

UPDATE: NATIONAL FLOOD INSURANCE PROGRAM RE-AUTHORIZATION

PREPARED BY MONROE COUNTY COMMISSIONER
HEATHER CARRUTHERS FOR THE SOUTH FLORIDA
REGIONAL PLANNING COUNCIL & THE TREASURE
COAST REGIONAL PLANNING COUNCIL MEETING
OCTOBER 12, 2018





NFIP FUN FACTS

1968

Mortgage
+
Flood
Insurance
17,000,000



\$250,000

Pre-1975 =
Pre-FIRM

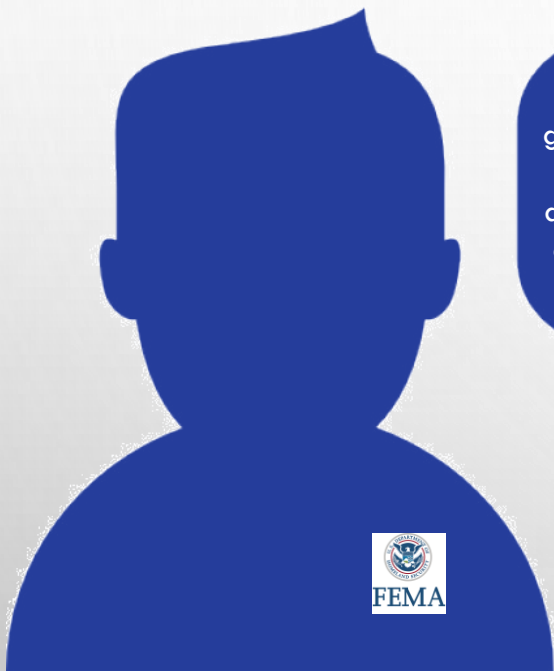
5.1
million

WRITE-YOUR-OWN
(WYO) & NFIP DIRECT
= 27% to 51% of premium
WYO Program
• Allows participating insurance companies
to write and service NFIP policies in their
own names

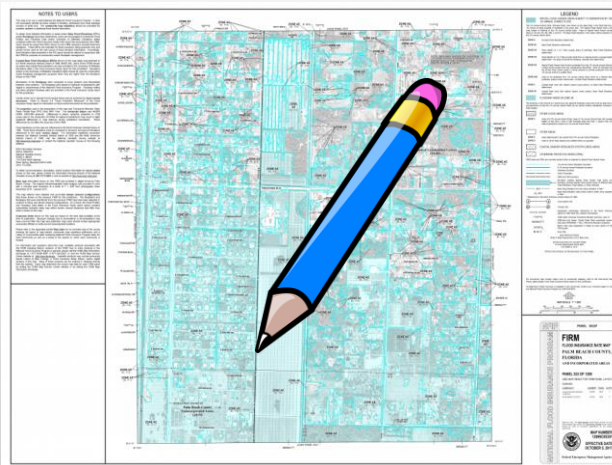
\$500,000



FEMA'S ACTUARIAL ACCURACY



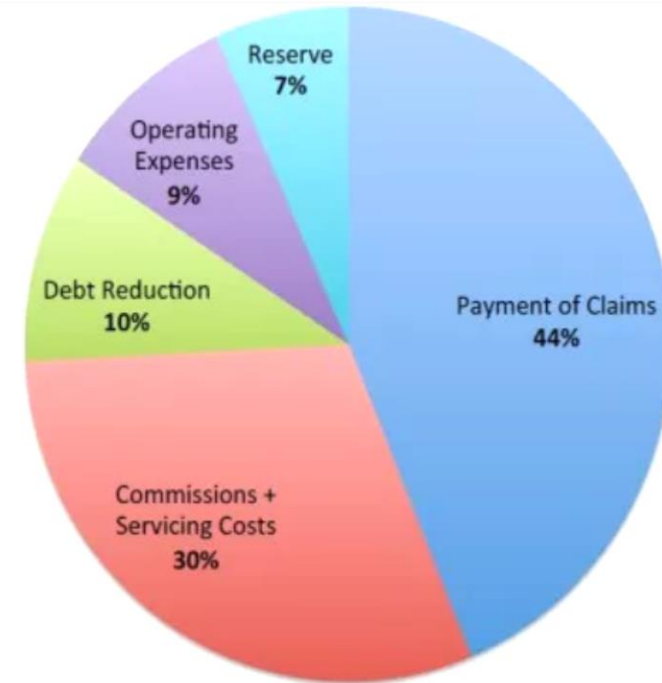
We do not have a good understanding of flood risk. We don't have sufficient data to accurately set rates.





WHAT'S IN A PREMIUM?

- 44% of NFIP premium goes to pay claims
- Industry average is 87% for homeowners insurance
- Most insurance companies operate at a 35% expense ratio, leaving 65% for claims
 - Private insurance companies generate most of their *income* from earned investments on their reserves
 - Until 2012, NFIP did not invest any reserves

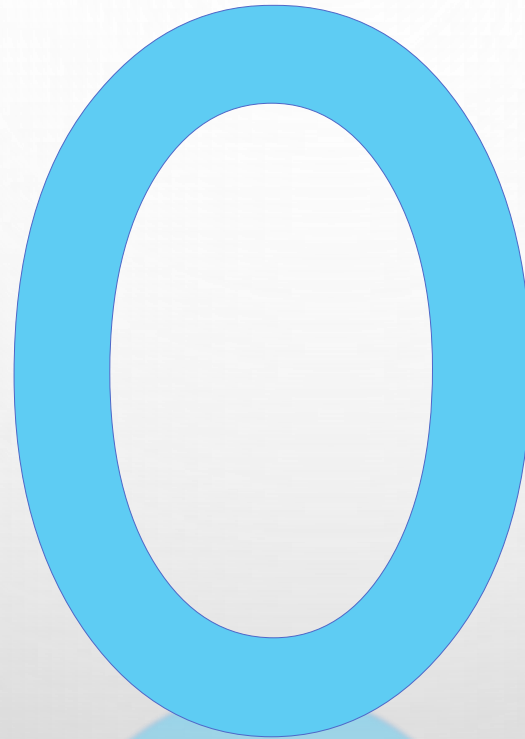


¹ Commissions and Servicing Costs include Agents' Commissions (14%), Company Expenses (11%), Premium Tax (2%), and Loss Adjustment Expense (3%)

