



## MEMORANDUM

To: Council Members

AGENDA ITEM 7

From: Staff

Date: October 18, 2019

Subject: National Flood Insurance Program Reauthorization Update – Presentation by Commissioner Quentin “Beam” Furr of Broward County and Joint Resolution TCSF #19-02

### Introduction

The National Flood Insurance Program (“NFIP”) is a program created by Congress to mitigate future flood losses across the United States by providing access to affordable flood insurance protection for property owners and to provide an insurance alternative to disaster assistance to meet the increasing costs of repairing damage to buildings and their contents caused by floods.

### Background

At the October 12, 2018 Joint Council Meeting, Monroe County Commissioner Heather Carruthers (Chair of the Florida Association of Counties Federal Policy Committee), updated the Council Boards on the status of the National Flood Insurance Program and its pending expiration absent extension of the program’s operation. At this meeting, the Councils approved a joint letter for the signature of the Chairs urging Congress to reauthorize the National Flood Insurance Program, prior to its expiration on November 30, 2018, in support of the legislative positions adopted by the Florida Association of Counties, the Florida League of Cities, and Southeast Florida’s local governments.

The State of Florida has the highest number of NFIP policies, with more than 1.7 million policies and 35% of the national portfolio; the highest insured value at \$442 billion; and the highest annual premiums paid at \$976 million. As of June 2019, the seven-county Southeast Florida region had approximately 760,000 policies in force covering almost \$187 billion in property, with total premiums of \$351 million. Southeast Florida represents approximately 15% of the national portfolio of policies and 14% of insured value.

### NFIP Policy Information by State and Community (June 30, 2019)

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

\* Federal Policy Fee – Primary source of funding for flood mapping and floodplain management

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

Congress must reauthorize the National Flood Insurance Program’s (NFIP) statutory authority to operate every five years. On September 27, 2019, the President signed legislation passed by Congress that extends the National Flood Insurance Program's (NFIP's) authorization to November 21, 2019.

On June 12, 2019, the House Financial Services Committee unanimously passed H.R. 3167, the “National Flood Insurance Program Reauthorization Act of 2019” to reauthorize and reform the National Flood Insurance Program. Florida’s Congressional Representatives on this committee are Republican Congressman Bill Posey (15<sup>th</sup> District) and Democratic Congressman Al Lawson (5<sup>th</sup> District). Additionally, Senator Marco Rubio (R-FL) has co-introduced Senate Bill 2187 with Senator Bob Menendez (D-NJ). Representative Frank Pallone of New Jersey has introduced H.R. 3872, with co-sponsorship of Representatives Alcee Hastings (D-FL-20), Debbie Mucarsel-Powell (D-26-FL), Charlie Crist (D-13-FL) and Stephanie Murphy (D-7-FL) and other members of Congress.

Simultaneously, the National Florida Insurance Program (NFIP) is redesigning its risk rating plan and undertaking extensive flood mapping. According to the Federal Emergency Management Agency (FEMA), Risk Rating 2.0 will “fundamentally change the way FEMA rates a property’s flood risk”<sup>1</sup> including changing the way FEMA prices NFIP policies by accounting for (1) a structure’s distance to the water, (2) exposure to different types of flood risk (storm surge, intense rainfall, etc.) and (3) the cost to rebuild. FEMA plans to announce new flood insurance rates for single family homes April 1, 2020 with rates to take effect October 1, 2020.

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<sup>1</sup> [Fema.gov/nfiptransformation](https://www.fema.gov/nfiptransformation)

Monroe County, the City of Key West, the National Association of Counties (NACO), and the Florida League of Cities have passed resolutions related to reauthorization of the National Flood Insurance Program. Priority issues include:

