

Talking Points on how Private Flood Bill Poses a Threat to Taxpayers and Consumers

- This bill could result in thousands of communities dropping out of the NFIP, which means they would likely repeal their floodplain management standards. The number one motivation for communities to join the NFIP is accessibility to flood insurance to meet the mandatory purchase requirement. Yet, more than 6,000 communities in the program have not adopted any other land use or building standards except for their floodplain management regulations. These communities could conceivably choose not to participate in the NFIP if private flood insurance is widely available and deemed acceptable to meet mandatory purchase requirements. HR 2901/S 1679 have no requirements for NFIP participation. ASFPM is seeking an amendment to only allow private flood policies that meet the mandatory purchase requirement to be written in NFIP participating communities.
- The bill will significantly hurt the mitigation programs through the NFIP by removing requirements for coverages to be at least as comprehensive as what the NFIP provides. This means no requirement for Increased Cost of Compliance coverage and there is also no mechanism for funding for Flood Mitigation Assistance through private policies. In the 20 years since FMA and ICC began providing funding for mitigation through the NFIP, more than \$1.2 billion has been provided to property owners to mitigate their flood-prone structures (\$572 million through FMA and \$669 million through ICC). Floodplain managers know the importance of ICC to enforcing the substantial damage requirement after a flood. It is also important to helping property owners and communities be more resilient. Private policies today have ICC because the law requires similar coverages to an NFIP policy. If the bill passes, it is unknown whether state insurance commissioners will require an ICC-type coverage. There would also be no mechanism to fund nor contribute to funding for FMA in the private flood bill. ASFPM is seeking an amendment to keep the current requirements for coverages to be at least as comprehensive as what the NFIP provides so ICC continues to be available.
- The bill will also harm U.S. taxpayers by forcing substandard policies as meeting the mandatory purchase requirement. How will this occur? The bill removes all requirements that a private policy have similar coverages, exclusions and deductibles. That means a private policy could have enormous deductibles or significant exclusions to undercut the price of a NFIP policy. While it may seem like a good deal at first glance as the premium might be lower than an NFIP policy, if the policy holder cannot pay the deductible or there is a significant exclusion in the policy, the policyholder will be forced to obtain disaster assistance funded by taxpayers. ASFPM is seeking an amendment to keep the current requirements for having similar exclusions and deductibles as an NFIP policy as a consumer protection issue.
- The bill will reduce resources for flood mapping and floodplain management. Depending on congressional funding, the federal policy fee that is part of every NFIP policy pays between 30-70 percent of the flood mapping program and pays for nearly all of the floodplain management programs at FEMA. We believe the private insurers should help pay their fair share for flood maps and floodplain management, which they all admit is important to them being able to rate premiums and prevent very high risk development. As such, ASFPM is seeking an amendment to

require the addition of an “equivalency fee” equal to the federal policy fee on private flood insurance policies.

- Supporters of the bill have acknowledged ASFPM’s issues and have even said should be part of the broader NFIP reform discussion, but should not be addressed in this bill. ASFPM does not agree. What proponents fail to acknowledge is that this private flood bill IS major NFIP reform. If this bill passes as is, it has the potential to undercut the entire NFIP. In fact, we would prefer that the consideration of this entire legislation be rolled into NFIP reform so it can have due process of debate, amendments, etc. Also, because the private flood market is expanding and innovating (in other words the BW-12 reforms to stimulate the private flood market are working), ASFPM questions the need to hurry up and pass a stand-alone NFIP reform bill such as this when it could easily be rolled into the NFIP reauthorization next year.