

Proposal 7: Consideration of Coastal and Inland Locations in Determining Premium Rates –
Creates separate classes for coastal versus inland flood zones in the NFIP’s rate tables.

Legislative text:

**SEC. __. CONSIDERATION OF COASTAL AND INLAND LOCATIONS IN
DETERMINING PREMIUM RATES.**

(a) ESTIMATES ON PREMIUM RATES.—Subparagraph (A) of section 1307(a)(1) of the National Flood Insurance Act of 1968 (42 U.S.C. 4014(a)(1)(A)) is amended—

- (1) in clause (i), by striking “and” at the end; and
- (2) by adding at the end the following new clause:

“(iii) the differences in flood risk for properties impacted by coastal flood risk and properties impacted by riverine, or inland flood risk; and”.

(b) ESTABLISHMENT OF CHARGEABLE PREMIUM RATES.—Paragraph (1) of section 1308(b) of the National Flood Insurance Act of 1968 (42 U.S.C. 4015(b)(1)) is amended by inserting “due to differences in flood risk resulting from coastal flood hazards and riverine, or inland flood hazards and” after “including differences in risks”.

Analysis:

This language would require FEMA to distinguish between coastal and inland flooding when setting rates. The Special Flood Hazard Area is comprised of both Zones A and V. The A and V zone are distinct. The V zone delineates the special flood hazard area where there is expected to be at least a three-foot breaking wave during the base flood event. The A zone comprises all other special flood hazard area zones and includes areas subject to coastal flooding with less than a three-foot breaking wave during the modeled base flood event and areas subject to inland flooding.

Coastal areas can differ from inland areas in both the frequency and severity of flooding. In both coastal and riverine areas, flooding ranges from shallow still-water flooding to deep flooding with velocity and wave action. Coastal flood zones may be more prone to velocity and wave action. By requiring FEMA to account for differences between coastal and inland flooding in its rates, FEMA will better differentiate structures exposed to higher risk in both coastal and inland areas.

Comparative type:

THE NATIONAL FLOOD INSURANCE ACT OF 1968

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SUBCHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

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SEC. 1307. ESTIMATES OF PREMIUM RATES (42 U.S.C. 4014)

(a) STUDIES AND INVESTIGATIONS.—The Administrator is authorized to undertake and carry out such studies and investigations and receive or exchange such information as may be necessary to estimate, and shall from time to time estimate, on an area, subdivision, or other appropriate basis—

(1) the risk premium rates for flood insurance which—

(A) based on consideration of—

(i) the risk involved and accepted actuarial principles; **[and]**

(ii) the flood mitigation activities that an owner or lessee has undertaken on a property, and

(iii) the differences in flood risk for properties impacted by coastal flood risk and properties impacted by riverine, or inland flood risk; and

(B) * * * * *

(2)-(3) * * * * *

(b)-(h) * * * * *

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SEC. 1308. CHARGEABLE PREMIUM RATES. (42 U.S.C. 4015)

(a) * * * * *

(b) Consideration for Rates.—Such rates, insofar as practicable, be—

(1) based on a consideration of the respective risks involved, including differences in risks **due to differences in flood risk resulting from coastal flood hazards and riverine, or inland flood hazards and** due to land use measures, flood-proofing, flood forecasting, and similar measures; (2) adequate, on the basis of accepted actuarial principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this chapter;

(2)-(5) * * * * *

(c)-(m) * * * * *

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