www.gnoinc.org



STATES WITHOUT NFIP POLICIES



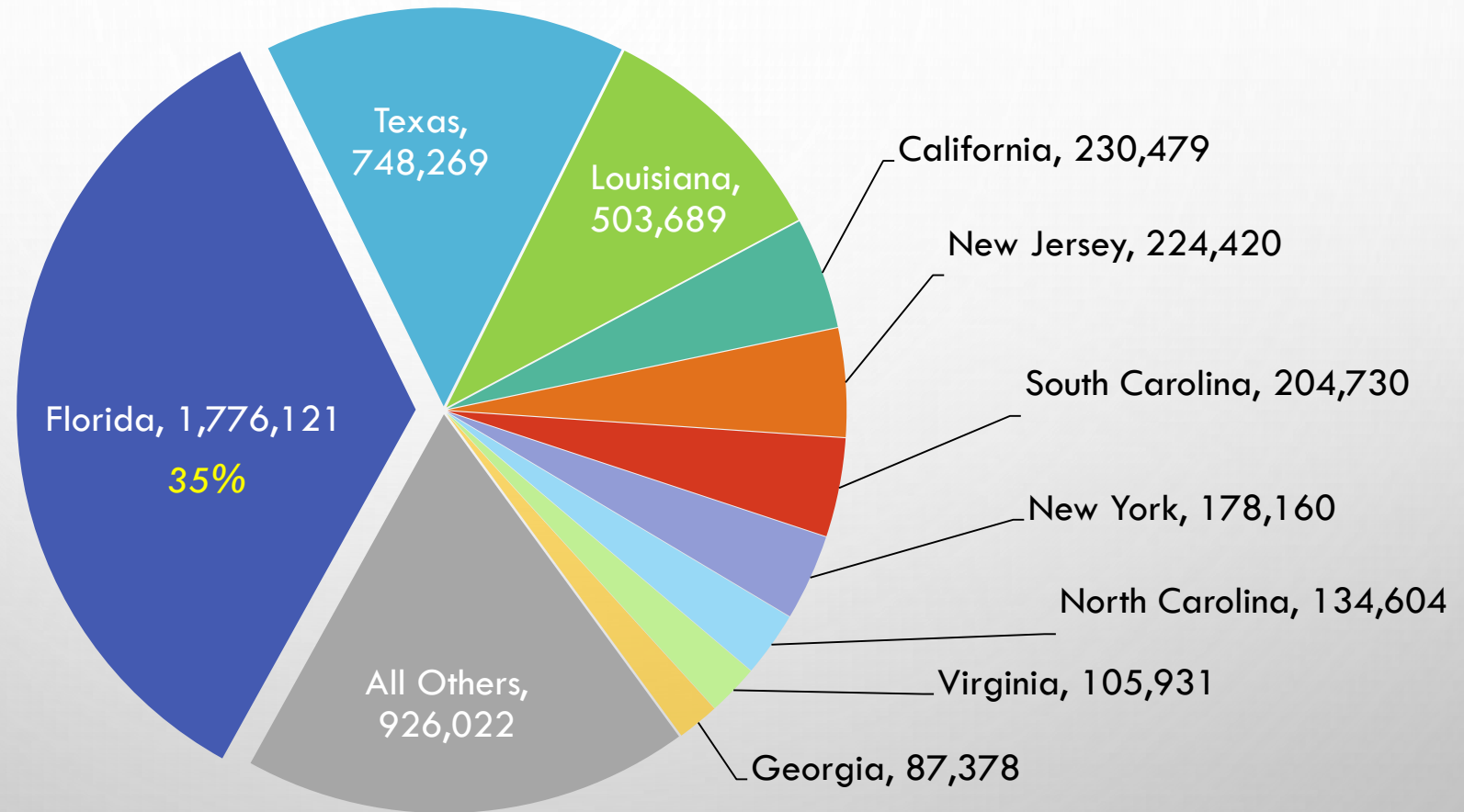


TOP 10 NFIP STATES BY POLICY COUNT

**Policies
In Force
as of
8/31/18**

Covered properties,
residential and
commercial

SOURCE:
<https://www.fema.gov/policy-claim-statistics-flood-insurance>



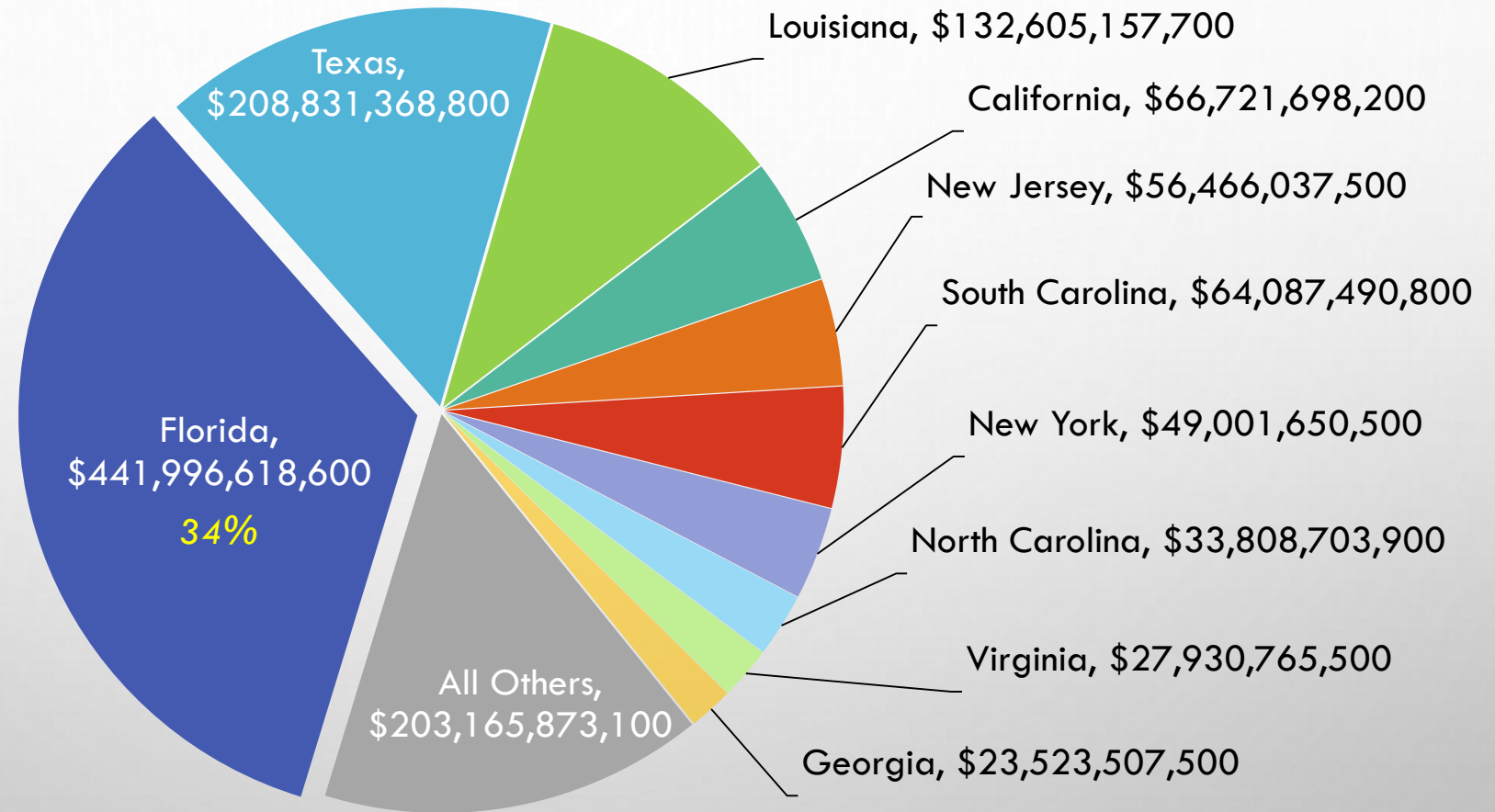


TOP 10 NFIP STATES BY INSURED AMOUNT

**Coverage
In Force
as of
8/31/18**

Covered properties,
residential and
commercial

SOURCE:
<https://www.fema.gov/policy-claim-statistics-flood-insurance>



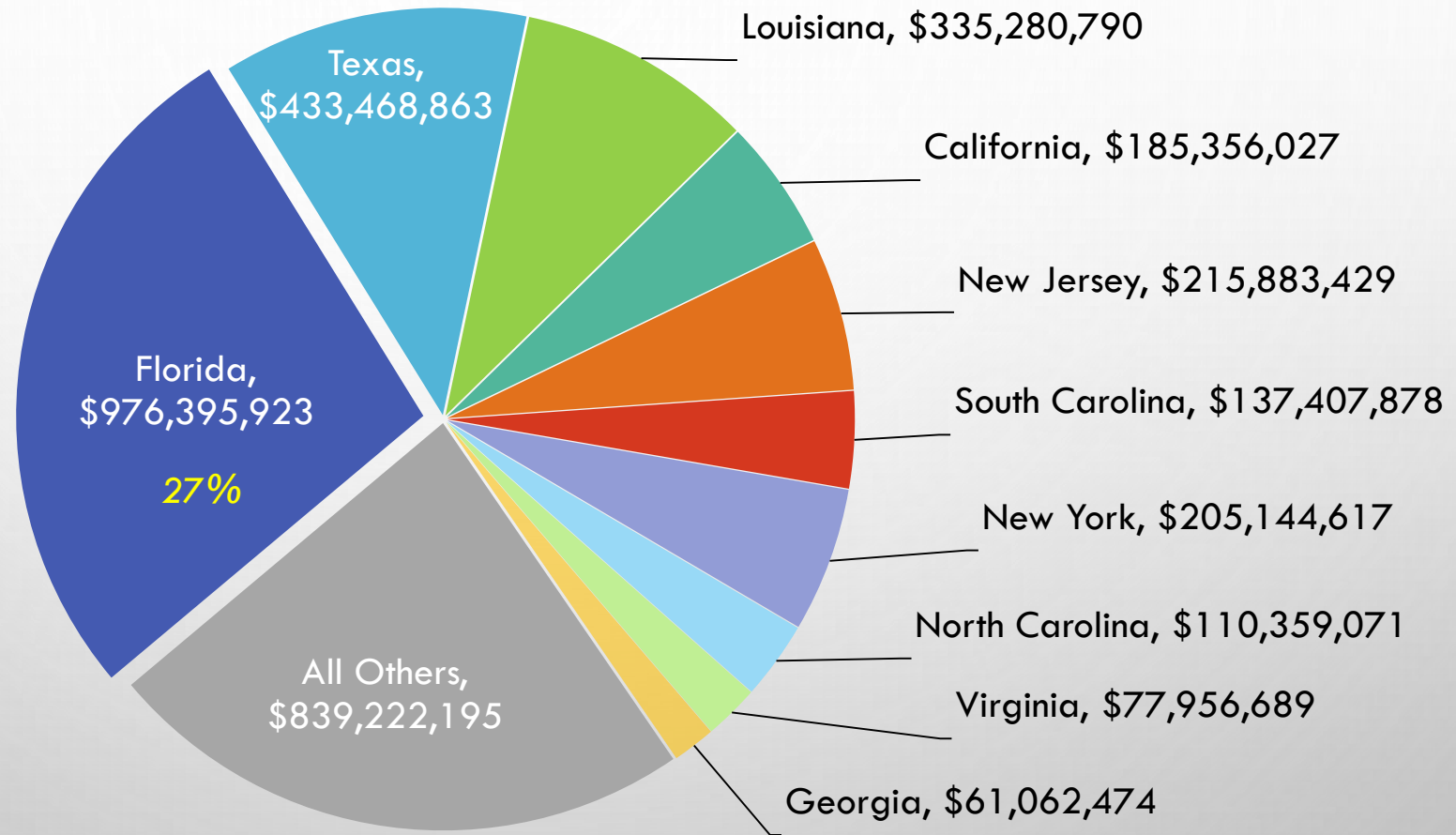


TOP 10 NFIP STATES BY PREMIUM COLLECTED