- **Inclusion** – Congressional committees of jurisdiction should include local and state stakeholders to ensure that draft legislation for NFIP reauthorization provides long-term reauthorization a focus on affordability, efficiency, fairness, accountability and sustainability of the program.
- **Affordability** – Limit rate increases to no more than five percent (5%) per year on any policy, inclusive of any surcharges and fees, especially given potential rate increases due to FEMA’s Risk Rating 2.0 initiative. Preserve grandfathering. Rates should be maintained as affordable for all policy holders.
- **Mitigation** – Increase federal investment in property and community mitigation, not only through loans; provide mitigation credits to residential property owners for proven flood proofing methods, beyond elevation; oppose unfunded mandates on local governments for mitigation efforts; modernize Increased Cost of Compliance to encourage mitigation.
- **Mapping** – Improve transparency, use the most effective technology, and include input from local governments; develop a method to pay for elevation certificates.
- **Solvency** – Further address repetitive loss properties; limit NFIP payments to Write Your Own (WYO) companies; increase the pool of policyholders through enforcement and expansion of the preferred risk policy; forgive the NFIP debt and reallocate interest payments to mitigation and solvency.
- **Consumer Protection** – Create a policy review process; regionalize Flood Insurance Advocates; amend force-placing provisions to keep policyholders in NFIP instead of a surplus line.
- **Privatization** – Require private insurers to cover the entire spectrum of risk (i.e. no cherry-picking of preferable policies); allow consumers that leave NFIP for the private market to re-enter NFIP; ensure private insurance market development does not undermine community flood mitigation through the Community Rating System.
- **Transparency** - FEMA’s new Risk Rating 2.0 will bring significant changes to NFIP and rates. Urge greater transparency, information sharing, and consideration of potentially significant impacts to premiums for properties in coastal and riverine communities of this new rating system in any new reauthorization.

### Recommendation

The Treasure Coast and South Florida Regional Planning Councils should jointly adopt and transmit Resolution TCSF #19-02 to Florida’s United States Senators and Congressional Delegation, and Congresswoman Waters, Chair of the House Financial Services Committee.

Joint Council Action – October 25, 2019

## Attachments

1. Resolution TCSF #19-02
2. CRS Insight Selected Issues for NFIP Reauthorization and Reform (Feb 2019)
3. Monroe County Resolution
4. NACO Resolution
5. Florida League of Cities Resolution
6. FEMA Risk Rating 2.0 Overview



**RESOLUTION TCSF #19-02**

**A JOINT RESOLUTION OF THE SOUTH FLORIDA AND TREASURE COAST REGIONAL PLANNING COUNCILS REPRESENTING THE LOCAL GOVERNMENTS OF MONROE, MIAMI-DADE, BROWARD, PALM BEACH, MARTIN, ST. LUCIE, AND INDIAN RIVER COUNTIES, FLORIDA; URGING THAT ANY REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM MUST INCLUDE MEANINGFUL AFFORDABILITY PROTECTIONS FOR ALL POLICY HOLDERS, SPECIFICALLY A LOWER CAP ON ANNUAL INCREASES.**

**WHEREAS**, the South Florida and Treasure Coast Regional Planning Councils’ seven-county geographical area is comprised of Broward, Indian River, Martin, Miami-Dade, Monroe, Palm Beach, and St. Lucie counties and 122 municipalities, which contain over 6.7 million residents or nearly one-third of the State’s population, responsible for generating over one-third of the State’s gross domestic product; and

**WHEREAS**, flooding is the number one natural disaster in the United States; and

**WHEREAS**, the National Flood Insurance Program (“NFIP”) is a program created by Congress to mitigate future flood losses across the United States, by providing access to affordable flood insurance protection for property owners and to provide an insurance alternative to disaster assistance to meet the increasing costs of repairing damage to buildings and their contents caused by floods; and

**WHEREAS**, the NFIP must be reauthorized by Congress every five years. Congress has authorized numerous short-term extensions of the program, with the current extension set to expire on November 21, 2019; and

**WHEREAS**, the NFIP maintains a significant role in providing financial protection against flood events to Florida’s residential and commercial property owners; and

**WHEREAS**, the State of Florida has the highest number of NFIP policies, with over 1.7 million policies and 35% of the national portfolio; the highest insured value at \$442 billion; and the highest annual premiums paid at \$976 million; and

**WHEREAS**, Southeast Florida has 760,000 NFIP policy holders, \$187 billion in insured value and pays \$351 million in annual premiums; and

**WHEREAS**, the Councils recognize that the reauthorization of the National Flood Insurance Program must strike a balance between affordability of the program with the need for fiscal solvency; and

**WHEREAS**, key issues must be handled properly during the reauthorization process to avoid the unintended consequences felt in 2013 following the passage of the Biggert-Waters Act; and

**WHEREAS**, unless reauthorized properly, the loss of the NFIP or drastic premium increases will threaten all of coastal and riverine America as new FEMA flood maps are unveiled in coming years; and

**WHEREAS**, FEMA is scheduled to launch a new risk rating system on April 1, 2020 to address the outdated traditional mapping process. Risk Rating 2.0 will determine a customer's flood risk by incorporating multiple rating characteristics including types of flood risk (storm surge, intense rainfall, etc.), the distance a building is from the coast or other flooding source, and the cost to rebuild a home – all factors that are likely to subject coastal communities to higher premiums; and

