UPDATE: NATIONAL FLOOD INSURANCE PROGRAM (NFIP) RE-AUTHORIZATION

BROWARD COUNTY COMMISSIONER QUENTIN “BEAM” FURR
MEMBER, FAC FEDERAL POLICY COMMITTEE
OCTOBER 25, 2019
WITH APPRECIATION TO

MONROE COUNTY COMMISSIONER HEATHER CARRUTHERS
MEMBER, FAC FEDERAL POLICY COMMITTEE

FOR HER CONTINUING DEDICATION AND ADVOCACY ON
BEHALF OF THE REGION AND STATE OF FLORIDA ON THE NFIP
REAUTHORIZATION ISSUE
NATIONAL FLOOD INSURANCE PROGRAM

• CREATED BY CONGRESS IN 1968
  • MITIGATE FUTURE FLOOD LOSSES THROUGH ACCESS TO AFFORDABLE FLOOD INSURANCE
  • PROVIDE INSURANCE ALTERNATIVE TO DISASTER ASSISTANCE TO MEETING INCREASING COSTS OF REPAIRING DAMAGE TO BUILDINGS AND CONTENTS

• MUST BE REAUTHORIZED EVERY FIVE YEARS

• CURRENTLY OPERATING UNDER AN EXTENSION UNTIL NOV. 21, 2019
FLORIDA / SE FLORIDA FACTS
NATIONAL FLOOD INSURANCE PROGRAM

• STATE OF FLORIDA – HIGHEST NUMBER OF NFIP POLICIES IN THE NATION (35% OR 1.7 MILLION POLICIES), HIGHEST INSURED VALUE ($442 BILLION), AND HIGHEST ANNUAL PREMIUMS ($976 MILLION).

• SOUTHEAST FLORIDA (JUNE 2019) MONROE TO INDIAN RIVER COUNTY
  • APPROXIMATELY 760,000 POLICIES (45% OF FLORIDA), $187 BILLION INSURED VALUE (42%), AND $352 ANNUAL PREMIUMS (35%)
## SOUTHEAST FLORIDA (JUNE 2019)

<table>
<thead>
<tr>
<th></th>
<th>Policies in Force</th>
<th>Total Coverage</th>
<th>Total Written Premium + FPF*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Monroe County</strong></td>
<td>30,207</td>
<td>$7,470,577,400</td>
<td>$38,415,115</td>
</tr>
<tr>
<td><strong>Miami-Dade County</strong></td>
<td>342,574</td>
<td>$78,312,177,000</td>
<td>153,297,972</td>
</tr>
<tr>
<td><strong>Broward County</strong></td>
<td>193,550</td>
<td>$49,310,481,500</td>
<td>$77,137,336</td>
</tr>
<tr>
<td><strong>Palm Beach County</strong></td>
<td>135,650</td>
<td>$36,501,630,100</td>
<td>$53,877,016</td>
</tr>
<tr>
<td><strong>Martin County</strong></td>
<td>16,934</td>
<td>$4,635,570,400</td>
<td>$8,995,146</td>
</tr>
<tr>
<td><strong>St. Lucie County</strong></td>
<td>19,394</td>
<td>$4,812,367,100</td>
<td>$7,986,831</td>
</tr>
<tr>
<td><strong>Indian River County</strong></td>
<td>21,461</td>
<td>$5,886,211,300</td>
<td>$11,467,601</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>759,770</td>
<td>$186,929,014,800</td>
<td>$351,177,017</td>
</tr>
</tbody>
</table>

Federal Policy Fee – primary source of funding for flood mapping and flood plan management
Source: https://www.fema.gov/policy-claim-statistics-flood-insurance
TOP 10 NFIP STATES BY POLICY COUNT

Policies In Force as of 8/31/18

Florida, 1,776,121
Texas, 748,269
Louisiana, 503,689
California, 230,479
New Jersey, 224,420
South Carolina, 204,730
New York, 178,160
North Carolina, 134,604
Virginia, 105,931
Georgia, 87,378
All Others, 926,022

