

# Rethinking the NFIP: Straw Man Policy Options

## National Flood Insurance Program - Optimization of Current Program Policy Options

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### **Description of Policy Theme:**

*Don't throw the baby out with the bath water...*

This straw man policy option seeks to make enhancements to the existing program to address programmatic weaknesses and current challenges while maintaining the current National Flood Insurance Program (NFIP) framework. The NFIP has succeeded in many ways to reduce flood risk across the United States since its inception in 1968. After 42 years, there are many concerns about the effectiveness of the NFIP. Now is the time to understand these concerns, then develop and adopt new aspects of the program to address these concerns to ensure future reductions in flood risk for the Nation.

Legislative, regulatory, and other necessary improvements to the current program have been considered to address stakeholder concerns. Potential improvements have been organized by the four basic components of the current program: insurance, floodplain management, flood hazard mapping, and incentives to mitigate flood risk.

### **Straw Man Policy Options:**

- **Continue Current Program**
- **Abandon the NFIP**
- **Optimize the Current Program (while maintaining its fundamental structure)**
  - Insurance Improvements
    - Actuarial Soundness. Eliminate all flood insurance subsidies, or at least for non-residential and non-primary residence, when ownership transfers; charge actuarial rates for repetitive loss properties; remove the annual limitation on premium increases; forgive NFIP debt

- Address Insurance Affordability. Establish a social program outside of the NFIP; abolish the mandatory purchase requirement; phase-in rate increases for newly identified or changed flood hazards
- Improve Insurance Coverage. Provide higher coverage limits; require mandatory purchase of risk-based flood insurance in leveed areas; provide long-term flood insurance
- Improving Floodplain Management
  - Strengthen Floodplain Management Standards. Establish one foot (or more) of freeboard as a minimum standard in 44 C.F.R. § 60.3; strengthen minimum floodplain management requirements; protect critical facilities to the 500-year flood; allow communities to use replacement cost in lieu of market value for determinations of substantial damage; decouple the Letter of Map Revision – Based on Fill (LOMR-F) process from the mandatory purchase requirement
  - Address Environmental Concerns. Do not insure new construction or substantial improvements in critical habitat areas mapped by other Federal Agencies
  - Identify and Regulate Additional Hazard Areas. Map and regulate coastal AE zones
- Flood Hazard Identification and Mapping
  - Levees and Infrastructure. Improve flood risk communication relative to levees; certify levees to specific level of protection; develop new flood zones specific to leveed areas; map residual risk associated with levees, dams, and other flood control structures
  - Science and Engineering. Map future conditions; establish arbitration panel to resolve map appeals; provide multiple frequency data for improved insurance rating, grants assessment, floodplain management, and implementation of Executive Order 11988; deliver flood depths based on quality terrain data for improved insurance rating and better flood hazard communications
  - Outreach. Require a community to perform outreach to citizens at the beginning of the study and mapping process; assist communities with economic impact analyses

- Incentives to Mitigate Flood Hazard
  - Alignment of Grant Policies. Unify NFIP-funded flood mitigation grant programs; eliminate statutory funding limits; align statutory language regarding cost-effectiveness for National Flood Insurance Fund (NFIF)-funded programs to direct the Federal Emergency Management Agency (FEMA) to prioritize funding for projects that demonstrate a savings to the fund; align Federal cost-share allowance to reflect FEMA's mitigation priorities; align valuation methodology and housing payment across NFIF-funded programs; direct FEMA to provide annual savings to the fund report for NFIF funded grant programs
  - Grant Eligibility. Eliminate flood mitigation planning as a standalone activity eligible for funding since support for multi-hazard mitigation planning is available under Robert T. Stafford Disaster Relief and Emergency Assistance Act authorities; provide Severe Repetitive Loss funds to non-residential properties; eliminate statutory characterization of technical assistance grants; align eligible activity types across NFIF funded programs; revise mitigation planning approach and connectivity with grant programs
  - Furthering Insurance Credits. Provide funds to communities for implementing Community Rating System (CRS) creditable activities; institute a sliding non-Federal cost share for disaster assistance and Water Resource Development Act projects, depending upon a CRS rating; expand community rating designations; expand promotion of CRS