



NATIONAL  
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## NATIONAL FLOOD INSURANCE PROGRAM

### **NMHC/NAA Viewpoint**

*Given federal requirements for apartment owners to purchase flood insurance, Congress should support measures that ensure the NFIP program can continue to operate long term.*

Floods are dangerous and destructive forces that can damage apartment buildings and disrupt the lives of their residents. Federal laws require apartment properties with federally regulated and insured mortgages in high-risk flood areas to purchase flood insurance. However, the private insurance market offers few policy options, often only issuing flood protection policies to high-value properties.

To help fill this void, the federal government created the National Flood Insurance Program (NFIP) in 1968. Administered by the Federal Emergency Management Agency, the program provides flood insurance coverage for residential and commercial properties; identifies and maps the nation's floodplains; and develops flood-prevention strategies.

The program was financially self-supporting, with insurance premiums covering operating expenses and insurance claims, until 2004. A number of major disasters and hurricanes in 2004 and 2005, including Hurricane Katrina, caused NFIP to assume more than \$18 billion in debt and pushed it into financial distress. According to the Government Accountability Office, other factors that have contributed to its insolvency include high levels of rate subsidies and repetitive-loss properties (those with two or more losses in a 10-year period) in NFIP's portfolio.

**FEMA reports that NFIP's "Unified Floodplain Management Strategy" saves the nation an estimated \$1.6 billion annually in avoided flood losses.**

Congress has struggled to enact reforms to return the program to some semblance of self-sufficiency. From 2008 to 2012, the program operated on several short-term extensions because lawmakers could not agree on a reauthorization bill.

In 2012, the logjam was overcome and a five-year reauthorization bill was enacted. The measure (P.L. 112-141) extends NFIP funding to September 2017 and makes significant reforms to the program, including phasing in new actuarial rates for certain properties, raising the caps on annual premium increases from 10 percent to 20 percent and imposing minimum deductibles for flood claims. It also raised multifamily properties limits to \$500,000, placing them on par with commercial properties.

These reforms are critical to correcting the program's fiscal crisis and a positive step toward ensuring the program's longevity.