

Menendez Co-Leads Bipartisan Push for Comprehensive Flood Insurance Reforms

Senators call for long-term NFIP fix on heels of Senate passing another short-term extension

Thursday, May 23, 2019

WASHINGTON, D.C. – U.S. Senator Bob Menendez (D-N.J.), chair of the Sandy Task Force and a senior member of the Senate Banking Committee that sets national flood insurance policy, today co-led a bipartisan call with Bill Cassidy (R-La.) for long-term, comprehensive reforms to the National Flood Insurance Program (NFIP). The Senate today passed a four-month extension of the NFIP, which was due to expire May 31, as part of a broader disaster supplemental bill.

“Within two years, the National Flood Insurance Program (NFIP) has been subjected to 10 short-term extensions. This ridiculous process has created significant uncertainty and anxiety for homeowners, renters, and small business owners in our states,” **the senators wrote to Banking Committee Chair Mike Crapo (R-Idaho) and Ranking Member Sherrod Brown (D-Ohio)**. “The NFIP is critical to our constituents and there is a bipartisan path to expedite a long-term reauthorization with commonsense reforms that will enhance the affordability, efficiency, fairness, accountability, and sustainability of the program.”

The bipartisan letter, cosigned by Sens. Menendez, Cassidy, John Kennedy (R-La.), Kirsten Gillibrand (D-N.Y.), Marco Rubio (R-Fla.), Sheldon Whitehouse (D-R.I.), Cindy Hyde-Smith (R-Miss.), and Shelly Moore Capito (R-W.Va.), laid out a clear framework for a long-term NFIP reauthorization that has broad Democratic and Republican support.

“Structural reforms to the program must address the affordability of flood insurance premiums for low and middle-income policyholders, fund mitigation, improve flood risk assessment, reform the claims process and bolster NFIP solvency by addressing its unsustainable debt burden,” **the letter continued.** “We must address these outstanding issues as part of a long-term NFIP reauthorization and we stand ready to work with you to resolve them.”

Sen. Menendez has been the leading voice in Congress to ensure Sandy victims have the resources necessary to rebuild, and that the federal government is treating them fairly.

He’s the author of the comprehensive, bipartisan legislation known as the Sustainable, Affordable, Fair, and Efficient National Flood Insurance Program (SAFE NFIP). The bill, which was cosponsored in the last Congress by a large bipartisan group of lawmakers, including Sen. Booker and Reps. Frank Pallone, Jr. (N.J.-06) and Bill Pascrell, Jr. (N.J.-09), would remedy the problems of the current flood insurance program that caused so many Sandy survivors to suffer in the wake of the storm.

The SAFE NFIP Act would extend the federal flood insurance program for six years while instituting a series of sweeping reforms. The bill authorizes significant investment in mitigation and resiliency efforts to reduce flood risk, while addressing critical problems that arose following Superstorm Sandy and other disasters, namely: unsustainability, low participation rates, inaccurate flood maps, an indifference to the benefits of flood control infrastructure, agency mismanagement, unsustainable debt service costs and contractor profiteering.

The senator successfully pressed FEMA to reopen all Sandy claims, intimating a review process that led to policyholders getting an additional \$260 million to rebuild their homes. SAFE NFIP would ensure survivors of devastating flooding never go through what Sandy survivors experienced after the storm.

Sen. Menendez first exposed the problem of widespread lowballing of flood insurance claims during Congressional hearings he chaired in 2014.

Sen. Menendez authored the Superstorm Sandy Relief and Disaster Loan Program Improvement Act, signed into law in 2017, which extended and expanded access to federal disaster loans through the U.S. Small Business Administration (SBA). His Homeowner's Flood Insurance Affordability Act was signed into law in 2014 to address skyrocketing rates many Sandy survivors were encountering.

Full text of the letter is below and can be downloaded here:

Dear Chairman Crapo and Ranking Member Brown,

Within two years, the National Flood Insurance Program (NFIP) has been subjected to 10 short-term extensions. This ridiculous process has created significant uncertainty and anxiety for homeowners, renters, and small business owners in our states. The NFIP is critical to our constituents and there is a bipartisan path to expedite a long-term reauthorization with commonsense reforms that will enhance the affordability, efficiency, fairness, accountability, and sustainability of the program. Structural reforms to the program must address the affordability of flood insurance premiums for low and middle-income policyholders, fund mitigation, improve flood risk assessment, reform the claims process and bolster NFIP solvency by addressing its unsustainable debt burden. We must address these outstanding issues as part of a long-term NFIP reauthorization and we stand ready to work with you to resolve them.