**Premium
In Force
as of
8/31/18**

Covered properties,
residential and
commercial

SOURCE:
<https://www.fema.gov/policy-claim-statistics-flood-insurance>



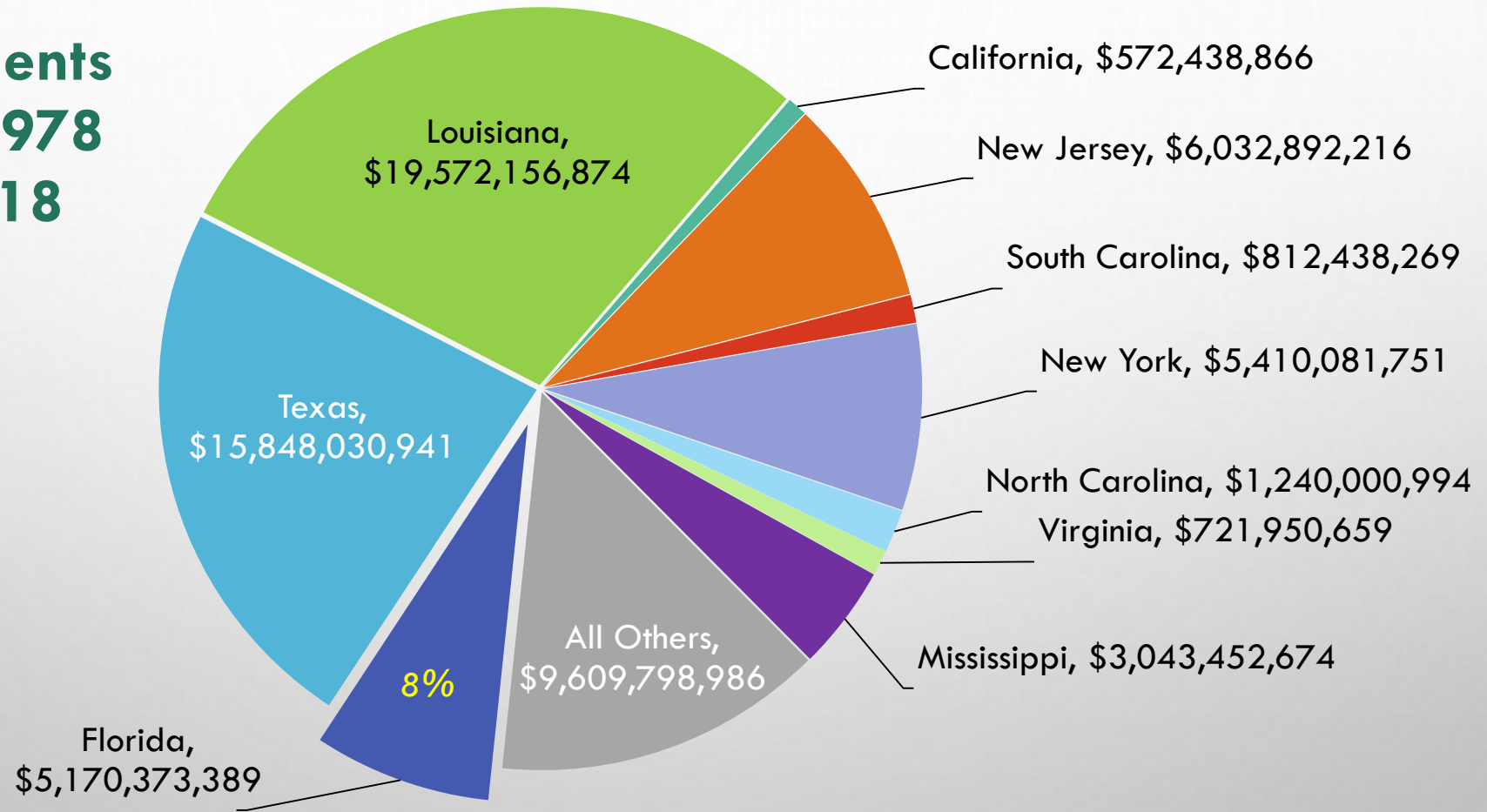


TOP 10 NFIP STATES BY TOTAL CLAIMS PAID

Total Payments from 1/1/1978 to 8/31/2018

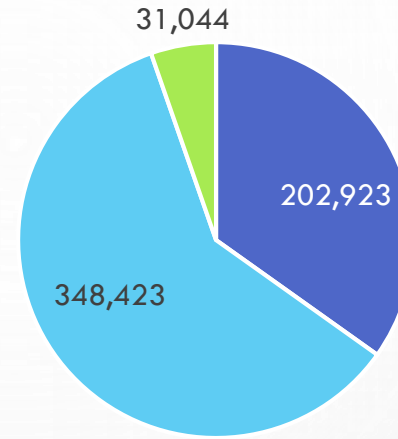
Covered properties, residential and commercial

SOURCE: <https://www.fema.gov/policy-claim-statistics-flood-insurance>





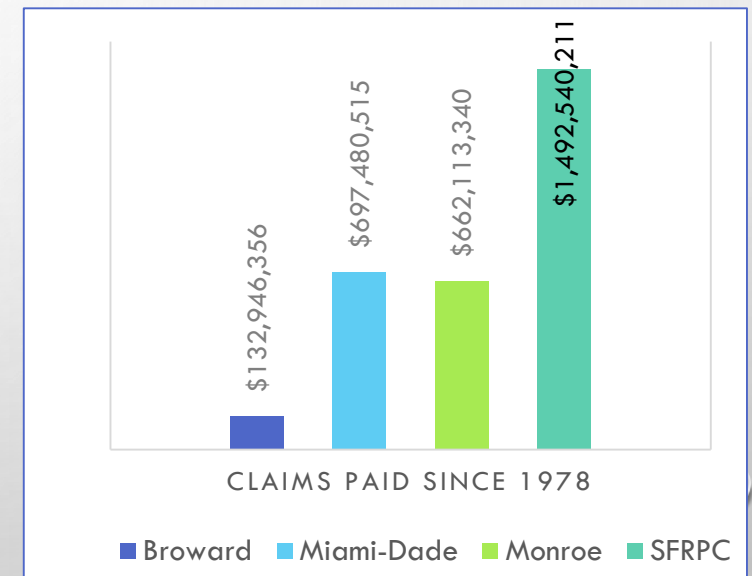
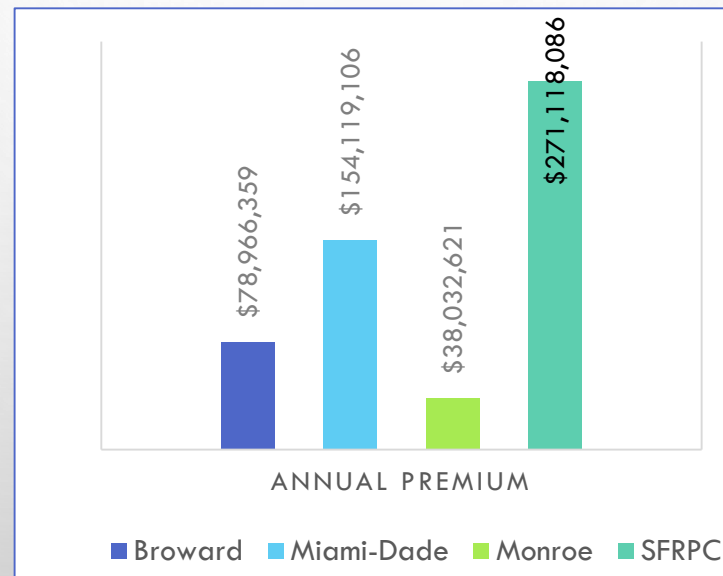
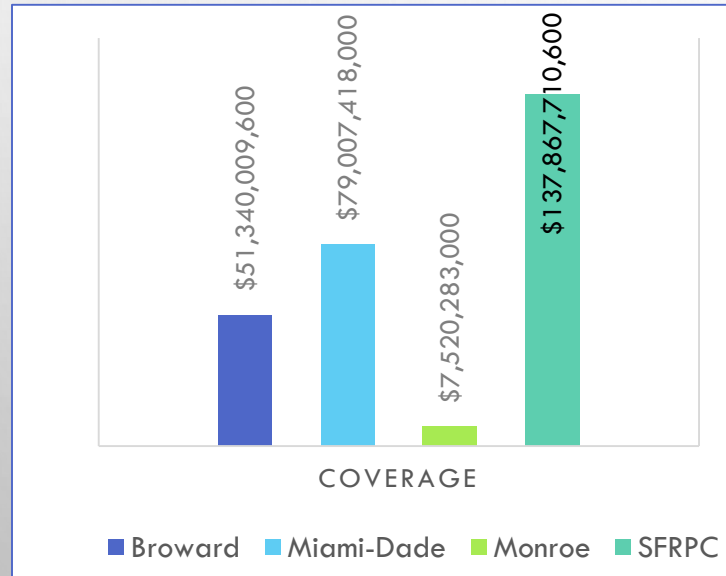
SFRPC NFIP STATS AS OF 8/31/2018