**WHEREAS**, robust affordability protections are further warranted by FEMA's new Risk Rating 2.0 pricing policy, to go into effect in October 2020; and

**WHEREAS**, the National Flood Insurance Program reauthorization legislation should require that the upward pressures on NFIP premiums from Risk Rating 2.0, or FEMA's remapping efforts be taken into consideration to ensure that NFIP rates are affordable; and

**WHEREAS**, the Councils believe that the caps on current annual increases (18% on primary residences and 25% on rental properties, commercial properties and second homes) are unsustainable for NFIP policy holders and that a lower cap, providing a more gradual and reasonable glide path of increases, provides greater economic stability and fairness; and

**WHEREAS**, the Councils believe it is imperative that Congress include in any reauthorization legislation a significantly lower cap on annual percentage increase for premiums, and specifically supports a 5% cap on annual increases on any policy, inclusive of surcharges and fees, especially given potential rate increases due to FEMA's Risk Rating 2.0 initiative.

**NOW, THEREFORE BE IT RESOLVED BY THE SOUTH FLORIDA AND TREASURE COAST REGIONAL PLANNING COUNCILS THAT:**

We urge Congress to provide for a long-term NFIP reauthorization package that provides:

- **Inclusion** – Congressional committees of jurisdiction should include local and state stakeholders to ensure that legislation for NFIP reauthorization provides long-term reauthorization with a focus on affordability, efficiency, fairness, accountability and sustainability of the program.
- **Affordability** – Limit rate increases to no more than five percent (5%) per year on any policy, inclusive of any surcharges and fees, especially given potential rate increases due to FEMA's Risk Rating 2.0 initiative. Preserve grandfathering. Rates should be maintained as affordable for all policy holders.

- **Mitigation** – Increase federal investment in property and community mitigation, not only through loans; provide mitigation credits to residential property owners for proven flood proofing methods, beyond elevation; oppose unfunded mandates on local governments for mitigation efforts; modernize Increased Cost of Compliance to encourage mitigation.
- **Mapping** – Improve transparency, use the most effective technology, and include input from local governments; develop a method to pay for elevation certificates.
- **Solvency** – Further address repetitive loss properties; limit NFIP payments to Write Your Own (WYO) companies; increase the pool of policyholders through enforcement and expansion of the preferred risk policy; forgive the NFIP debt and reallocate interest payments to mitigation and solvency.
- **Consumer Protection** – Create a policy review process; regionalize Flood Insurance Advocates; amend force-placing provisions to keep policyholders in NFIP instead of a surplus line.
- **Privatization** – Require private insurers to cover the entire spectrum of risk (i.e. no cherry-picking of preferable policies); allow consumers that leave NFIP for the private market to re-enter NFIP; ensure private insurance market development does not undermine community flood mitigation through the Community Rating System.
- **Transparency** - FEMA’s new Risk Rating 2.0 will bring significant changes to NFIP and rates. Urge greater transparency, information sharing, and consideration of potentially significant impacts to premiums for properties in coastal and riverine communities of this new rating system in any new reauthorization.

**DULY ADOPTED** by the South Florida and Treasure Coast Regional Planning Councils this 25<sup>th</sup> day of October, 2019.

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Greg Ross  
Chair, SFRPC

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Susan Adams  
Chair, TCRPC

CRS INSIGHT

# Selected Issues for National Flood Insurance Program (NFIP) Reauthorization and Reform: Homeland Security Issues in the 116<sup>th</sup> Congress

February 19, 2019 (IN11050)

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## Related Author

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- [Diane P. Horn](#)
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Diane P. Horn, Analyst in Flood Insurance and Emergency Management ([dhorn@crs.loc.gov](mailto:dhorn@crs.loc.gov), 7-3472)

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## NFIP Reauthorization

The [National Flood Insurance Program \(NFIP\)](#) is the primary source of flood insurance for residential properties in the United States, with [more than 5.1 million policies providing over \\$1.3 trillion in coverage in over 22,000 communities](#). Since the end of FY2017, [10 short-term NFIP reauthorizations have been enacted](#), and the NFIP is [currently authorized](#) until May 31, 2019. Unless reauthorized or amended by Congress, on May 31, 2019, (1) the authority to provide *new* flood insurance contracts will expire and (2) the authority for the NFIP to borrow funds from the Treasury [will be reduced](#) from \$30.425 billion to \$1 billion.

