

# Flood Insurance Rate Concerns

# Background on NFIP

- Excluded from standard homeowners' policy
- Required for mortgage in 20,000 communities mortgage
- Administered by FEMA
- Provides alternative to disaster relief



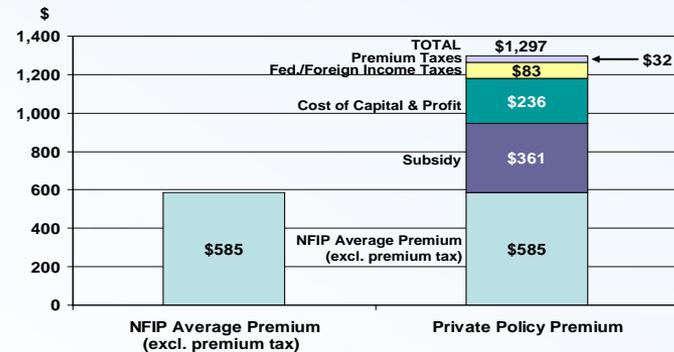
# Several Reasons for Rate Increases

- Flood map improvements find more homes in the floodplain
- Lenders require private insurance above NFIP's limit (250K)
- Property does not have an Elevation Certificate for accurate information on the flood risk
- Mis-ratings or misleading worst-case insurance hypotheticals
- 2012 Biggert-Waters Law phases-out some rate subsidies
- FEMA botched the implementation of the 2012 Law

# 2012 Biggert-Waters Law

- The Best Deal in a Bad Situation:
  - For years NFIP operated month-to-month and twice, shut down, stalling 40,000 home sales each month
  - Virtually no private market for flood insurance

Figure 1  
Average Private Flood Premium is More Than  
Twice as Much as NFIP Premium



Source: PCI, based on NFIP Actuarial Rate Review and other sources

- Difficult reform choices ensured passage

## 2012 Biggert-Waters Law (Cont.)

- Ensures flood insurance availability:
  - No shutdowns and stability for 5 years
  - Continued coverage for all, transition time for most
  - No need to take chances with the private market
  - \$28 Billion – the amount NFIP is currently owes
  - More accurate flood maps and streamlined appeals
- But not necessarily the affordability:
  - 25% increases for old 2<sup>nd</sup> homes, business (Oct. 1)
  - 20% increases for the “grandfathered” (2014 or later)
  - No new subsidies for home buyers (Oct. 1)

# Next Steps: Education

- See NAR's Legal Disclosure Guidance and Sample:
  - Refer to an insurance agent for specific rates
  - Disclose where actual knowledge of increases
  - Advise rates likely higher, past not prologue
- Enhanced content on Realtor.org Flood Page
- Fill out rate survey and include written quote(s), elevation certification and dec. page of current policy where possible

## Next Steps (Cont.): Congress

- Delay largest increases until FEMA can report to Congress with an affordability solution
  - S. 1846 Flood Insurance Affordability Act – 30 co-sponsors
  - H.R. 3370 Flood Insurance Affordability Act – nearly 180 co-sponsors
  - Omnibus Budget Bill includes short delay of some future increases but not for impacted home buyers

# Questions?

[www.realtor.org/topics/national-flood-insurance-program-nfip](http://www.realtor.org/topics/national-flood-insurance-program-nfip)