Covered properties, residential and commercial

SOURCE: https://www.fema.gov/policy-claim-statistics-flood-insurance
NATIONAL FLOOD INSURANCE PROGRAM

LEGISLATION HAS BEEN FILED TO REAUTHORIZE NFIP

• HOUSE FINANCIAL SERVICES COMMITTEE HR 3167 (UNANIMOUSLY PASSED COMMITTEE IN JUNE 2019)

• SB 2187 (SENATOR RUBIO / SENATOR MENENDEZ) / HR 3872 (CO-SPONSORED BY FLORIDA REPRESENTATIVES HASTINGS (D-20), MUCARSEL-POWELL (D-26), CRIST (D-13), MURPHY D-7), AND OTHER MEMBERS OF CONGRESS.
NATIONAL FLOOD INSURANCE PROGRAM

**SIMULTANEOUSLY**

• THE NFIP IS REDESIGNING ITS RISK RATING PLAN AND UNDERTAKING EXTENSIVE FLOOD MAPPING

• RISK RATING 2.0 WILL “FUNDAMENTALLY CHANGE THE WAY FEMA RATES A PROPERTY’S FLOOD RISK” INCLUDING PRICING FOR POLICIES

• RISK RATING 2.0 WILL PRICE POLICIES WITH CONSIDERATION OF:
  • STRUCTURE’S DISTANCE TO WATER
  • EXPOSURE TO DIFFERENT TYPES OF FLOOD RISK
  • COST TO REBUILD
NATIONAL FLOOD INSURANCE PROGRAM

FEMA PLANS TO ANNOUNCE NEW FLOOD INSURANCE RATES FOR SINGLE FAMILY HOMES APRIL 1, 2020 WITH RATES TO TAKE EFFECT OCTOBER 1, 2020

NEW LEGISLATION + RISK 2.0 = MAY CREATE EXCESSIVE POLICY RATE HIKES AND DAMAGING ECONOMIC IMPACTS TO SOUTHEAST FLORIDA’S COMMUNITIES, BUSINESSES, AND ECONOMY
POLICY RECOMMENDATION

ENSURE THAT ANY REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM INCLUDES MEANINGFUL AFFORDABILITY PROTECTIONS FOR ALL POLICY HOLDERS, SPECIFICALLY A LOWER CAP ON ANNUAL INCREASES, AND PROTECTS AGAINST UNINTENDED CONSEQUENCES
PREVIOUS NFIP “FIXES”

Premium increased from $1,989 to $49,252

Impact of the “sale trigger” to the actuarial rate as a result of the Biggert-Waters Act of 2012
POLICY – KEY PRINCIPLES

• INCLUSION
• MAINTAIN ACCESS TO AFFORDABLE RATES
• MITIGATE RISK
• MAPPING – IMPROVE DATA COLLECTION AND ACCURACY
• SOLVENCY – IMPROVE FINANCIAL MANAGEMENT AND INCREASE THE RISK POOL

• CONSUMER PROTECTION
• PRIVATIZATION
• TRANSPARENCY
MAINTAIN ACCESS TO AFFORDABLE FLOOD INSURANCE

• Use good data to establish accurate rates
• Create a sustainable glide path to full risk rates and cap rates at 5% per year
• Ensure private insurers take up a range of risk
• Provide re-entry to NFIP if private options become unaffordable
AFFORDABILITY / SOLVENCY
INCREASE THE RISK POOL

• Expand use of Preferred Risk Policy
• Strengthen enforcement
• Prohibit cherry-picking by private insurers

>20%

Oregon, 2007
Vermont, 2008
New Mexico, 2008
Ohio, 2011
North Carolina, 2018
- AFFORDABILITY -
RATE PROPERTIES BY VULNERABILITIES, NOT USE

Businesses power local economies

Higher premiums on commercial/rental properties = higher rents = less affordable housing

Second homes are vital to Florida’s economy

A building is a building is a building…
MITIGATE RISK

- Create programs to help homeowners pay for expensive mitigation techniques like elevation
- Provide mitigation credits for homeowners who flood-proof in other proven ways
- Increase funding to retire repetitive loss properties
Support funding the use of the latest LiDAR mapping technology which significantly reduces the margin of error in mapping.