A number of bills were introduced in the 115<sup>th</sup> Congress to provide longer-term reauthorization of the NFIP and numerous other changes to the program. The House passed [H.R. 2874](#) on November 14, 2017. Three reauthorization bills were introduced in the Senate, [S. 1313](#), [S. 1368](#), and [S. 1571](#); however, none of these were considered by the Senate in the 115<sup>th</sup> Congress.

## Premiums and Affordability

Historically, Congress has asked the Federal Emergency Management Agency (FEMA) to set NFIP premiums that are simultaneously "risk-based" and "reasonable." Except for certain subsidies, [statute directs](#) that NFIP flood insurance rates should reflect the true flood risk to the property. Properties paying less than the full risk-based rate are determined by the date when the structure was built relative to the date of the community's [Flood Insurance Rate Map \(FIRM\)](#), rather than the flood risk or the policyholder's ability to pay. Congress [has directed](#) FEMA to subsidize flood insurance for properties built before the community's first FIRM (the *pre-FIRM subsidy*). When FIRMs are updated, FEMA also ["grandfathers" properties at their rate from past FIRMs](#) through a cross-subsidy. Under existing law, [pre-FIRM subsidies are being phased out, whereas grandfathering is retained indefinitely](#).

Reforming the premium structure to reflect full risk-based rates could place the NFIP on a more financially sustainable path, risk-based price signals could give policyholders a clearer understanding of their true flood risk, and a reformed rate structure could encourage more private insurers to enter the market. However, charging risk-based premiums may mean that insurance for some properties becomes unaffordable. FEMA currently does not have the authority or funding



to implement an affordability program. An [NFIP-funded affordability program](#) would require either raising flood insurance rates for NFIP policyholders or diverting resources from another existing use.

#### Properties with Multiple Losses

An area of controversy involves NFIP coverage of properties that have suffered multiple flood losses. One concern is the cost to the program; another is whether the NFIP should continue to insure properties that are likely to have further losses. According to FEMA, claims on [repetitive loss](#) (RL) and [severe repetitive loss](#) (SRL) properties since 1968 amount to approximately \$17 billion, or approximately 30% of claims paid. Reducing the number of RL and SRL properties, through mitigation or relocation, could reduce claims and improve the NFIP's financial position. Under current statute, the NFIP cannot refuse to insure any property; however, from April 1, 2019, FEMA [will introduce](#) an SRL premium equal to 5% of the annual premium for SRL properties.

#### Private Flood Insurance

Private insurers play a major role in administering the NFIP through the [Write-Your-Own \(WYO\) program](#), where private insurance companies are paid to issue and service NFIP policies. WYO companies take on little flood risk themselves; instead, the NFIP retains the financial risk of paying claims for these policies. Few private insurers compete with the NFIP in the primary residential flood insurance market. However, private insurer interest in providing flood coverage has increased recently, and many see private insurance as a way of transferring flood risk from the federal government to the private sector. For example, FEMA has transferred \$4.322 billion of its flood risk to the capital markets through [reinsurance](#) in 2017, 2018, and 2019.

Private flood insurance may offer some potential advantages over the NFIP, including more flexible policies, broader coverage, integrated coverage with homeowners' insurance, business interruption insurance, or lower-cost coverage for some consumers. Private marketing also might increase the overall amount of flood coverage purchased. More people purchasing flood insurance, either NFIP or private, could help to reduce the amount of disaster assistance provided by the federal government. Increasing private insurance, however, may have some disadvantages compared to the NFIP. Unlike the NFIP, private coverage availability would not be guaranteed to all floodplain residents, and consumer protections could vary in different states. In addition, private sector competition might increase the financial exposure and volatility of the NFIP, as private markets likely will seek out policies that offer the greatest likelihood of profit. In the most extreme case, the private market might "cherry-pick" (i.e., adversely select) the profitable, lower-risk NFIP policies that are "overpriced" either due to cross-subsidization or imprecise rate structures. This could leave the NFIP with a higher density of actuarially unsound policies that are directly subsidized or benefit from cross-subsidization. An increase in private flood insurance policies that "depopulates" the NFIP also may undermine the NFIP's ability to generate revenue, reducing the ability or extending the time required to repay previously incurred debt.

