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ISSUE ALERT

NATIONAL FLOOD INSURANCE REFORM

NOVEMBER 16, 2010

FEMA will hold two public meetings as part of its year-old, three-phase effort to listen to public ideas on how the National Flood Insurance Program can be reformed. [This announcement is on page 69096 of the Nov 10th edition of the *Federal Register*.] Our sources tell us that FEMA plans to make recommendations to the White House on one or more proposals to change or reform the existing program. Congress has been unable to pass any reform legislation for the past two years. FEMA's discussions have no limits. They include looking into the following alternatives (not in priority order):

(1) Is there a new role for the private sector?

According to FEMA, there are various alternatives for turning to the private market to address flood losses including privatization of the entire program or privatization of elements of the program (enforcement, risk identification, mitigation, insurance). “ One of the drivers for the enactment of the National Flood Insurance Act (NFIA) and establishment of the National Flood Insurance Program (NFIP) was the failure of the private market to provide any substantive means, by insurance or otherwise, to mitigate the flood hazard risk.... Now, 40 years later, many of these barriers have been addressed.” For more on this point of discussion, hold your Control key and click your mouse on either of the following two links (PDF or TXT): ([PDF](#) 233KB, [TXT](#) 18KB)

(2) Who should bear the cost of Federal flood insurance?

Based on the assumption that the Federal government is spending too much on disaster assistance programs, this discussion point is directed toward the goals of reducing the costs of Federal flood insurance to individuals, businesses and the Federal government in exchange for individuals and communities assuming a greater share of the responsibility for their actions. One option: Replace flood insurance with expanded eligibility for disaster assistance. The extent of assistance, or the cost-share ratio, would be adjusted based on the mitigation measures implemented by the community. Another option: No Federal flood insurance for any building constructed beginning 10 years after enactment of reform legislation. Those structures would also not be eligible for any type of disaster assistance of grants. There are other options for discussion under this topic. See [PDF](#) 242KB, [TXT](#) 17KB for more information.

(3) Who pays the cost for development at the beach?

This question is part of a topic called “Community-Based Insurance Policy Options”. In essence, this discussion topic covers different methods of encouraging non-Federal interests to reduce risk. The Federal government could identify flood risk, provide guidance on how to manage that risk, and offer insurance across the local government. Or those properties that have a higher risk pay a higher insurance premium. Or states would design their own flood insurance options with the Federal government setting minimum standards. For more information, see ([PDF](#) 256KB, [TXT](#) 22KB)

(4) Optimization of the Current Program

As the title of this discussion option indicates, the focus would be on enhancements to the current NFIP program “to address programmatic weaknesses and current challenges while maintaining the current NFIP framework.” Also included under this topic, however, is the option to abandon the NFIP. More attention in this part of the discussion would be given to NFIP’s “actuarial soundness” (is it charging high enough premiums?), elimination of all pre-NFIP (pre-FIRM) subsidies at least to non-residential and non-primary residences, address insurance affordability, improve coverage, and much more. See [PDF](#) 248KB, [TXT](#) 18KB

Last week, FEMA announced two public hearings on these topics. Each is open to 200 people only. To register, go to FEMA-NFIP-reform@dhs.gov

For most people, we recommend doing all that you can to have input into this process. Public comments are invited through a website that does not give much opportunity for extensive or thoughtful comments: <http://www.nfipreform.com/> . Comments are due by December 31st.

To get much more information on this topic, please go to this FEMA NFIP Reform Website: <http://www.nfipreform.com/EvalCriteria.aspx>

Note that the tabs at the top of this Webpage will lead you to online forms for your comments.

*Marlowe & Company Clients Concened About this NFIP Reform Effort
Should Contact their Team Leader of email
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