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National Flood Insurance Program Reauthorization Advances as Congress Debates Reform

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November 17, 2017

Congress has until December 8 to reauthorize the National Flood Insurance Program (NFIP) and is examining a number of proposals for program reform. On November 14, the House approved the 21st Century Flood Reform Act on a party-line vote. The vote came after Financial Services Committee Chair Jeb Hensarling (R-TX) and Majority Whip Steve Scalise (R-LA) reached an agreement to reauthorize the program for five years, increase premiums for repeatedly flooded homes, shift some policies to private insurers, update federal flood mapping procedures, increase penalties for residents without insurance, and allow private policies to satisfy the federal flood insurance mandate. The proposal now moves to the Senate, which has historically approached NFIP reforms with greater skepticism.

Background and Analysis: Having provided \$16 billion in debt relief to the NFIP in October, the House has passed and the Senate is considering restructuring the nearly 50-year-old program. Originally passed in 1968, the NFIP is the only nationwide provider of flood insurance and backs more than 95 percent of the plans in the United States. The push to reform the program emerged in the wake of Hurricanes Katrina and Sandy, whose payouts of \$16.3 billion and \$8.6 billion overwhelmed the program's finances. Potential changes to the program include letting private sector companies make a profit off selling flood insurance instead of processing claims for the government, declaring some "severe repetitive loss properties" ineligible for the program, and making federal flood risk data fully available to private insurers.

The push for reform is coming to a head this month as Congress has until December 8 to reauthorize the program, which was temporarily extended beyond the initial September 30 deadline as part of the larger continuing resolution and debt ceiling agreement. The reform effort has been led by Chairman Hensarling and the House Financial Services Committee, which approved a number of bipartisan NFIP reform bills earlier this summer. The latest effort, however, faced initial pushback from Majority Whip Scalise, who was concerned that the increased rates in the bill would make flood insurance too expensive for his coastal constituents. What happens next, however, remains unclear, as Senators Bob Menendez (D-NJ) and Bill Cassidy (R-LA) are putting together their own package that may differ with what is coming out of the House.