The NFIP's role has historically been broader than just providing insurance. As currently authorized, the NFIP also encompasses social goals to provide flood insurance in flood-prone areas to those who otherwise would not be able to obtain it and to reduce the government's cost after floods. The NFIP has tried to reduce the impact of floods through [flood-mapping](#) and [mitigation](#) efforts. It is unclear how effectively the NFIP could play this broader role if private insurance became a large part of the flood marketplace. The majority of funding for flood mapping and [floodplain management](#) comes from the [Federal Policy Fee](#) (FPF), paid by all NFIP policyholders. To the extent that the private flood insurance market grows and policies move from the NFIP to private insurers, FEMA would no longer collect the FPF on those policies and less money would be available for floodplain mapping and management.

## ATTACHMENT 3

### RESOLUTION NO. 202 - 2019

**A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF MONROE COUNTY, FLORIDA URGING THAT ANY REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM MUST INCLUDE MEANINGFUL AFFORDABILITY PROTECTIONS FOR ALL POLICY HOLDERS, SPECIFICALLY A LOWER CAP ON ANNUAL INCREASES; AND PROVIDING FOR AN EFFECTIVE DATE.**

**WHEREAS**, flooding is the number one natural disaster in the United States; and

**WHEREAS**, the National Flood Insurance Program (“NFIP”) is a program created by Congress to mitigate future flood losses across the United States, by providing access to affordable flood insurance protection for property owners and to provide an insurance alternative to disaster assistance to meet the increasing costs of repairing damage to buildings and their contents caused by floods; and

**WHEREAS**, the NFIP must be reauthorized by Congress every five years. The current authorization expired on September 30, 2017. Since then, Congress has authorized numerous short-term extensions of the program, with the most current extension set to expire on September 30, 2019; and

**WHEREAS**, the NFIP maintains a significant role in providing financial protection against flood events to Florida’s and Monroe’s residential and commercial property owners; and

**WHEREAS**, the State of Florida has the highest number of NFIP policies, with over 1.7M policies and 35% of the national portfolio; with the highest insured value at \$442B; and the highest annual premiums paid at \$976M; and

**WHEREAS**, Monroe County has 31,000 NFIP policy holders, \$7.5B in insured value and pays \$38M in annual premiums; and

**WHEREAS** the Monroe County Commission has long supported the protection of affordability as its number one reauthorization priority, recognizing it as (1) a critical pocketbook issue for our residents and business owners, (2) an important component of affordable housing, and (3) a significant factor in our community’s property values and tax base; and

**WHEREAS**, on June 12, 2019, the House Financial Services Committee unanimously passed legislation to reauthorize and reform the NFIP, known as H.R. 3167; and

**WHEREAS**, H.R. 3167 does not sufficiently protect affordability for all of its Monroe County’s NFIP policyholders; and

**WHEREAS**, H.R. 3167 proposes only a narrow, means-tested approach to affordability by establishing a 5-year pilot program for primary home-owning policy holders who are at 80% AMI. For these policyholders, the maximum chargeable premium rate will not exceed 2% AMI; and

**WHEREAS**, for all other policy holders, H.R. 3167 maintains the current, steep, annual premium increases of 18% for primary homes and 25% for commercial properties and second homes established in 2014; and

**WHEREAS**, robust affordability protections are further warranted by FEMA's new Risk Rating 2.0 pricing policy, to go into effect in October 2020; and

**WHEREAS**, Risk Rating 2.0 will dramatically change the way FEMA prices NFIP policies by accounting for (1) a structure's distance to the water, (2) exposure to different types of flood risk (storm surge, intense rainfall, etc.) and (3) the cost to rebuild – all factors that will inevitably subject high cost, coastal communities like Monroe County to higher premiums; and

**WHEREAS**, H.R. 3167 does not account for the upward pressures on NFIP premiums from Risk Rating 2.0, or FEMA's remapping efforts currently underway in Monroe County; and

**WHEREAS**, the Monroe County Commission believes that the caps on current annual increases (18% on primary residences and 25% on rental properties, commercial properties and second homes) are unsustainable for NFIP policy holders and that a lower cap, providing a more gradual and reasonable glide path of increases, provides greater economic stability and fairness; and

**WHEREAS**, the Monroe County Commission believes it is imperative that Congress include in any reauthorization legislation a significantly lower cap on annual percentage increase for premiums, and specifically supports 5% cap on annual increases for all NFIP policyholders, on all properties;

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MONROE COUNTY, FLORIDA:**

1. The above recitals are hereby incorporated into this resolution as restated herein constitute the legislative findings and intent of the Board of County Commissioners of Monroe County, Florida.
2. The Clerk for this Board shall furnish copies of this resolution to:
  - U.S. Senator Marco Rubio
  - U.S. Senator Rick Scott
  - U.S. Representative Debbie Mucarsel-Powell, District 26
  - U.S. Representative Maxine Waters, House Financial Services Committee Chair

**PASSED AND ADOPTED** by the Board of County Commissioners of Monroe County, Florida, at a regular meeting held on the 17<sup>th</sup> day of July, 2019.