POLICIES IN FORCE

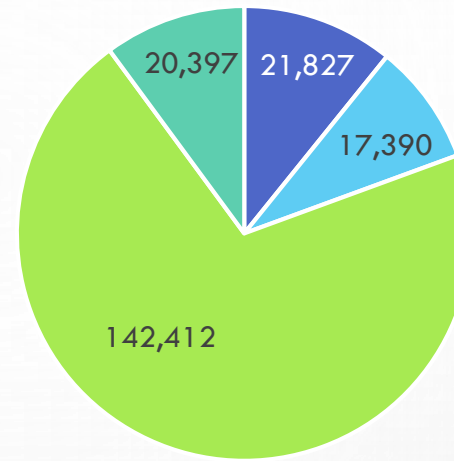
- Broward
- Miami-Dade
- Monroe

SFRPC = 582,390





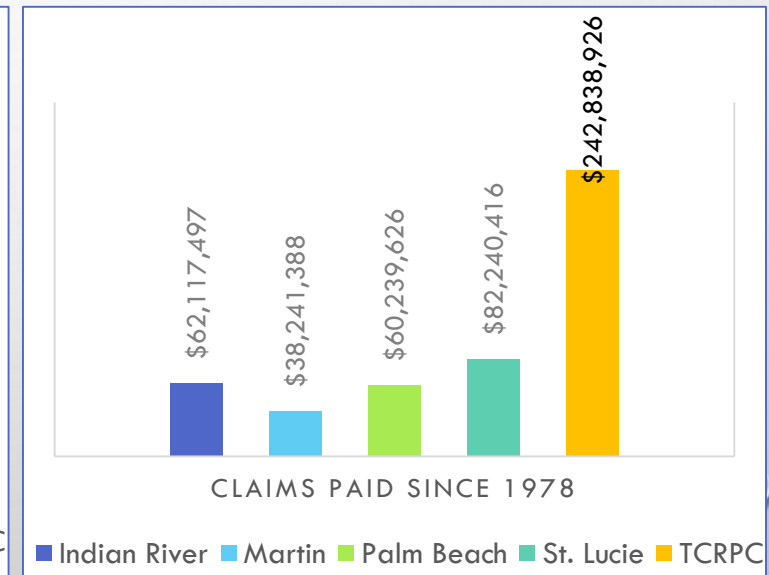
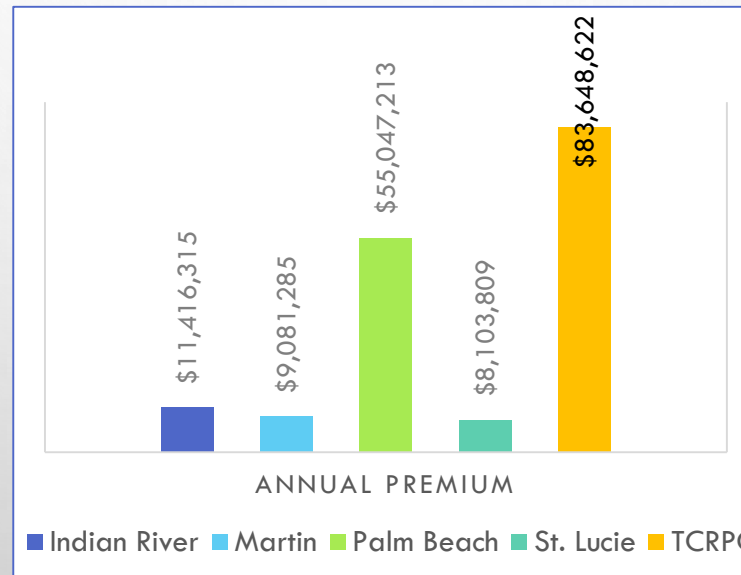
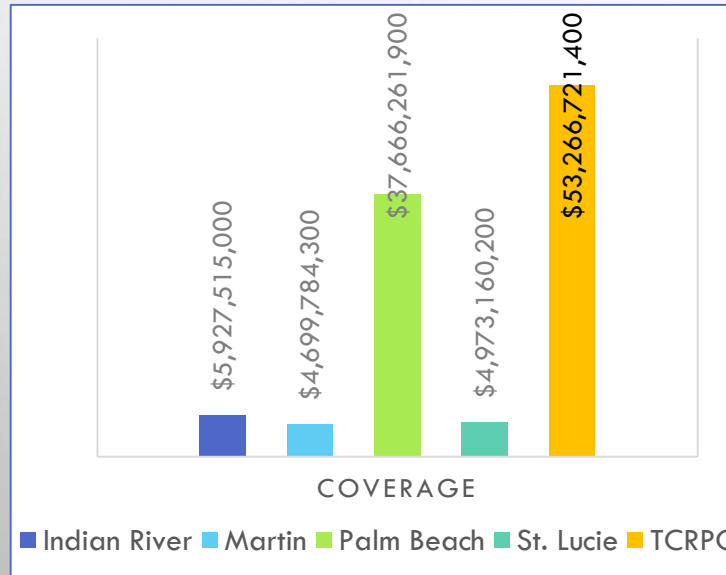
TCRPC NFIP STATS AS OF 8/31/2018



POLICIES IN FORCE

- Indian River
- Martin
- Palm Beach
- St. Lucie

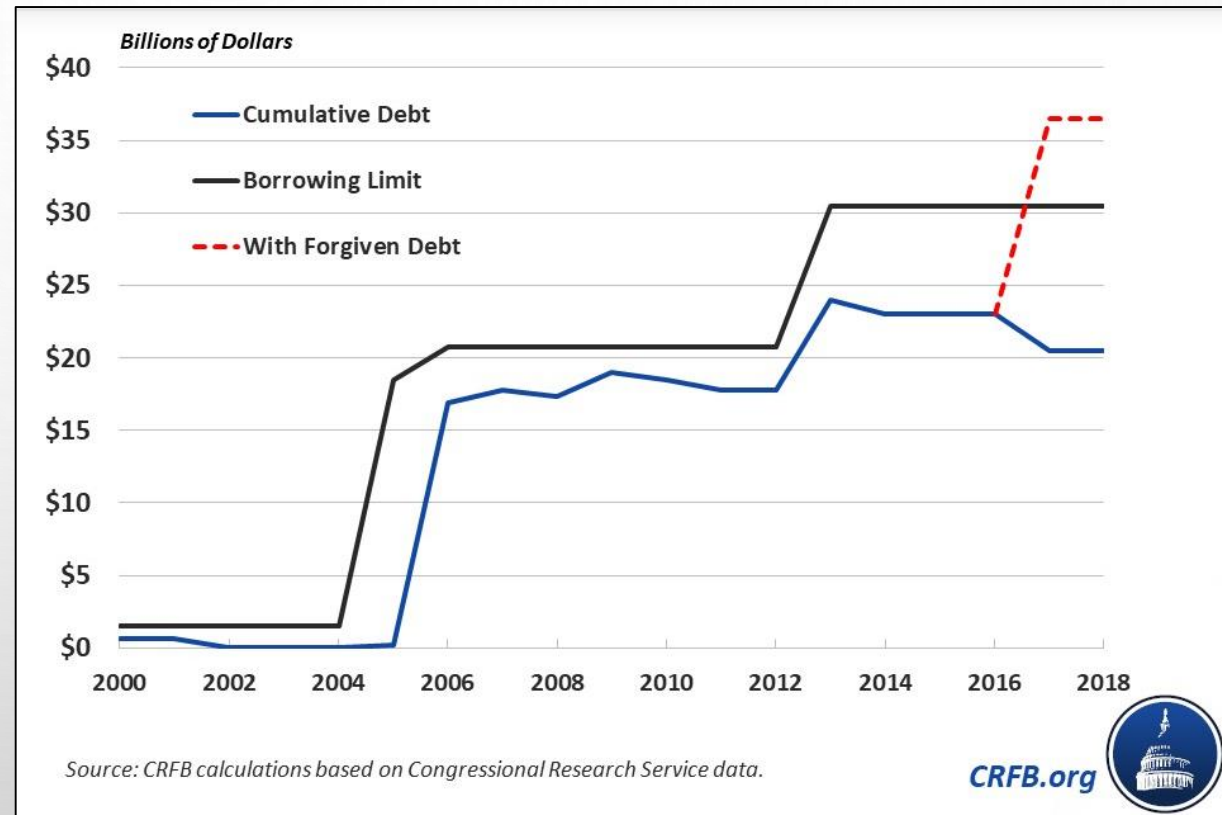
TCRPC = 202,026





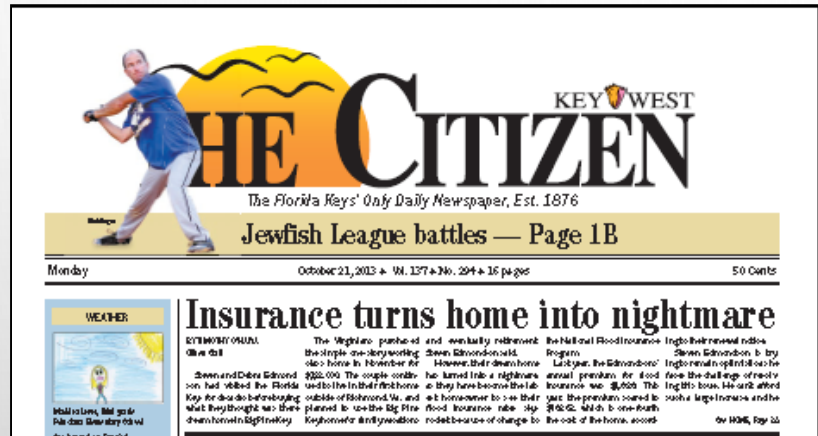
PERCEIVED PROBLEM WITH NFIP

Bad years, bad storms, high claims, increasing “debt”





