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Momentum grows in Congress for flood insurance fix

January 02, 2014 - Owners Developers & Managers

Legislation was introduced in Congress in November to delay increases in flood insurance premiums required by the Biggert Waters Flood Insurance Reform Act of 2012 (BW Act). The "Homeowner Flood Insurance Affordability Act" (HFIA) sets aside substantial flood insurance rate hikes until the Federal Emergency Management Agency (FEMA) takes action to ensure homeowners have a reasonable ability to afford flood insurance coverage.

The BW Act requires that most properties insured through the National Flood Insurance Program (NFIP) be charged rates reflecting the full risk of flood loss. The premium increases apply immediately to flood insurance policies covering businesses and when residential properties are sold or a lapsed policy is renewed. Additionally, the BW Act requires that flood insurance rate maps be updated on an expedited schedule.

Significant Premium Increases

Due to BW Act reforms, many homeowners are facing significant increases in their flood insurance premiums. The increases can be so substantial that owners can no longer afford to maintain flood insurance coverage. This is a substantial problem for homeowners in areas where flood insurance coverage is required by federal law for mortgaged properties.

Additionally, many homeowners find their property has been designated as having a higher flood risk as a result of new FEMA flood insurance rate maps. FEMA has acknowledged that the agency's flood insurance rate mapping methodologies are flawed and need to be improved. An example of the flawed process is that in many cases FEMA flood risk maps do not take into account state and local flood control projects. This forces communities and individual homeowners to pay out of pocket to challenge map inaccuracies while at the same time paying higher flood insurance premiums.

To help Congress better understand the impact of BW Act reforms, the law required that FEMA determine how flood insurance rate hikes would affect homeowners living in areas where flood insurance coverage is mandatory. The BW Act additionally required that FEMA study how substantial increases in flood insurance premiums would affect overall participation in the NFIP. Congress was seeking to determine if homeowners in mandatory purchase areas could afford very significant increases in flood insurance premiums and if the viability of the NFIP would be further threatened if higher rates resulted in fewer policies being written.

Little to No Progress on FEMA Study

In a hearing of the Senate Banking Committee on implementation of the BW Act, FEMA

administrator Craig Fugate disclosed that FEMA has made little to no progress in studying how the BW Act impacts homeowners or the future viability of the NFIP. While expressing some concern that homeowners will be unable to pay the new flood insurance premiums, Fugate stated that unless Congress changed the law, flood insurance premium hikes will go into effect as planned.

In response to administrator Fugate's comments, HFIA was introduced in the U.S. House of Representatives and the U.S. Senate (H.R. 3370 and S.1610, respectively). The legislation is drawing broad, bipartisan support in both chambers with H.R. 3370 having 119 cosponsors and 20 Senators cosponsoring S. 1610. CAI anticipates the number of cosponsors for H.R. 3370 and S.1610 will continue to grow as revised flood insurance rate maps become effective and more homeowners across the country face potentially unaffordable flood insurance premiums.

Despite strong support for HFIA in Congress, the legislation faces numerous obstacles. In the House of Representatives, key leaders on the Financial Services Committee have expressed opposition to HFIA as currently drafted. Numerous Senators have expressed similar concerns while other Senators are opposed to any substantive changes to the BW Act. This opposition makes it unlikely that HFIA will be adopted as a standalone measure in the near-term.

Notwithstanding this opposition, HFIA supporters in Congress continue to press congressional leadership for a vote on their legislation. A very likely outcome is that an amended version of HFIA will be attached to must pass legislation, such as legislation to fund the federal government or to reauthorize federal agriculture programs.

CAI's government and public affairs department will continue to monitor the debate on flood insurance and HFIA. A section-by-section summary of HFIA can be found at www.caionline.org.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540