Mayor Sylvia Murphy	Yes
Mayor Pro Tem Danny Kolhage	Yes
Commissioner Michelle Coldiron	Yes
Commissioner Heather Carruthers	Yes
Commissioner David Rice	Yes

FILED FOR RECORD  
 2019 JUL 18 PM 3:05  
 CLERK OF COURT  
 MONROE COUNTY, FLORIDA

ATTEST: KEVIN MADOK, CLERK

By: Camel Stanoch  
Deputy Clerk

BOARD OF COUNTY COMMISSIONERS OF MONROE COUNTY, FLORIDA

BY: Sylvia J. Murphy  
Mayor Sylvia Murphy

MONROE COUNTY ATTORNEY APPROVED AS TO FORM:

ROBERT B. SHILLINGER, JR.  
COUNTY ATTORNEY  
Date 7-18-19

## ATTACHMENT 4

### Resolution on National Flood Insurance Program Reauthorization and Program Improvements

**Issue:** County priorities in the reauthorization of the National Flood Insurance Program.

**Proposed Policy:** NACo urges congressional committees of jurisdiction to include local and state stakeholders in the process of drafting legislation for the reauthorization of the National Flood Insurance Program that:

- Provides long-term reauthorization with a focus on affordability, efficiency, fairness, accountability and sustainability of the program.
- Invests in mitigation, reforms the administration and claims processes, and bolsters NFIP solvency.
- Modernizes flood mapping and flood risk accuracy.
- Increases accountability and consumer protections in the NFIP and private markets.

Specifically:

- **Affordability** – Limit rate increases to no more than five percent per year on any policy, inclusive of any surcharges and fees, especially given potential rate increases due to FEMA’s Risk Rating 2.0 initiative. Preserve grandfathering. Place a hard cap on annual premiums of one percent of the total coverage of the property. Rates should be maintained as affordable for all policy holders.
- **Mitigation** – Increase federal investment in property and community mitigation, not only through loans, however; provide mitigation credits to residential property owners for proven flood proofing methods, beyond elevation; oppose unfunded mandates on local governments for mitigation efforts; modernize Increased Cost of Compliance to encourage mitigation.
- **Mapping** – Improve transparency, use the most effective technology, and include input from local governments; develop a method to pay for elevation certificates.
- **Solvency** – Further address repetitive loss properties; limit NFIP payments to Write Your Own (WYO) companies; increase the pool of policyholders through enforcement and expansion of the preferred risk policy; forgive the NFIP debt and reallocate interest payments to mitigation and solvency.
- **Consumer Protection** – Create a policy review process; regionalize Flood Insurance Advocates; amend force-placing provisions to keep policyholders in NFIP instead of a surplus line.
- **Privatization** – Require private insurers to cover the entire spectrum of risk (i.e. no cherry-picking of preferable policies); allow consumers that leave NFIP for the private market to re-enter NFIP; ensure private insurance market development does not undermine community flood mitigation through the Community Rating System.

**Background:** The National Flood Insurance Program has more than five million flood insurance policies providing 1.28 trillion in coverage with approximately 23,000 communities in 56 states and jurisdictions participating. The National Flood Insurance Program’s current authorization expired in 2017. Several national groups, such as the NACo NFIP Task Force and the Coalition for Sustainable Flood Insurance, have formed to work with Congress in drafting

legislation that would strike a balance between the affordability of the program with the need for fiscal solvency. NACo is committed to working with Congress and stakeholders on determining which elements of the original legislation, the Biggert-Waters Act, and the Homeowner Flood Insurance Affordability Act should be kept, amended, or discarded during the reauthorization process. Key issues must be properly handled during the reauthorization process to avoid the unintended consequences felt in 2013 following the passage of the Biggert-Waters Act. Unless reauthorized properly, the loss of the NFIP or drastic premium increases will threaten all of coastal and riverine America as new FEMA flood maps are unveiled in the coming years. The NFIP must be reauthorized such that the public's trust and reliance on the program to provide affordable flood insurance protection for prior investments in their homes and businesses is affirmed. In addition, the implementation of a transparent and fair process of amending flood maps is vital to the successful implementation of the program.