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



CURRENT PREMIUM GLIDEPATH TO FULL RISK ACTUARIAL RATES

Rating Type	HFIAA - 2014
All Primary Homes	5-18% increase/year
Second Homes and Rental Properties	25% increase/year
Commercial Properties	25% increase/year
Lapsed Policies on Non-Primary Homes	Full Risk Rate

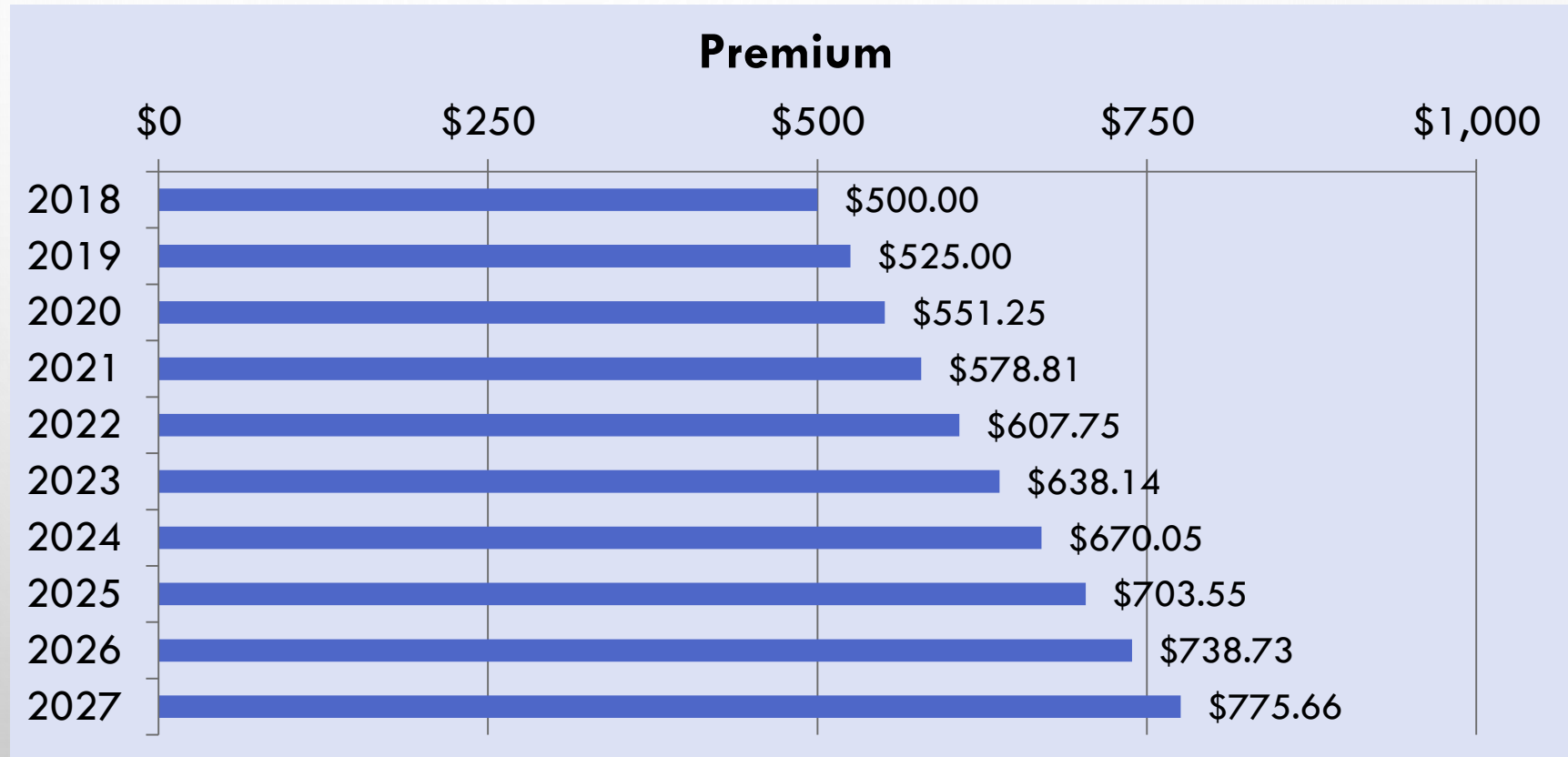


WHAT MIGHT PREMIUMS COST?

PRIMARY HOME, ABOVE FLOOD

Primary Home

5% Annual Increase



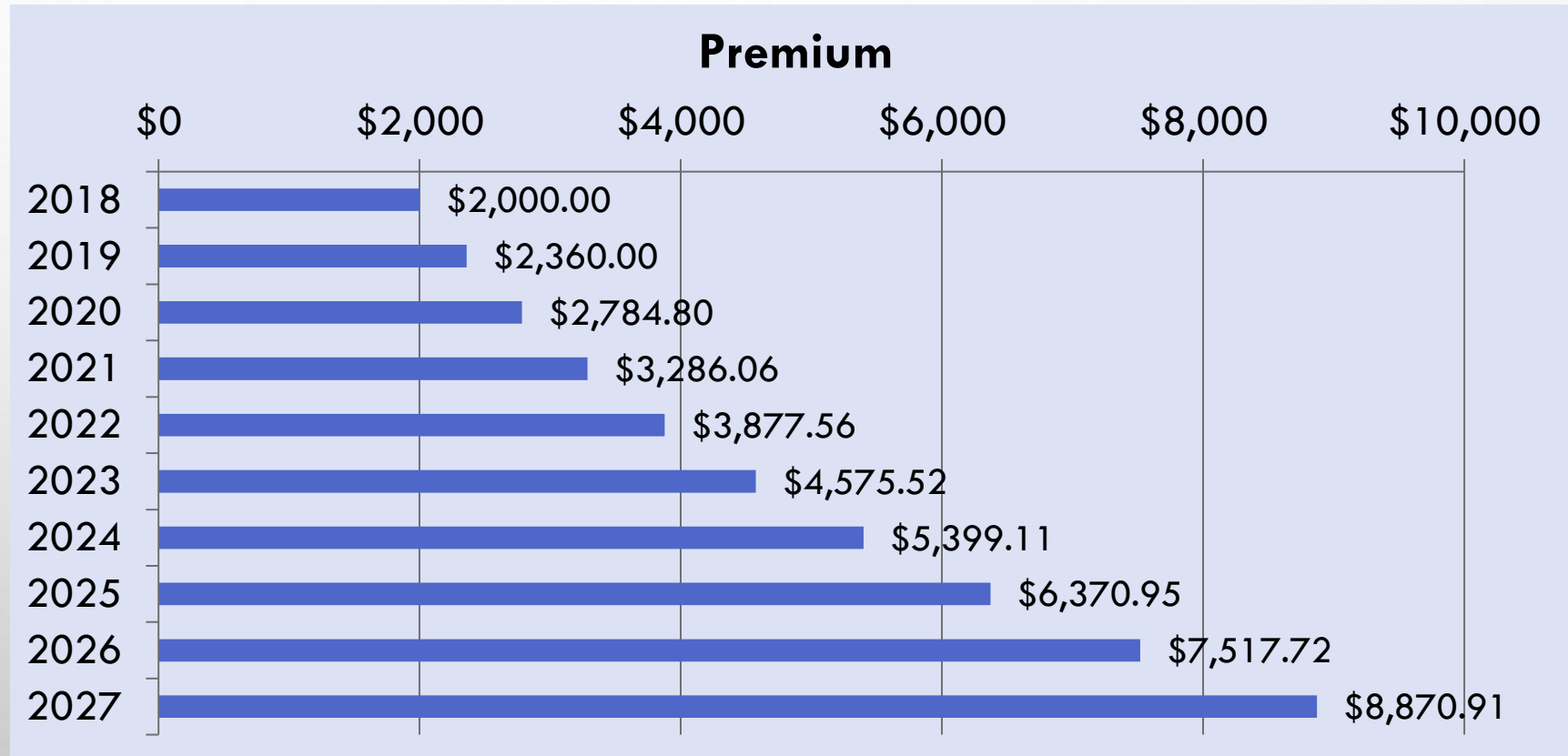


WHAT MIGHT PREMIUMS COST?

