

**DRAFT**  
**Principles for Flood Insurance Reauthorization and Reform**  
**December 2016**

**Provide market stability through reauthorization of the National Flood Insurance Program (NFIP)**

- Reauthorize the NFIP and National Flood Mapping Program.
- Create stability in real estate markets with a defined authorization period. Between 2008 and 2012, the NFIP has been extended 17 times, and the program has lapsed 4 times during that same time period, creating needless uncertainty in the residential and commercial real estate sectors in communities across the country.

**Place NFIP on sound fiscal footing**

- Require mandatory use of reinsurance or capital markets alternatives at levels commensurate with the risk profile of the book of business, thereby providing additional taxpayer protections for major losses.
- Actively manage NFIP financial risks. Due to large scale flood disasters, the cost of flood insurance policy claims has far exceeded the amount of premiums and fees received. As a result, the NFIP has incurred debt of \$23 billion to the U.S. Treasury.
- Require risk-transfer to protect taxpayer funds. Reinsurance and capital markets alternatives can be important financial risk management tools used by FEMA to protect the NFIP from large losses and diversify risk across multiple markets. NFIP's use of all forms of risk transfers across multiple private sector markets will enable the NFIP to better withstand catastrophic events.

**Provide greater transparency, stronger public/private partnerships, and greater consumer choice to achieve public policy objectives**

- Pass the *Flood Insurance Market Parity and Modernization Act* (Ross/Murphy) in an effort to continue to grow a private flood insurance market.
- Require the elimination of the non-compete clause to allow Write Your Own companies to better develop and grow private flood insurance products and markets.
- Repeal mandatory coverage requirement for commercial properties.
- Phase out over time NFIP coverage for those residential and commercial structures over the maximum allowable coverage limits in replacement cost value.

**Provide a more open insurance rate-setting process**

- Require public process to disclose methodology and rationale for the establishment of NFIP rates and premiums.
- Promote transparency and accountability by requiring FEMA to hold public meetings and explain its premium rate structures.
- Align the NFIP with private sector practices by using replacement value of the structure, on a property-by-property basis, when calculating premiums.
- Enhance combination of risk assessment tools and mapping to determine more accurate premiums.

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**Update and reform mitigation and mapping process**

- Require the Technical Mapping Advisory Council (TMAC) to develop map standards for FEMA and non-government entities, thereby giving communities additional avenues to bypass the FEMA mapping process and develop maps that use the most updated community data and technology.
- Modernize and create greater flexibility for mitigation assistance, including adjustments to the Increased Cost of Compliance (ICC) program.
- Add flexibility in mitigation programs, including consideration of voluntary buy-outs in pre-disaster stage for severe repetitive loss properties owned by low and very low income families.

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