**Fiscal/Urban/Rural Impact:** Unless reauthorized in a responsible and affordable way, the loss of the National Flood Insurance Program would severely impact the housing markets throughout the country, make flood insurance premiums unaffordable, and improperly place properties in risk categories due to faulty flood risk maps. Without a strong flood insurance program, local tax revenue will be greatly impacted as home values plummet and local economies collapse. Because coastal counties generate 46% of the national GDP, and are typically the economic engines in their respective States and regions, the economic consequences will be significant, and will reverberate well beyond the coasts.

FEMA's new Risk Rating 2.0 will bring significant changes to NFIP and rates. We urge greater transparency, information sharing, and consideration of potentially significant impacts to premiums for properties in coastal and riverine communities of this new rating system in any new reauthorization.

**Sponsors:** Heather Carruthers, Commissioner, Monroe County-Fla; Police Jury Association of Louisiana (collectively); Julia Fisher-Perrier, Council, St. Charles Parish-La.; Timmy Roussel, Parish President – St. James Parish; Marnie Winter- Assistant Director Department of Environmental Affairs, Jefferson Parish –La.; Pat Brister, Parish President, St. Tammany Parish – La.; Natalie Robottom, Parish President, St. John the Baptist Parish – La. Arlanda Williams, Council, Terrebonne Parish – La.; Dennis Scott, District 6 Police Juror, Calcasieu Parish; James Cantrelle, President, Lafourche Parish; Robby Miller, President, Tangipahoa Parish; Benedict Rousselle, District 5 Councilman, Plaquemines Parish; Paul Naquin, District 9 Councilman At-Large, St. Mary Parish; Marty Black, Director of Coastal Restoration & Preservation, Terrebonne Parish, Larry Cochran, Parish President, St. Charles Parish



**A RESOLUTION OF THE FLORIDA LEAGUE OF CITIES, INC., URGING CONGRESS TO REAUTHORIZE THE NATIONAL FLOOD INSURANCE PROGRAM.**

**WHEREAS**, floods are the most common and destructive natural disaster in the United States and Florida; and

**WHEREAS**, Congress created the National Flood Insurance Program (NFIP) in 1968 to make affordable flood insurance available to homeowners, renters and business owners in exchange for using FEMA generated Flood Insurance Rate Maps for floodplain management by participating communities; and

**WHEREAS**, the Flood Disaster Act of 1973 requires the purchase of flood insurance as a condition of receiving any form of federal or federal-related financial assistance for acquisition or construction purposes with respect to the insurance of buildings; and

**WHEREAS**, the NFIP provides affordable flood insurance to property owners by encouraging local governments to adopt and enforce floodplain and water management regulations, best practices and techniques; and

**WHEREAS**, these mitigation efforts reduce and prevent flooding on new and improved structures, thereby saving lives and reducing injuries, reducing economic losses, maintaining and protecting critical infrastructure, and reducing the liability borne by local governments and their elected officials; and

**WHEREAS**, flooding is a serious risk in Florida due to the state's geography and proximity to water, both coastal and inland; and

**WHEREAS**, this issue is a critical concern for our state, as Florida has the largest number of participants in the NFIP with more than 1.7 million policies in force; and

**WHEREAS**, the NFIP is set to expire on September 30, 2019; and

**WHEREAS**, a lack of long-term reauthorization causes uncertainty for beneficiaries and providers; and

**WHEREAS**, there is still no viable private market for homeowners and businesses to acquire sufficient flood insurance coverage; and

**WHEREAS**, accurate mapping is fundamental for local governments to assess and communicate risk to their communities and property owners; and

**WHEREAS**, the current mapping process often results in local governments having to fight inaccurate maps that do not take into account locally built flood protection features and communities building off of outdated mapping, which results in artificially inflated risk. Further, many areas of the country are not mapped or mapped accurately, which results in communities not being aware that they are at risk of flooding; and

**WHEREAS**, it is incumbent upon all of us to have a long-term, sustainable and viable NFIP with rates that are affordable.

**WHEREAS**, bi-partisan legislation has been introduced in the House and Senate titled the National Flood Insurance Program Reauthorization and Reform Act of 2019 (NFIP-RE), H.R. 3872 and S. 2187, which would reauthorize the NFIP program for five years; and

**WHEREAS**, this legislation includes provisions to cap annual rate increases to 9 percent, fund resiliency and mitigation programs and modernize mapping.