PRIMARY HOME, BELOW FLOOD

Primary Home

18% Annual Increase

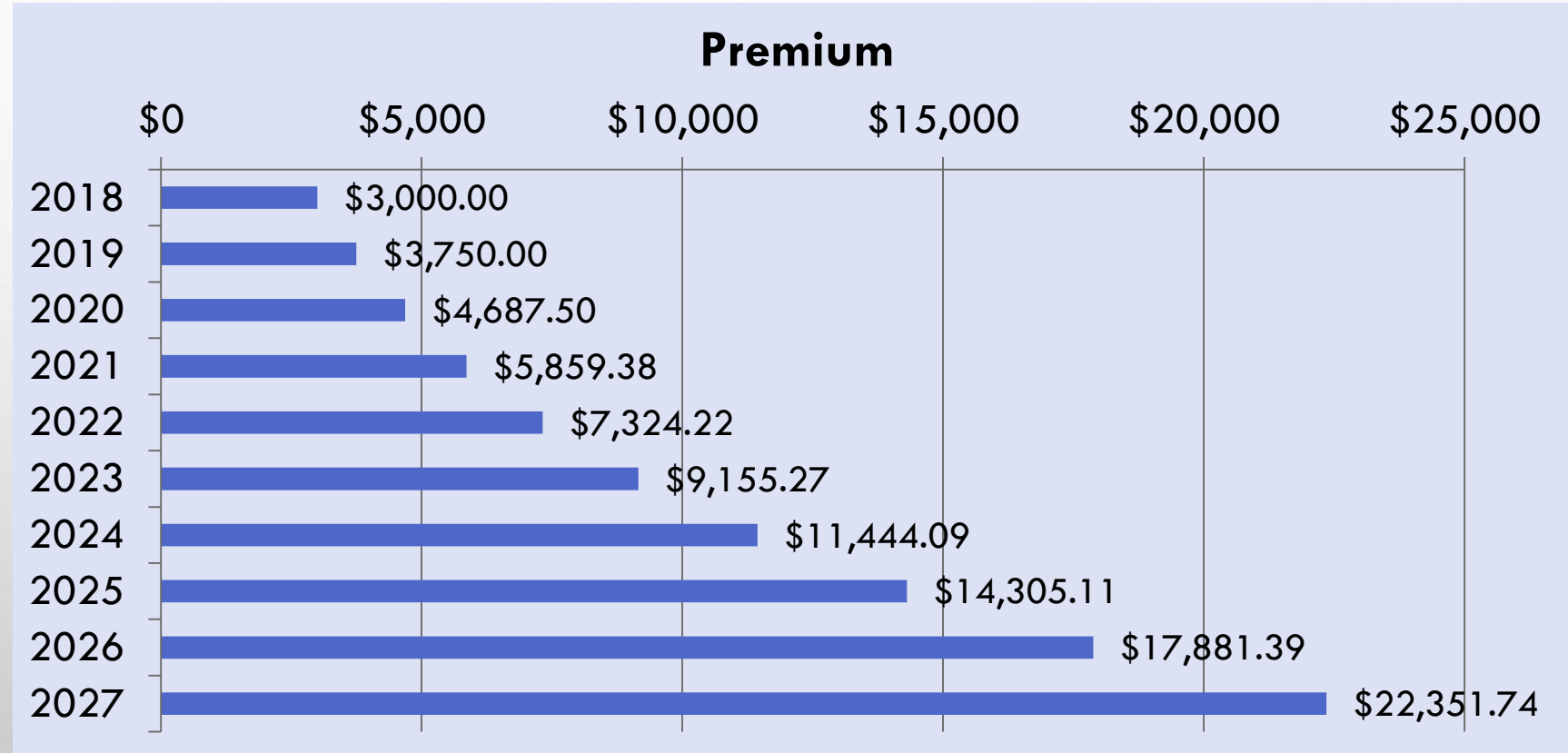




WHAT MIGHT PREMIUMS COST? NON-PRIMARY PROPERTY, ABOVE FLOOD

Second Home,
Rental Property,
Commercial
Property

25% Annual
Increase

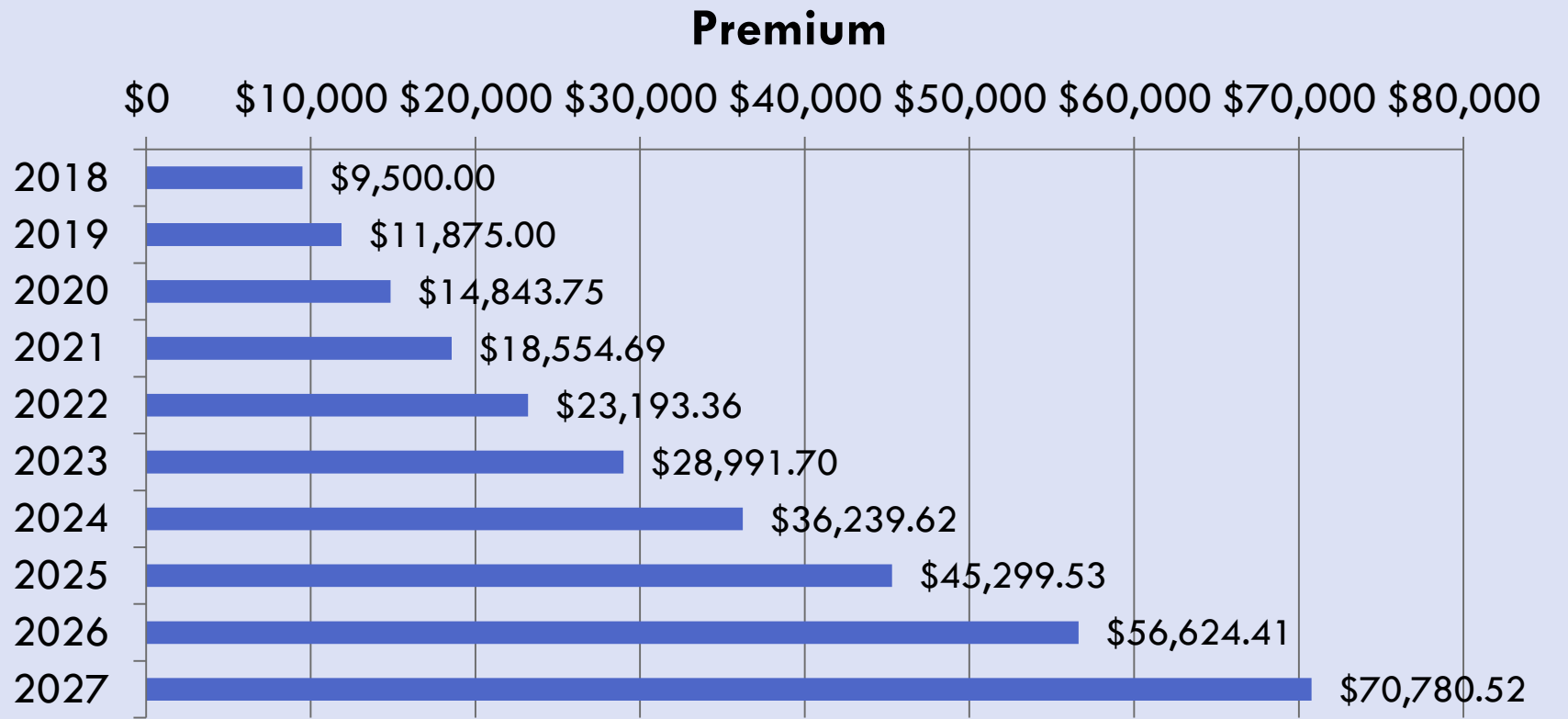




WHAT MIGHT PREMIUMS COST? NON-PRIMARY PROPERTY, BELOW FLOOD

Second Home,
Rental Property,
Commercial
Property

25% Annual
Increase



IMPACT OF INCREASING FLOOD INSURANCE PREMIUMS ON PROPERTY VALUES

Insurance Premium ↑ \$500 = Property Value ↓ \$10,000

Source: The Rand Corporation

Property Type	Premium Difference 2018 vs. 2027	Current Property Value	2027 Value (based only on premium increase)
Primary Home @ 5% Increase	\$225.66	\$350,000.00	\$343,600.00
Primary Home @ 18% Increase	\$6,870.91	\$350,000.00	\$212,600.00
Second Home, Rental & Commercial Property at BFE	\$19,351.74	\$500,000.00	\$113,000.00
Second Home, Rental & Commercial Property below flood	\$61,272.52	\$500,000.00	(\$735,700.00)



LATEST NFIP LEGISLATIVE ACTION

- Reauthorized until November 30, 2018
- Likely to secure short-term reauthorization into 2019
- New leadership in house as of January 2019



IN THE MEANTIME, WHAT IS FEMA DOING?

