private flood risk modeling, it appears that the private flood insurance industry is willing and able to write flood insurance policies. We generally support efforts to encourage the growth of a private flood insurance market in order to provide consumers with coverage options provided (i) the products are acceptable to lenders and

provide appropriate protection to satisfy the mandatory purchase of flood insurance requirement, (ii) the insurance coverage provides homeowners and business owners with the financial resources to rebuild and recover following a flood loss, and (iii) the purposes and objectives of the NFIP are not undermined or contravened in any way.

3. The NFIP should require participating Write Your Own (WYO) companies to use one standard for replacement cost value in the premium calculation in order to ensure consistency and more accurate premiums.

Property owners attempting to obtain the necessary amount of flood insurance coverage either to satisfy the lender requirement or to ensure that replacement cost value thresholds are met for claims handling purposes under the NFIP often face confusion regarding the insured value of the building. Congress should direct the NFIP to require the use of one standard for replacement cost value which could then be acknowledged by the federal regulatory lending agencies for use by regulated lending institutions.

Strengthening of the Unified Approach to Protect the Public Interest Against Flooding

4. FEMA's flood mapping program must continue to be the basis for the nation for the identification of areas of special flood hazards.

FEMA Flood Insurance Rate Maps provide accurate risk information based on engineering data for the entire nation for critical uses including the mandatory purchase of flood insurance requirement, floodplain management, mitigation, policy rating, and disaster recovery. As FEMA is given time to implement recommendations of the Technical Mapping Advisory Council, as required by Congress, the agency's flood mapping program will improve in terms of credibility and utility. With over 22,000 communities participating in the NFIP it is critical that flood mapping remain centralized within FEMA to ensure consistency and to avoid confusion, such as across communities within the same watershed.

5. The federal mandatory purchase requirement serves a necessary function to ensure that properties at the greatest risk to flood are protected with flood insurance.

Each year thousands of families and business owners are able to recover from the devastating effects of flood disasters because a federally regulated lender required the purchase of flood insurance at the making, increasing, extending or renewing of a loan secured by the home or business. This critical requirement supports the Federal Treasury and protects taxpayers by significantly reducing the potential for uninsured losses which would necessitate assistance via federal disaster recovery programs.

6. NFIP's growth should be encouraged through simplification of the policy rating process and simplification of lender compliance requirements.

Since the rate increases and additional fees first imposed from Biggert Waters 2012, the NFIP has seen almost a 10% reduction of policies in force. While increased costs may have caused the policy count decrease, other factors can help to retain, return, or invite property owners to the NFIP for flood insurance coverage. Concerns about the complexity and costs for consumers associated with the policy procurement process and the burdens imposed on lenders related to flood zone discrepancies and policy review reveal opportunities for Congress to guide program improvements which would yield direct improvements in the form of increased policy count and more widespread coverage in place.