Specifically, we encourage the following:

1. ***Ensure the implementation of FEMA's Risk Rating 2.0 accurately reflects a property's unique flood risk while not compromising affordability and access to the NFIP.*** Risk Rating 2.0 will no longer use flood maps and zones to determine a homeowner's premium rate, but rather a series of models that statistically estimates the risk for water inundation, and historical claims data, along with the replacement cost to rebuild the structure. While FEMA's stated intent is to provide more accurate and transparent flood insurance pricing, there are significant concerns such a new approach

could lead to increased premiums, forcing homeowners to drop coverage, or even worse, lose their home. We saw all too clearly the negative consequences of hiking premiums after the Biggert-Waters Act of 2012 caused costs to skyrocket, hurting policyholders and sending a chill through the real estate market. In addition, there are questions surrounding how FEMA will adjust risk in areas behind levee systems associated with the implementation of Risk Rating 2.0. For these reasons, the statutory cap on premium increases must be significantly lower than current law to ensure price shocks do not occur with implementation of Risk Rating 2.0.

- 1. *Affordability for low and middle-income policyholders and funding for mitigation.*** *Even with a lower annual cap on premium increases, flood insurance will still be out of reach for millions of low and middle-income homeowners and renters. Rather than make the program more solvent and accountable to taxpayers, unaffordable premiums threaten to undermine the NFIP and expose taxpayers to additional federal disaster assistance grants for uninsured losses after a disaster. That is why an NFIP reauthorization bill must include a means-tested affordability program for low and middle-income households as well as a robust federal investment in mitigation funding. In addition, providing higher caps for the Increased Cost of Compliance program will help all policyholders lower their premium rates and reduce the collective exposure to flood-related losses.*
- 2. *Ensure repetitive loss properties have a legitimate opportunity to mitigate prior to flood insurance premium adjustments.*** *According to FEMA, repetitive loss properties account for 1 percent of policies but over 25 percent of flood claims[1]. Mitigating repetitive loss properties through buyouts, elevations or flood proofing will save money for NFIP policyholders and the Federal taxpayer by reducing the number of properties affected by flood damage and disaster assistance needed for repairs. Congress should build upon the 6 percent in Disaster Relief Fund dollars set aside for the Building Resilient Infrastructure and Communities (BRIC) program, as established by*

the Disaster Recovery and Reform Act, by allocating an additional significant percent toward property-specific mitigation for repetitive loss and Pre-FIRM properties. Every dollar in mitigation yields at least six dollars in reduced future damages, making proactive investments an effort the government cannot afford to neglect.

- 1. *Reform the NFIP “Write Your Own” program and claims process to address lessons learned from Superstorm Sandy, the 2016 flooding in Louisiana, and other disasters.*** *The Senate bill should include provisions from Title VI of S. 1313 and Titles III and IV of S. 1368 (115th Congress), which injects fiscal responsibility in the Write Your Own Program, reforms the claims and appeals process and protects policyholders from fraud and other unethical practices by some insurance companies and their contractors. Policyholders have paid premiums for years, many even for decades. They deserve to be treated fairly and have their claims processed quickly so they can recover and get back in their home as soon as possible.*
- 1. *Improving NFIP solvency by forbearing interest on NFIP’s debt.*** *We appreciate that Congress included \$16 billion in debt-forgiveness for the NFIP in 2017 disaster supplemental legislation signed into law by President Trump (P.L. 115-72). However, that did not cover the nearly \$25 billion in debt that existed prior to the 2017 hurricanes, of which \$10 billion to \$13 billion[2] was brought by the failure of federal flood protection structures[3] after Hurricane Katrina. Rather than siphon \$400 million from the program every year, which puts the program even further into a hole, Congress should forbear interest on NFIP’s debt, and reallocate that funding toward mitigation, affordability and other efforts to make the NFIP more solvent. We need to ensure that claims are paid with existing resources without the need to further increase already rising premiums on policyholders.*

The NFIP has more than five million flood insurance policies providing \$1.28 trillion in coverage, with approximately 23,000 communities in 56 states and jurisdictions participating. It is critical that we address these priorities as part of the Senate effort to reauthorize the NFIP. Thank you for your attention to our concerns, and we look forward to continuing to work with you on this important issue.