ADMINISTRATIVE CHANGES

- **Purchasing re-insurance**
- **Reducing WYO payments**

RATING REDESIGN

- **Proximity to flood hazard**
 - **Storm surge**
 - **Non-storm precipitation**
- **Structure resiliency**
 - **Elevation**
 - **Number of floors**
- **Coverage options**
 - **Deductibles**
 - **Amount of coverage**

POLICY CHANGES

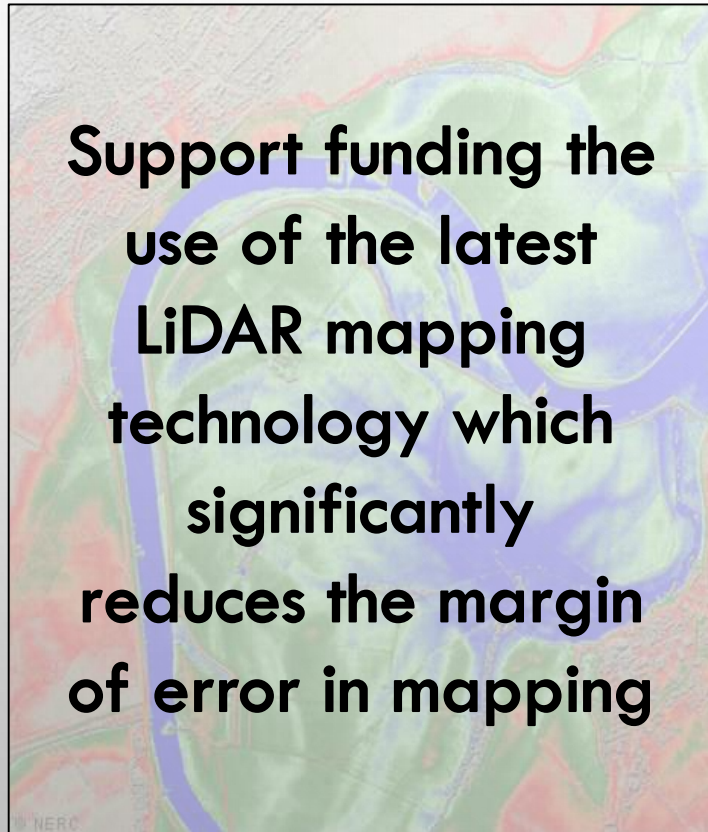
- **Disaster deductible for local governments**

SUGGESTED CHANGES TO NFIP





IMPROVE DATA COLLECTION AND ACCURACY



Support funding the use of the latest LiDAR mapping technology which significantly reduces the margin of error in mapping

NFIP Reauthorization



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

ELEVATION CERTIFICATE
 U.S. DEPARTMENT OF HOMELAND SECURITY
 Federal Emergency Management Agency
 National Flood Insurance Program

OMB No. 1660-0008
 Expires March 31, 2012

Important: Read the instructions on pages 1-9.

SECTION A - PROPERTY INFORMATION

A1. Building Owner's Name _____ For Insurance Company Use: Policy Number _____
 A2. Building Street Address (including Apt., Unit, Suite, and/or Bldg. No.) or P.O. Route and Box No. _____ Company NAIC Number _____
 City _____ State _____ ZIP Code _____

A3. Property Description (Lot and Block Numbers, Tax Parcel Number, Legal Description, etc.) _____

A4. Building Use (e.g., Residential, Non-Residential, Addition, Accessory, etc.) _____

A5. Latitude/Longitude: Lat. _____ Long. _____

A6. Attach at least 2 photographs of the building. _____

A7. Building Diagram Number _____

A8. For a building with a crawlspace or enclosure(s):
 a) Square footage of crawlspace or enclosure(s) _____ sq ft
 b) No. of permanent flood openings in the crawlspace or enclosure(s) within 1.0 foot above adjacent grade _____

A9. For a building with an attached garage:
 a) Square footage of attached garage _____ sq ft
 b) No. of permanent flood openings in the attached garage within 1.0 foot above adjacent grade _____

c) Total net area of flood openings in A8. a) _____ sq ft
 d) Engineered flood openings in A8. a) Yes No

B1. NFIP Community Name & Community Number _____ B2. County Name _____ B3. State _____

B4. Map/Panel Number _____ B5. Suffix _____ B6. FIRM Panel Effective/Rev. Date _____ B7. Flood Zone(s) _____ B8. Base Flood Elevation(s) (Zone AO, use base flood depth) _____

B10. Indicate the source of the Base Flood Elevation:
 FIS Profile FIRM

B11. Indicate elevation datum used for BFE in item B6: NAVD 1985 NAVD 1988 Other (Describe) _____

B12. Is the building located in a Coastal Barrier Resources System (CBRS) area or Otherwise Protected Area (OPA)? Yes No
 Designation Date _____ CBRS OPA

SECTION C - ELEVATION INFORMATION (SURVEY REQUIRED)

C1. Building elevations are based on _____ (Describe type of equipment and location in Comments)

C2. Elevations - Zones A1-A30, AE, AH, A (with BFE), VE, V1-V30, V (with BFE), AR, ARA, ARAE, ARA1-A30, ARAH, ARAO. Complete items C2 a-h below according to the building diagram specified in item A7. Use the same datum as the BFE.
 Benchmark Utilized _____ Vertical Datum _____
 Conversion/Comments _____

a) Top of bottom floor (finished grade) _____ feet (Puerto Rico only)
 b) Top of the next higher finished grade _____ feet (Puerto Rico only)
 c) Bottom of the lowest horizontal structure member (e.g., foundation) _____ feet (Puerto Rico only)
 d) Attached garage (top of slab) _____ feet _____ meters (Puerto Rico only)
 e) Lowest elevation of machinery or equipment servicing the building _____ feet _____ meters (Puerto Rico only)
 f) Lowest adjacent (finished) grade next to building (L) _____ feet _____ meters (Puerto Rico only)
 g) Highest adjacent (finished) grade next to building (H) _____ feet _____ meters (Puerto Rico only)
 h) Lowest adjacent grade at lowest elevation of deck or structural support _____ feet _____ meters (Puerto Rico only)

SECTION D - SURVEYOR, ENGINEER, OR ARCHITECT CERTIFICATION

This certification is to be signed and sealed by a land surveyor, engineer, or architect authorized by law to certify elevation information. I certify that the information on this Certificate represents my best efforts to interpret the data available. I understand that any false statement may be punishable by fine or imprisonment under 18 U.S. Code, Section 1001.
 Check here if comments are provided on back of form. Were latitude and longitude in Section A provided by a licensed land surveyor? Yes No

Certifier's Name _____ License Number _____
 Title _____ Company Name _____
 Address _____ City _____ State _____ ZIP Code _____
 Signature _____ Date _____ Telephone _____

FEMA Form 81-31, Mar 09 See reverse side for continuation. Replaces all previous editions.

Increase collection of elevation certificates at the property level

October 16, 2018

23



MAINTAIN ACCESS TO AFFORDABLE FLOOD INSURANCE

- Use good data to establish accurate rates
- Create a **sustainable** glide path to full risk rates
- Ensure private insurers take up a range of risk
- Provide re-entry to NFIP if private options become unaffordable



INCREASE THE RISK POOL

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

> 20%



IMPROVE FINANCIAL MANAGEMENT

- 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.





