

National Flood Association's Key Flood Insurance Topics

The National Flood Insurance Program (NFIP) was established 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 national program—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. Today, the NFIP is more critical to the public interest than 50 years ago with a nearly double U.S. population, concerns over more frequent and severe flood events, increased development, and the concentration of the population near the nation's coasts.

The National Flood Association (NFA) is a professional association comprised of companies from numerous industries each with an interest in a strong NFIP and a resilient and sustainable approach to flood risk management and protection. The NFA includes those companies which work with federally regulated lenders to facilitate compliance with mandatory flood insurance purchase requirements to ensure that properties located in the Special Flood Hazard Area are protected by flood insurance. With our broad and diverse member base, the NFA conveys an extensive perspective on the value the NFIP brings to the nation by offering and encouraging quality coverage at affordable rates, by educating property owners about the hazards of flood, and by guiding community development in ways which mitigate future risks through adoption and enforcement of sound ordinances.

We urge Members of Congress to take action consistent with the NFA's Key Flood Insurance Topics outlined below.

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

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.

The private flood insurance industry has become well established over the last few decades. As the private flood industry continues to grow, its willingness and ability to write flood insurance policies also grows, especially as data availability and modeling technologies improve.

We are pleased that Congress continues to foster private market involvement in flood insurance and we acknowledge the joint rulemaking of the federal lending regulatory agencies to provide regulations related to private flood insurance that became effective in July 2019. Therefore, we support legislation that encourages the growth of a private flood insurance market that will: (i) provide consumers and businesses with a variety of coverage options; (ii) ensure policies are acceptable to lenders while protecting the borrower's loan collateral, (iii) make a private flood policy as easily accessible as any property insurance policy; (iv) attract and reward financially sound insurers; and, (v) ensure private market growth is complementary to the purposes and objectives of the NFIP.

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

Property owners seeking the necessary amount of flood insurance 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. Congress should direct the NFIP to provide an internet-based replacement cost calculator to the industry

that is the industry standard to ensure replacement cost values are uniform throughout the industry regardless of whether the policy or claim is handled by a WYO Company, the NFIP Direct, or the private market. Consistency will be key to promote a positive customer experience.

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, and disaster recovery. FEMA continues to work diligently to improve the accuracy and utility of its flood maps based on statute, best practices and the recommendations made from associations and coalitions, such as Association of State Flood Plain Managers (ASFPM), the National Flood Association, the Flood Map Coalition, and the Technical Mapping Advisory Council.

With over 22,000 communities participating in the NFIP it is critical that flood mapping be appropriately funded and remain centralized within FEMA to ensure consistency and to avoid confusion, such as across communities within the same watershed. Therefore, we encourage Congress to provide ample funding and sufficient time to FEMA to make additional improvements before layering additional complexity and burden onto the valuable program through significant reforms or additional requirements.

5. The flood insurance gap must be reduced or closed 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 of flood insurance. Most of these policyholders had flood insurance because their lender properly required flood insurance as a condition of the loan under federal requirements. However, for properties without flood insurance because they are outside of the Special Flood Hazard Area or without a mortgage, devastating floods leave families and business owners struggling to rebuild and recover. Increasing the purchase of flood insurance protects taxpayers by significantly reducing the potential for uninsured losses that could necessitate assistance through federal disaster assistance programs.

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

While increased costs have impacted the NFIP policy count, other factors can help to retain, return, or invite property owners to the NFIP. The opportunity exists to modernize not only the rating platform, but the underwriting methodology to improve the affordability for all stakeholders. When modernization occurs, consumers will have a program that clearly identifies the risk, agents will have a less arduous product to sell, and companies will have a less complicated program to administer, thereby making the NFIP both understandable and affordable. Additionally, consistency across flood regulations from the federal prudential regulators, government sponsored enterprises, and other government agencies responsible for housing issues, such as the Departments of Veteran's Affairs and Housing and Urban Development, will simplify lender burdens. Affordability, simplicity, and ease of use will increase the NFIP policies in force.

7. More mitigation dollars for our most flood prone and negatively elevated structures.

Affordability and sustainability for the NFIP comes through mitigation. Policyholders receiving subsidized rates are facing annual premium increases unless they can mitigate the risk to the structure. Importantly, owners of structures at greatest risk and causing the largest drain on the program—the repetitive loss structures—may not have access to needed funds to pursue mitigation options. An increase in resources for mitigation, an increase in the NFIP policy's Increased Cost of Compliance level (currently at \$30,000), and a premium credit for currently uncreditable mitigation activities are ways to progress towards a more resilient NFIP.