

## **National Flood Insurance Federal Legislative Information**

The House of Representatives passed HR 3121, the Flood Insurance Reform and Modernization Act (FIRM), on September 27<sup>th</sup> by a vote of 263-146. This legislation significantly updates and modernizes the National Flood Insurance Program (NFIP), which provides flood insurance coverage for consumers, by updating the nation's flood maps, increasing enforcement and accountability and reducing taxpayer burdens.

Created in 1968, the NFIP allows the federal government to offer flood insurance coverage that was not available through the private market due to the high risk involved. For the majority of its 39-year history, the NFIP has been a self-funding program. However, flood insurance claims from the 2005 hurricane season have amounted to at least \$21.5 billion, more than all claims from all other years combined.

The FIRM Act increases insurance coverage limits and expands the authority of the NFIP to help pay claims, largely incurred as a result of the 2005 hurricane season. It also directs FEMA to develop more comprehensive and updated flood maps, and submit annual financial reports to Congress. Another critical portion of the legislation will phase-out pre-FIRM subsidized rates over time for vacation homes, second homes, and nonresidential properties.

In addition, this legislation requires the national flood insurance program to enable property owners to purchase optional insurance against loss resulting from physical damage to, or loss of, real or related personal property located in the United States arising from any flood or windstorm, which includes any hurricane, tornado, cyclone, typhoon or other wind event. It also expands the NFIP to provide for an optional multiple peril policy to cover wind and flood risk in one policy.

Following are some of the descriptions of key provisions included in the bill:

#### The FIRM Act:

- Requires greater accountability and financial responsibility by instructing FEMA to report to Congress on the financial status of the NFIP.
- Raises the 1994 coverage limits for residential flood insurance policies from \$250,000 for structures and \$100,000 for contents to \$335,000 and \$135,000, respectively; and raises non-residential property coverage from \$500,000 to \$670,000.
- Instructs FEMA to update the nation's outdated flood maps in an ongoing process to reflect the accurate risks to homeowners.
- Requires property owners to be notified of the availability of flood insurance.
- Provides additional living expense coverage for temporary housing immediately after a flood.
- Increases fines on lenders who do not enforce mandatory flood insurance coverage for federally backed mortgages in the 100-year floodplain.
- Provides multi-peril coverage for both windstorm and flood.
- Prohibits duplication of coverage: cannot have both multi-peril insurance and flood insurance for the same structure.
- Requires communities to adopt adequate land use and control measures in order for multi-peril coverage to be available.
- Prohibits multi-peril coverage for structures in violation of state or local ordinances.
- Provides coverage for residential contents and necessary increases in living expenses up to \$150,000.
- Provides coverage for nonresidential structures up to \$1 million.
- Provides coverage for nonresidential contents and business interruptions up to \$750,000.

This legislation will now be considered in the Senate. The Senate Banking Committee has held several hearings in 2007, While Chairman Dodd is expected to take the House-passed bill into consideration, he may well be more sensitive to the insurance industry's vocal concerns about the creation of federal wind insurance protection.

Listed below are other bills pending in the 110<sup>th</sup> Congress which affect the National Flood Insurance Program:

## **H.R. 921 - The Flood Insurance Community Outreach Grant Program Act of 2007**

Sponsor: Rep. Doris Matsui (D-CA)

### **Bill Summary:**

This bill amends the National Flood Insurance Act of 1968 to authorize the Director of the Federal Emergency Management Agency to make grants to local governmental agencies responsible for floodplain management activities in communities that participate in the national flood insurance program.

Federal funds shall be utilized for outreach activities to encourage the purchase of flood insurance protection by owners and renters of properties in such communities, and educational programs that increase awareness of flood risk reduction.

### **Key Provisions:**

- Authorizes the Director of FEMA to establish a grant program for local agencies Responsible for floodplain management.
- Grants are to be utilized for outreach activities which encourage and facilitate the purchase of flood insurance both within and outside of Special Flood Hazard Areas.
- Requires local agencies to submit grant applications for selection on a competitive basis.
- Requires recipient agencies to report to the Director within 12 months describing grant activities and their effects on the retention/acquisition of flood insurance.
- Authorizes \$50 million for each of Fiscal Years 2008-2012.

This legislation has been referred to the House Committee on Financial Services.

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## **S. 292 - The Commission on Catastrophic Disaster Risk Insurance Act of 2007**

Sponsor: Senator Bill Nelson (D -FL)

### **Bill Summary:**

The bill establishes the bipartisan Commission on Catastrophic Disaster Risk and Insurance to assess the condition of the property and casualty insurance and reinsurance markets in the aftermath of Hurricanes Katrina, Rita, and Wilma in 2005, including the four major hurricanes that struck the United States in 2004; and the ongoing exposure of the United States to earthquakes, volcanic eruptions, tsunamis, and floods.

This legislation also recommends and report legislative and regulatory changes that will improve the domestic and international financial health and competitiveness of such markets.

### **Key Provisions:**

- The Commission has 90 days to submit its final report to the President and Congress.
- The Commission will terminate 60 days after the submission of its final report.

This measure has been referred to the Senate Committee on Commerce, Science and Transportation.

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### **S. 1890 - The Flood Insurance Choice Act of 2007**

Sponsor: Senator Trent Lott (R-MS)

#### **Bill Summary:**

The bill allows individuals to opt-out of the National Flood Insurance Program. Under this legislation, a homeowner who opts-out of the NFIP would not be required to purchase flood insurance or meet base flood elevation requirements. However, the individual would not be eligible for federal financial assistance if their home is damaged by a flood.

#### **Key Provisions:**

- Provides individual homeowners the option of not participating in the National Insurance Program through a certification process.
- Allows any current or future owner of a property the ability to terminate this certification and rejoin the NFIP.
- Ensures that the availability of flood insurance and federal financial assistance is not adversely impacted for communities with homeowners who opt-out of the NFIP.

This measure has been referred to the Senate Committee on Banking, Housing, and Urban Affairs.

**About the ASBPA:** *Founded in 1926, the American Shore and Beach Preservation Association (ASBPA) represents the scientific, technical and political interests along the coast in an effort to shape national research and policy concerning shore and beach management and restoration. The group strives to engage a factual debate on coastal issues and economics that will foster sound, far-sighted and economical development and preservation of our beaches; thereby aiding in placing their benefits within the reach of the largest possible number of people in accordance with the ideals of a democratic nation. For more information on the ASBPA, go to [www.asbpa.org](http://www.asbpa.org).*