NFIP Reform 2007 ASFPM List for 2007 reform legislation
Approved by ASFPM Board Feb 13, 2007

This list is being developed in the spirit of focusing on the positives in the 2006 House and Senate flood insurance bills and bypassing the elements that are uncertain and controversial or could have an adverse impact on the NFIP. The House Banking Committee is planning to introduce the House passed bill with some “fixes” in January. Senate plans are less clear now that the pressure for legislation is reduced since FEMA has announced the NFIP has sufficient borrowing authority through September, 2007. It now takes 1/3 of the premium income of $2 B to cover interest on the NFIP debt.

FEMA folks have indicated they will be putting together a package of legislative recommendations. This should be encouraged since they were not able to make recommendations for the last round of legislation in 2006.

**Items that should be included in the 2007 Reform:**

Debt forgiveness

Map Mod
  - Extension of time
  - Expansion of tasks to include residual risk and 500 year floodplain
  - Authorize mapping at level of $400 million per year for as long as possible
  - Re-establish Technical Mapping Advisory Council
    (Essentially the whole mapping section from 2006 minus the new ground elevation data and lowest floor requirements)

Extension of mandatory purchase of insurance in residual risk areas
  - Preferred risk rate
  - No land use component

Some premium increases
  - Non-residential buildings and non-primary residences should move to actuarial rates

Provision to allow use of Demolish and Rebuild (Mitigation Reconstruction) under regular FMA (to achieve consistency with SRL)

Provision for the FEMA Director to have discretionary authority to require use of advisory maps for the purposes of the NFIP

Increases in civil penalties on lending institutions for violations of mandatory purchase requirement
Provision for FMA (including the repetitive loss programs) to be funded from both premiums and the policy service fee (a necessary clarification)

Provision to make FMA funds available until expended

Provision to remove (or increase) the per state and per community limits on Basic FMA

Clarification of Congressional intent of the “direct” portion of repetitive loss programs

Do not include:

Increasing pre-FIRM properties to actuarial rates when a property is transferred (both House and Senate versions had this provision)

Reduction in the waiting period for effective policy date from 30 days to 2 weeks

Provision for FEMA participation in non-binding mediation of claims issues when multiple claims for same property

ASFPM Statement on NFIP Reform 2007

ASFPM recognizes the need for changes in the program and more movement toward actuarial rates. We recommend that all such changes be carefully evaluated in terms of the overall (and cumulative) impact on the continued viability of the NFIP and the desire that at-risk property owners have accurate information about the risk they face, including residual risk, and the need to purchase flood insurance as sound financial protection. It is important to remember that the NFIP is not purely an insurance program but provides for mitigation and significant land use guidance through local flood ordinances. ASFPM recommendations are intended to provide the at-risk public and the taxpayer at large with better protection and to improve functioning of the program.

While it is necessary to recognize the devastating effect of catastrophic losses on the program, ASFPM recommends acknowledgement that the NFIP is an effective tool for policy holder protection and loss mitigation during the average loss year. The program was not originally designed by Congress to cover catastrophic losses. ASFPM recommends that Congress and the Administration explore the full range of options for meeting the nation’s taxpayers and property owners needs related to catastrophic disasters.