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. **Implement NFIP Claims Processing and Superstorm Sandy Reforms**

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

- Independent Actuarial Review.

Assign the FEMA Administrator the statutory responsibility to ensure that the NFIP remains financially sound. Require the FEMA Administrator to provide for an annual independent actuarial study of the NFIP to analyze the financial position of the program based on its long-term estimated losses. Require the FEMA Administrator to transmit the results of that report to Congress, along with the FEMA Administrator's determination of whether there exists an actuarial budget deficit for the NFIP for the year covered in the report and any recommended changes to the program to ensure that the program remains financially sound. Additionally, require the FEMA Administrator to submit quarterly reports to Congress on the changing policyholder composition and risk profile of the NFIP.

- Risk Transfer Requirement.

Using the text of the Luetkemeyer Taxpayer Exposure Mitigation Act [H.R. 2246], 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.

- Adjustments to the Grimm-Waters Act Affordability Surcharge.

Restructure the surcharge originally created by the Homeowner Flood Insurance Affordability Act of 2014 to: (1) increase annual surcharges from $25 to $40 for all primary residences; (2) reduce annual surcharge from $250 to $125 for non-owner occupied residential properties that are currently subject to Preferred Risk Policy premium rates; and, (3) increase the annual surcharge from $250 to $275 for all other non-primary residences.

- National Flood Insurance Reserve Fund Compliance.

Require the FEMA Administrator to increase the current National Flood Insurance Reserve Fund assessment rate by 1 percent each year until the NFIP achieves its statutorily mandated reserve ratio phase-in requirement of not less than 7.5 percent.

- Simplify FEMA's Designation and Treatment of Multiple Loss Properties.

Enhance and consolidate the NFIP's ability to manage and track properties with a history of multiple claims by defining a new "multiple-loss property" term to cover all at-risk properties. Multiple-loss property would encompass three types of properties: (1) a revised definition of repetitive-loss property, meaning a property with two more claims of any amount; (2) a revised definition of severe repetitive loss property, meaning a property with 4 or more separate claims payments at $5,000 each and the cumulative amount of such claims payments exceeding $20,000, or at least 2 separate claims payments with the cumulative amount of such claims payments exceeding the value of the structure; and, (3) a new definition of "extreme repetitive-loss property," meaning a property that has incurred flood damage for which at least 2 separate claims have been made with the cumulative amount of such claims payments exceeding 150 percent of the maximum coverage amount available for the structure. As part of the continued availability of NFIP coverage, multiple-loss properties would be required to submit additional data required by the FEMA Administrator to better ascertain the property's specific risk, be subject to a minimum deductible of $5,000, and, for any multiple-loss properties not currently paying full risk rates, be subject to a subsidy phase-out at an annual rate of 15 percent per year. Multiple-loss properties would also be eligible for prioritized mitigation assistance through the Flood Mitigation Assistance program, with up to a 100 percent cost share subject to the availability of funds. Owners of a designated extreme-repetitive loss property that refuse offers of mitigation following future losses would be ineligible to purchase future NFIP insurance until the property has been mitigated. Additionally, FEMA must validate the reasonable accuracy of claim history data for any multiple-loss properties.

- Elimination of Coverage for Properties with Excessive Lifetime Claims.

Prospectively prohibit the availability of NFIP coverage of any multiple-loss property with lifetime losses so excessive that the aggregate amount in claims payments, made after enactment of this Act, exceeds twice the amount of the replacement value of the structure.

- Addressing Tomorrow's High-Risk Structures Today.

Pursuant to his fiduciary duty and responsibility to ensure that the NFIP remain financially sound, require the FEMA Administrator to no longer make available NFIP coverage for certain high-risk properties after January 1, 2021, that have other available private flood insurance options. The high-risk properties covered by this prohibition include any new structures added to today's high-risk special flood hazard areas, as well 1-4 unit residential structures where the replacement cost of the building (exclusive of the real estate upon which the structure is located) exceeds $1 million. To ensure the availability of coverage, the FEMA Administrator has the authority to make insurance coverage via the NFIP for such properties upon a determination that there exists a counter-cyclical market condition where the private flood insurance market is either not available or affordable in a certain geographic area, subject to a 10 percent surcharge. Such determinations shall be made by the state insurance regulator, subject to certain conditions, and be effective for no longer than 12 months or when such counter-cyclical market conditions no longer exist. The state insurance regulator may make multiple or back-to-back determinations depending on the local conditions of the insurance market. Additionally, once a policyholder is paying full risk actuarial rates for their property on or after January 1, 2021, the FEMA Administrator is prohibited from taking actions that create hidden risks for the NFIP by lowering rates for that property below their full risk actuarial rates in the future.

- Limitations on the Allowance for Write-Your-Own (WYO) Companies.

Establish that the allowance paid to companies participating in WYO Program, with respect to a policy for flood insurance coverage made available under the NFIP, shall not be greater than 25 percent of the chargeable premium for such coverage.

- Enforcement of Mandatory Purchase Requirements.

Increase the civil money penalties on federally regulated lenders for failure to comply with the NFIP's mandatory purchase requirements from $2,000 to $5,000, and require an annual report from federal banking regulators and the GSEs on the compliance of covered lenders with existing mandatory purchase requirements.

- Use of All-Perils Policies for the Satisfaction of Mandatory Purchase Requirements.

Provide for the satisfaction of the NFIP's mandatory purchase requirement for those properties located in a state that adopts a state-based requirement for mandatory "all-perils" coverage that includes flood insurance.

- Short Term, Small Dollar Loan Exception from Mandatory Purchase Requirements.

Update the existing exception from the NFIP's mandatory purchase requirement under the Flood Disaster Protection Act of 1973 for small dollar loans with a repayment term of 1 year or less from an original outstanding principal balance of $5,000 or less to an inflation-adjusted $25,000 or less. Additionally, reiterate that nothing in the law prohibits states, localities, and private lenders from requiring the purchase of flood insurance coverage for a structure that is located outside of an area designated by FEMA as a special flood hazard area.