NATIONAL EMERGENCY MANAGEMENT ASSOCIATION
MITIGATION COMMITTEE
POSITION PAPER

DATE: March 23, 2017

SUBJECT: National Flood Insurance Program (NFIP) Reform Recommendations

DISCUSSION: The National Flood Insurance Program (NFIP) plays a significant role in the disaster recovery and mitigation cycle across the Nation. The program impacts millions of homeowners and businesses across all 50 states and is responsible for billions of dollars in premiums and payouts each year.

Reforms have been implemented that are designed to stabilize the program to allow it to operate in the most efficient way possible, but more work must be done. Homes and businesses are still grossly underinsured against the threat posed by flooding, our most prevalent hazard. Time after time we watch as our communities flood, only to hear from residents that they did not have the appropriate coverage. In the absence of insurance, they are reliant upon their on fiscal ability, the generosity of the charitable organizations, and federal and state aid that is not designed to make them whole. Such situations delay the recovery of a community and threaten its very existence. We as a nation must redouble our efforts to design a system that helps people evaluate their individual risk and plan accordingly while simultaneously reducing our collective risk.

Without a strong insurance structure, uninsured risk could skyrocket and the impact will reverberate across various industries such as the housing market. Uninsured risk is a burden on communities and stresses local, State, and Federal disaster recovery budgets. Insurance payments are significantly higher than average Individual Assistance payments and can help communities recover much faster. Insurance is a key component of the recovery framework and the role of insurance in bringing down overall disaster costs cannot be overstated.

The NFIP is in jeopardy of not being able to meet the needs of the country in recovering from floods. The program is over $23 billion in debt with no clear path towards solvency. Additionally, enrollment in the program has declined by nearly 10% over the last several years