

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Banking and Insurance

BILL: SM 1058

INTRODUCER: Senator Brandes

SUBJECT: Biggert-Waters Flood Insurance Reform Act

DATE: March 10, 2014

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Matiyow</u>	<u>Knudson</u>	<u>BI</u>	Favorable
2.	_____	_____	<u>RC</u>	_____

I. Summary:

SM 1058 urges Congress and the President of the United States to delay the implementation of the Biggert-Waters Flood Insurance Reform Act of 2012. The memorial also urges the repeal or delay of any requirement that the National Flood Insurance Program immediately increase property owners' policies to the full-risk rate.

II. Present Situation:

The National Flood Insurance Program (NFIP) was created by the passage of the National Flood Insurance Act of 1968. The NFIP is administered by Federal Emergency Management Agency (FEMA) and provides property owners located in flood-prone areas the ability to purchase flood insurance protection from the federal government. Flood insurance through the NFIP is only available in communities that adopt and enforce federal floodplain management criteria.

The Biggert-Waters Flood Insurance Reform Act

In 2012 the United States Congress passed the Biggert-Waters Flood Insurance Reform Act (Biggert-Waters Act). The Biggert-Waters Act reauthorized the National Flood Insurance Program for 5 years. Key provisions of the legislation require the NFIP to raise rates to reflect true flood risk, make the program more financially stable, and change how Flood Insurance Rate Map updates impact policyholders. These changes by Congress have resulted in premium rate increases for approximately 20 percent of NFIP policyholders nationwide.

The Biggert-Waters Act increases flood insurance premiums purchased through the program for second homes, business properties, severe repetitive loss properties, and substantially improved damaged properties by requiring premium increases of 25 percent per year until premiums meet the full actuarial cost of flood coverage. Most residences immediately lose their subsidized rates if the property is sold, the policy lapses, repeated and severe flood losses occur, or a new policy is purchased. Policyholders whose communities adopt a new, updated Flood Insurance Rate Map

(FIRM) that results in higher rates will experience a 5-year phase in of rate increases to achieve rates that incorporate the full actuarial cost of coverage.

NFIP Flood Insurance in Florida

Over two million NFIP policies are written on Florida properties, with approximately 268,500 policies receiving subsidized rates. This accounts for approximately 37 percent of the total policies written by the NFIP.

Historically, properties insured in Florida have paid approximately \$3.60 in premium for NFIP flood coverage for every \$1 received in claims payments. The rate impact of the Biggert-Waters Act on subsidized policies in Florida is approximately as follows:

- Approximately 50,000 secondary residences, businesses, and severe repetitive loss properties are subject to immediate, annual 25 percent increases until their premiums are full risk premiums.
- Approximately 103,000 primary residences will lose their subsidy if the property is sold, the policy lapses, the property suffers severe, repeated flood losses, or a new policy is purchased.
- Approximately 115,000 non-primary residences, business properties, and severe repetitive loss properties are subject to the elimination of subsidies once FEMA develops guidance for their removal.

Proposed Congressional Changes

On March 4th 2014, the United States House of Representatives passed H.R. 3370¹ which reverses some of the changes in the Biggert-Waters Flood Insurance Reform Act of 2012. Some of the provision in H.R. 3370:

- Prevents FEMA from raising rates on individual policies above 18 percent per year.
- Repeals the provision in Biggert-Waters that requires homebuyers to pay a full-risk rate at the time of purchase.
- Repeals the provision in Biggert-Waters that required full-risk rate if a property owner voluntarily purchases a new policy.
- Establishes a Flood Insurance Advocate within FEMA to answer current and prospective policyholder questions about the flood mapping process and flood insurance rates.
- Requires FEMA to clearly communicate full flood risk determinations to policyholders even if their premium rates are less than full risk.
- Requires FEMA to certify its mapping process is technologically advanced and to notify and justify to communities that the mapping model it plans to use to create the community's new flood map are appropriate.
- Requires FEMA, at least 6 months prior to implementation of rate increases as a result of this Act to make publicly available the rate tables and underwriting guidelines that provide the basis for the change, providing consumers with greater transparency.

¹ <http://thomas.loc.gov/cgi-bin/bdquery/z?d113:h.r.3370>: (Last viewed March 9th 2014.)

On January 30th 2014, the United States Senate passed S.1926² which would delay the implementation of certain provisions of the Biggert-Waters Flood Insurance Reform Act of 2012. Some of the provisions in S. 1926:

- Delays the flood insurance premium increases mandated under the Biggert-Waters Flood Insurance Reform Act for 4 years.
- Requires FEMA to develop a plan to reduce premiums by reassessing the flood insurance rate maps.
- Repeals the provision in Biggert-Waters that requires homebuyers to pay a full-risk rate at the time of purchase.

III. Effect of Proposed Changes:

If passed, copies of SM 1058 are to be dispatched to the President of the United States, to the President of the United States Senate, to the Speaker of the United States House of Representatives, and to each member of the Florida delegation to the United States Congress. The memorial urges Congress and the President of the United States to delay the implementation of the Biggert-Waters Flood Insurance Reform Act until FEMA has completed the required economic impact study in order to provide a substantive analysis of the proposed rate increases and their impact. The memorial also urges the repeal or delay of any requirement that the National Flood Insurance Program immediately increase property owner's policies to the full-risk rate.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

² <http://thomas.loc.gov/cgi-bin/bdquery/z?d113:s.1926>: (Last viewed March 9th 2014.)

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

None.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.