

National Flood Insurance Program and Biggert-Waters 2012

NFIP: The National Flood Insurance Program (NFIP) is a program administered through the Federal Emergency Management Act (FEMA) that provides flood insurance to home and business owners. Close to 6 million homes participate in NFIP, with the majority in TX and FL.

Key Components of NFIP:

1. **Provides federal flood insurance** to homeowners, renters and business owners in participating communities. Some of these policies are subsidized.
2. **Aims to reduce the risk of future flood damage** by requiring participating communities to adopt and enforce floodplain management ordinances.
3. **Develops Flood Insurance Rate Maps (FIRMs)** to provide accurate flood hazard and corresponding premium rates to participating communities.

NFIP Solvency:

- NFIP has collected almost **\$9 billion** more in premiums than it has paid out to policyholders since 1978 when measured in 2012 Dollars.
- Even since Katrina, from 2009 – 2012, NFIP took in average of \$1.9 billion more in premiums each year than it paid out.
- NFIP owed approximately \$24 billion to the U.S. Treasury as of July 31, 2013 and suffers from “structural weaknesses in how the program has been funded – primarily its rate structure.”

Flood Insurance Rate Maps (FIRMs): NFIP develops Flood Insurance Rate Maps (FIRMs) to provide accurate flood hazard and corresponding premium rates to participating communities.

- Homes & businesses built before FEMA had established a FIRM (pre-FIRM) for a given area traditionally receive subsidized NFIP premium rates.
- Existing FIRMs are occasionally redrawn by FEMA to reflect changing flood risks. Traditionally, policyholders continue to pay premiums based on the FIRM that was in effect when their property was built. This practice is commonly referred to as “grandfathering.”
- New FEMA maps do not recognize un-accredited levees and other flood protection systems.

Biggert-Waters 2012: Federal legislation enacted in 2012 that aimed to remedy NFIP’s perceived insolvency by phasing out subsidized insurance premium rates.

- **Gradual phase-out of subsidized rates** on certain classes of properties to reflect true flood risks. Results in rate increases for many policyholders over time.
- **NFIP flood map “grandfathering” will be phased out:** beginning in late 2014, policy holders will no longer have the option of using risk data from previous Flood Insurance Rate Maps (FIRM) that were in effect when their home or business was built.

Omnibus Bill: Contains a provision that would bar FEMA from using its 2014 spending allotment to implement higher flood insurance premiums for some policyholders. Delays Section 207 of the Biggert-Waters Insurance Reform Act of 2012, which allows for significant increases for “grandfathered” policyholders whose properties are remapped into higher risk designations.

Homeowners Flood Insurance Affordability Act: (S.1864/H.R. 3370): Proposed federal legislation that would delay drastic premium rate increases resulting from Biggert-Waters. **DELAYS** some of the premium increases for four years, until FEMA has had an opportunity to complete **the affordability study** mandated in the Biggert-Waters Act and Congress has an opportunity to consider the recommendations put forth in that study.

A DELAY will buy us time to develop a long-term solution. NFIP is up for reauthorization in 2017. Communities with certified 100 or 300-year flood protection could be “FIXED” with re-authorization; however, Terrebonne & Lafourche will need an alternative FIX to avoid economic catastrophe.