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



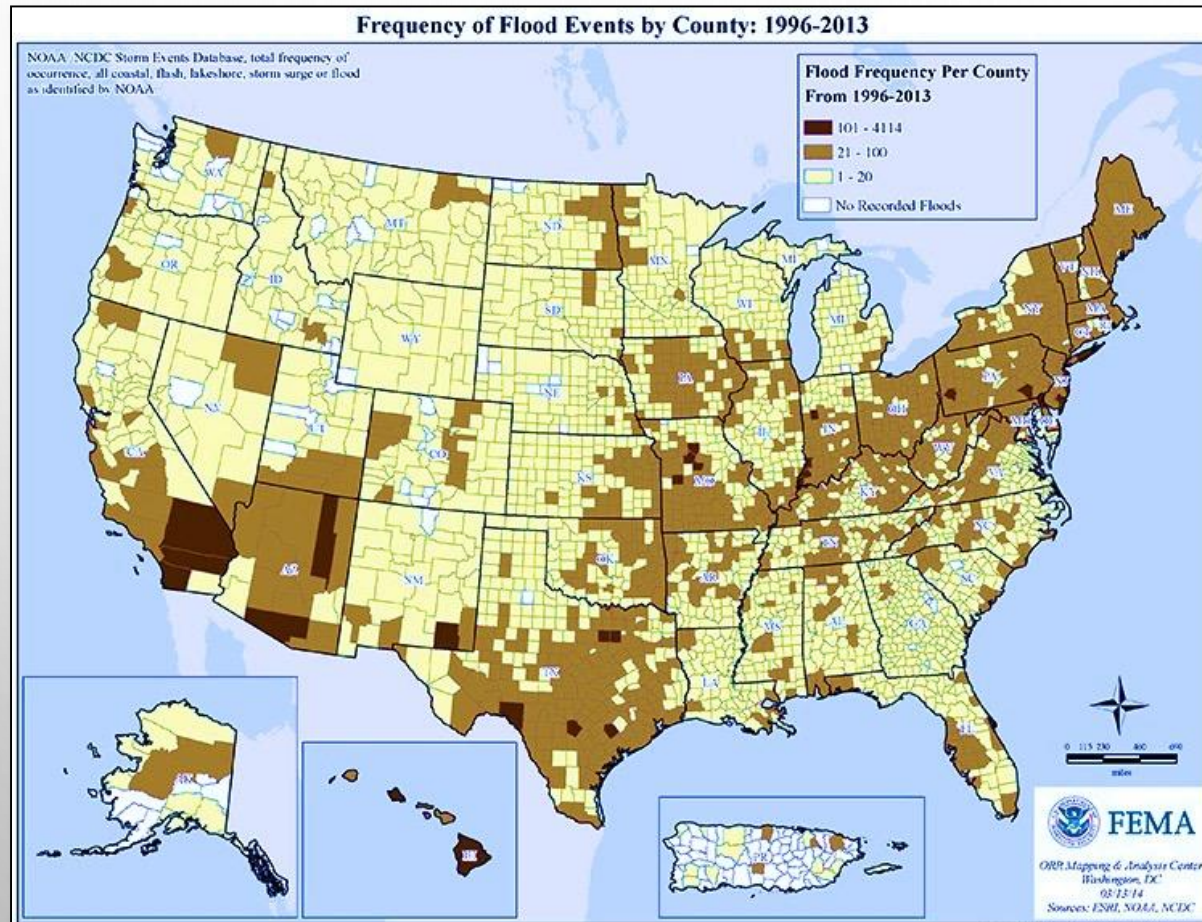


PROTECT THE ECONOMY

- 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.



FLOODS ARE A NATIONAL PROBLEM



- 17 million properties lie in the 100-year flood plain.
- 16.4 million people live in the coastal floodplain.
 - 12% of them live below the poverty level
 - 23% of them are under age 5 and over age 65
- 94% of NFIP policies are in coastal states.
- Few private insurers cover flood in the floodplain.



COASTAL ECONOMIES DRIVE THE NATION

- Home to **39%** of Americans
- Generate **46%** of national **GDP** (\$6.6T)
- Generate **51M jobs**
- Generate **56%** of our nation's energy
- Home to all ocean **ports**
- Home to commercial and recreational **fishing** industries

SOURCE: <http://stateofthecoast.noaa.gov>





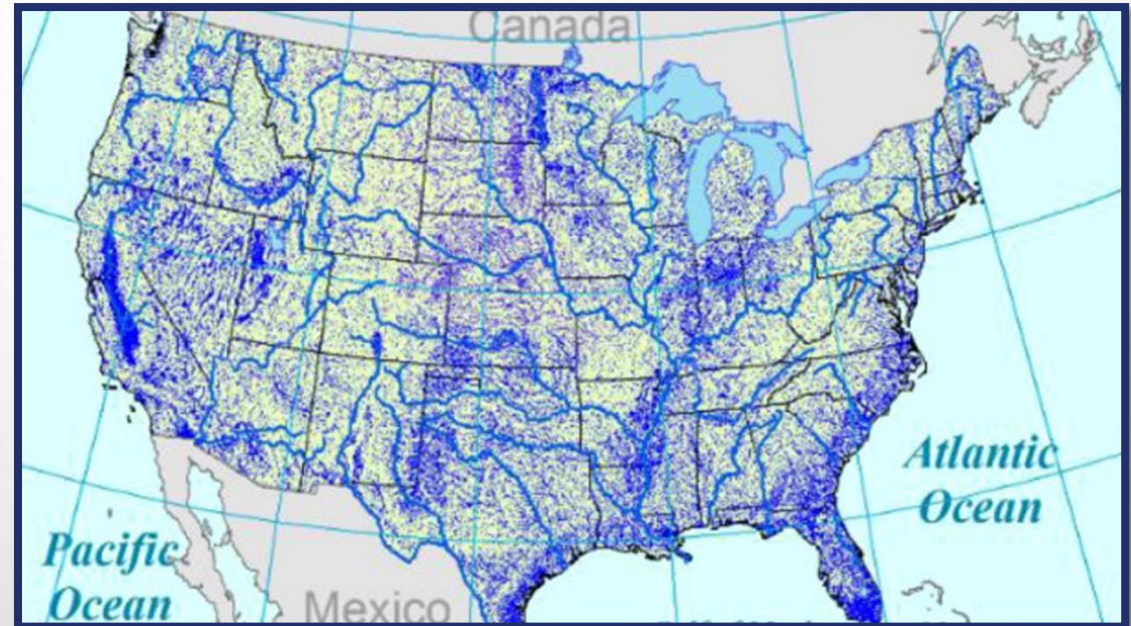
WHERE IS THE FLOOD RISK?

CONSOLIDATED FEMA FLOOD MAP



- FEMA: Undetermined areas
- FEMA: Minimal flood hazard
- FEMA: 1% annual chance flood hazard (100-year)
- FEMA: 0.2% annual chance flood hazard (500-year)

GOMORPHIC FLOOD INDEX MAP

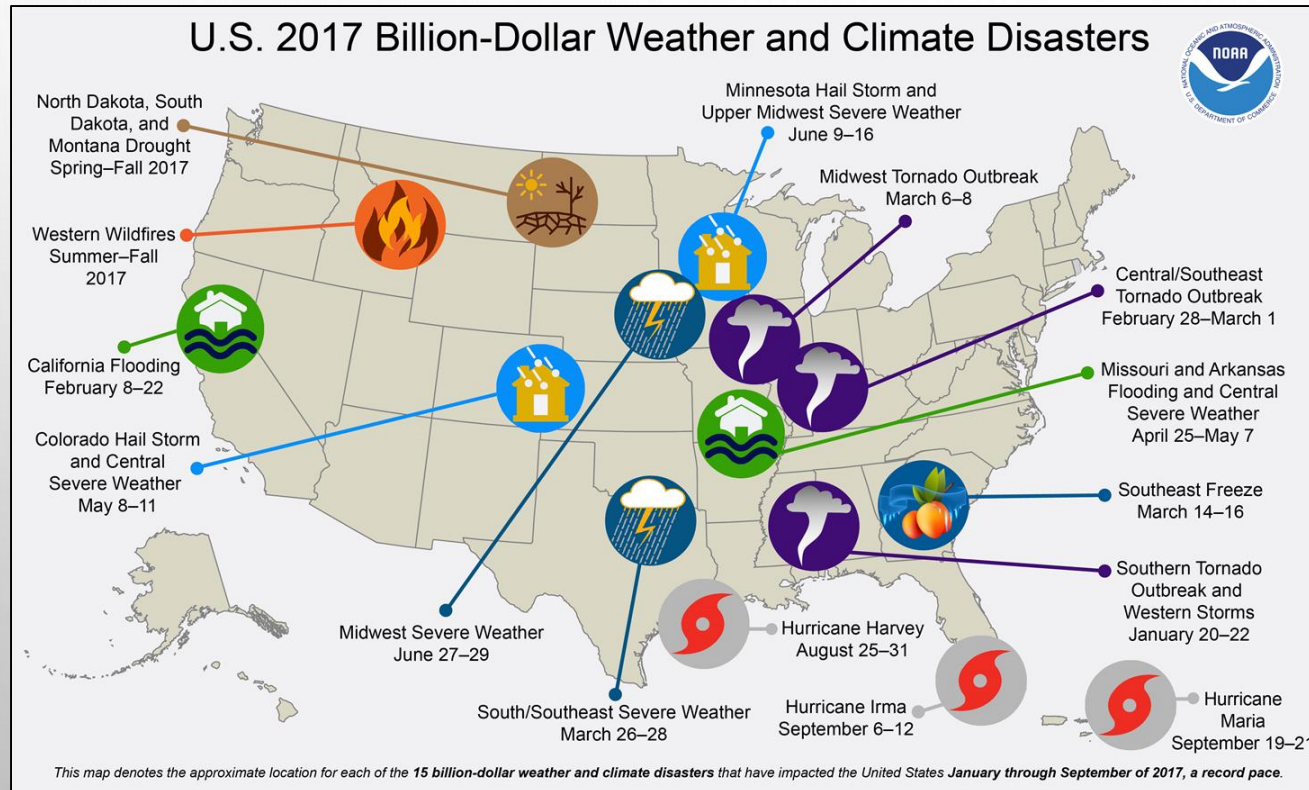


- GFI: Areas not prone to floods
- GFI: 100 year flood-prone areas

SOURCE: **Dataset of 100-year flood susceptibility maps for the continental U.S. derived with a geomorphic method** by Caterina Samela & Salvatore Manfreda (Università degli Studi della Basilicata, Potenza 85100, Italy) and Tara J. Troy (Lehigh University, Bethlehem, PA 18015, USA); published in *ScienceDirect* by Elsevier Inc., 2017



NATURAL DISASTERS ARE EVERYWHERE



Is it time for a
National Natural
Catastrophic Fund?
Should NFIP be NCIP?



QUESTIONS?

Commissioner Heather Carruthers

(305) 292-3430

boccdis3@monroecounty-fl.gov