**NOW, THEREFORE, BE IT RESOLVED BY THE FLORIDA LEAGUE OF CITIES, INC.:**

**Section 1.** The Florida League of Cities, Inc., supports H.R. 3872 and S. 2187 and urges Congress to reauthorize the NFIP and to keep flood insurance rates affordable for primary, non-primary and business properties while balancing the fiscal solvency of the program. The Florida League of Cities, Inc. also expresses appreciation to Senator Marco Rubio (R-FL) and Representatives Debbie Mucarsel-Powell (D-26-FL), Charlie Crist (D-13-FL) and Stephanie Murphy (D-7-FL) for co-sponsoring this legislation.

**Section 2.** In order for local governments to help their communities and property owners to adequately prepare for risk, Congress should provide additional resources to FEMA to utilize the best technology and methods available to improve the mapping process, including seeking the input from local government officials prior to approving any flood map that could impact local zoning rules.

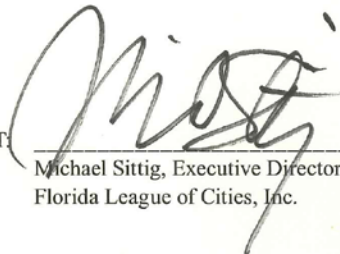
**Section 3.** A copy of this resolution be sent to President Donald Trump, the Florida Congressional Delegation, the National League of Cities and the membership of the Florida League of Cities, Inc.

**Section 4.** This resolution shall become effective upon adoption and shall remain in effect until repealed and hereby repeals all conflicting resolutions.

**PASSED AND ADOPTED** by the Florida League of Cities, Inc., in conference assembled at the League's 93rd Annual Conference, at the Orlando World Center Marriott, Orlando, Florida, this 17th Day of August 2019.



Leo E. Longworth, President  
Florida League of Cities, Inc.  
Commissioner, City of Bartow



ATTEST: Michael Sittig, Executive Director  
Florida League of Cities, Inc.

Submitted by: FLC Staff



## Risk Rating 2.0 Overview

September 2019



### Why Risk Rating 2.0?

FEMA is focused on building a culture of preparedness by closing the insurance gap. Recognizing that purchasing flood insurance can be confusing and time-consuming, the National Flood Insurance Program (NFIP) is redesigning its risk rating system to improve the policyholder experience.

Risk Rating 2.0 aims to accomplish this by leveraging industry best practices and current technology to deliver rates that are **fairer, easier to understand, and better reflect a property's unique flood risk**. Through these efforts, FEMA's goal is to make flood insurance significantly easier for agents to price and sell policies, and in turn, help customers better understand their flood risk and the importance of flood insurance.

Demand for change has been building for a long time, and Risk Rating 2.0 will be the culmination of a multi-year effort.

### What is Changing?

Risk Rating 2.0 will fundamentally change the way FEMA rates a property's flood risk and prices insurance. The current rating methodology has not changed since it was first developed in the 1970s. But since then, technology has evolved and so has FEMA's understanding of flood risk. Additionally, the current rating methodology is heavily dependent on the 1-percent-annual-chance-event, while Risk Rating 2.0 will incorporate a broader range of flood frequencies. FEMA will be pairing state-of-the-art industry technology with the NFIP's mapping data to establish a new risk-informed rating plan. Catastrophe models, in combination with the ability to leverage the NFIP's mapping data, will provide a better and more comprehensive understanding of risk at both the national and local level.

FEMA is building a new rating engine to help agents easily price and sell policies. It will also allow policyholders to better understand their property's flood risk and how it is reflected in their cost of insurance.

#### Rating Characteristics

The new risk rating plan will use easier-to-understand rating characteristics for each property, such as:

- distance to the coast or another flooding source
- different types of flood risk
- the cost to rebuild a home

**By reflecting the cost to rebuild, the new rating plan will also aim to deliver fairer rates for owners of lower-value homes.**

**New rates for all single-family homes will go into effect nationwide on October 1, 2020.**

Risk Rating 2.0 will comply with existing statutory caps on premium increases. This will help transition policyholders who may face otherwise substantial rate increases.

### What are the benefits of Risk Rating 2.0?

The NFIP is developing Risk Rating 2.0 to deliver the following key benefits to policyholders, communities, and the flood insurance industry:



Creates an individualized picture of a property's risk



Reflects more types of flood risk in rates



Provides rates that are easier to understand for agents and policyholders



Uses the latest actuarial practices to set risk-based rates



Reduces complexity for agents to generate a quote

### Learn More

To learn more about Risk Rating 2.0 and to get the most up-to-date information, please visit [www.fema.gov/nfiptransformation](http://www.fema.gov/nfiptransformation).

FEMA's mission is to help people before, during and after disasters.