Ensure greater cooperation between FEMA and local governments in the mapping process.

Increase collection of elevation certificates at the property level.
IMPROVE FINANCIAL MANAGEMENT AND SOLVENCY

• Reduce administrative costs by cutting payments to WYO firms.
  • They bear no risk.
  • They consume a third of premium.
• Invest reserves as other insurance companies do.
PROTECT THE ECONOMY

• Unavailable and unaffordable flood insurance
  • Has the greatest impact on the most vulnerable
  • Will cause economic collapse

• The glidepath to actuarially sound rates must be sustainable.
CURRENT PREMIUM GLIDEPATH TO FULL RISK ACTUARIAL RATES

<table>
<thead>
<tr>
<th>Rating Type</th>
<th>HFIAA - 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Primary Homes</td>
<td>5-18% increase/year</td>
</tr>
<tr>
<td>Second Homes and Rental Properties</td>
<td>25% increase/year</td>
</tr>
<tr>
<td>Commercial Properties</td>
<td>25% increase/year</td>
</tr>
<tr>
<td>Lapsed Policies on Non-Primary Homes</td>
<td>Full Risk Rate</td>
</tr>
</tbody>
</table>
TO SUMMARIZE - POLICY RECOMMENDATIONS

INCLUSION – INCLUDE STATE AND LOCAL STAKEHOLDERS TO ENSURE LONG-TERM AFFORDABILITY, EFFICIENCY, FAIRNESS, ACCOUNTABILITY, AND PROGRAM SUSTAINABILITY

AFFORDABILITY – LIMIT RATE INCREASES TO NO MORE THAN 5% PER YEAR ON ANY POLICY, INCLUSIVE OF SURCHARGES AND FEES; PRESERVE GRANDFATHERING; MAINTAIN AFFORDABILITY FOR ALL POLICY HOLDERS

MITIGATION – INCREASE FEDERAL INVESTMENT IN PROPERTY AND COMMUNITY MITIGATION INCLUDING LOANS, MITIGATION CREDITS, OPPOSING UNFUNDED MANDATES ETC.

MAPPING – IMPROVE DATA, TRANSPARENCY, INCLUDE LOCAL GOVERNMENTS
POLICY RECOMMENDATIONS

SOLVENCY – FURTHER ADDRESS REPETITIVE LOSS PROPERTIES; LIMIT NFIP PAYMENTS TO WRITE YOUR OWN (WYO) COMPANIES; INCREASE THE POOL OF POLICYHOLDERS; FORGIVE NFIP DEBT AND REALLOCATE INTEREST PAYMENTS TO MITIGATION AND SOLVENCY

CONSUMER PROTECTION – CREATE A POLICY REVIEW PROCESS, AMEND FORCE-PLACING PROVISIONS TO KEEP POLICYHOLDERS IN NFIP INSTEAD OF SURPLUS LINE

PRIVATIZATION – REQUIRE PRIVATE INSURERS TO COVER ENTIRE SPECTRUM OF RISK (NO CHERRY PICKING); ALLOW CONSUMERS TO RE-ENTER NFIP, DO NOT PERMIT THE PRIVATE INSURANCE MARKET TO UNDERMINE COMMUNITY FLOOD MITIGATION THROUGH THE COMMUNITY RATING SYSTEM
POLICY RECOMMENDATIONS

TRANSPARENCY – FEMA RISK 2.0 WILL HAVE POTENTIALLY SIGNIFICANT IMPACTS TO PREMIUMS FOR PROPERTIES IN COASTAL AND RIVERINE COMMUNITIES. GREATER TRANSPARENCY, INFORMATION SHARING, AND CONSIDERATION OF THESE IMPACTS ON COMMUNITIES IS NEEDED.
QUESTIONS?