National Flood Insurance Program (NFIP)
The National Flood Insurance Program (NFIP)

- A 3-legged stool
  - Risk Reduction – Manage the Risk
  - Risk Analysis – Identify the Risk
  - Risk Transfer – Insure the Risk

- Currently the NFIP has:
  - Over 22,000 communities participate in the NFIP
  - More than 5 million policies in force (PIF)
  - Over $1.3 trillion in coverage
NFIP Overview

• NFIP Community Participation is voluntary but NFIP insurance is only available participating communities

• Participating communities must
  – Adopt Flood Insurance Rate Maps (FIRMs)
  – Enact and enforce minimum NFIP floodplain management standards to regulate development in Special Flood Hazard Area (SFHA).

• Any structure in the SFHA with a federally backed mortgage is required to have flood insurance (Mandatory Purchase)

• Community Rating System (CRS) provides incentive to exceed minimums
Mapping & Risk Management

Risk Mapping, Assessment and Planning (Risk MAP) program

- Flood Insurance Rate Maps (FIRMs)
  - adopted by participating communities
  - depicts Special Flood Hazard Areas (SFHAs) & the Base Flood Elevations (BFEs)
- Updating a community’s FIRMs can take three to five years or more
- Currently only 1/3 of the nations streams and coasts have been mapped
NFIP Reauthorization Status

• 15 short-term NFIP reauthorizations have been enacted since the end of FY2017

• NFIP is currently authorized until September 30, 2020.

• What happens if the NFIP lapses?

  • The authority to provide new flood insurance contracts will expire.

  • The authority for NFIP to borrow funds from the Treasury will be reduced from $30.425 billion to $1 billion.
2020 Reauthorization Outlook

• Road ahead in Congress
  • Additional legislative proposals expected
  • Prospects uncertain for action
  • Likely scenario: One or more additional extensions

• Long term reauthorization challenges
  • No consensus on reform proposals
  • Differing perspectives on affordability
  • Impacts & response to Risk Rating 2.0
  • Timing
Risk Rating 2.0

• Regulatory initiative to redesign the NFIP risk rating system

• Goal - deliver rates that are fairer, easier to understand, and better reflect a property’s unique flood risk.

• Deferred implementation timeline
  • New rates will go into effect on October 1, 2021.
  • Changeover will impact all NFIP policies at one time instead of a phased approach as originally proposed.

• Rating characteristics and role of FIRMs will change
Thank you

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