

Amendment #4725 – To deny premium subsidies to homeowners who refuse to accept an offer of Federal assistance to alter or relocate their property in an effort to minimize future flood damages and costs.

The 50,000+ repetitive loss properties (RLPs) with flood insurance signify **a little over one percent of total flood insurance policies, yet account for 30 percent of total claims on average.** RLPs are insurable buildings for which two or more claims of more than \$1,000 were paid by NFIP within any rolling ten-year period, since 1978. Most of these RLPs are older, generally less-safe properties that were "grandfathered" into the National Flood Insurance Program (NFIP) when the program was created and have been repaired multiple times with subsidized flood insurance claim payments. Of these RLPs, 11,706 are severe RLPs – SRLPs – and have had four or more losses or two or three losses that cumulatively exceeded the value of the building.

Most of RLPs continue to be subsidized with premiums that are on average only 30% of normal premiums. When NFIP was created, policymakers did not want to unfairly penalize homeowners who had unknowingly built or bought their home in a flood prone area and thus required that these owners would not have to pay the full premium rate. However, the idea was that over time these subsidies would be phased out and that these properties would decrease in number – neither has happened.

Current law requires that these properties only have to comply with current construction and building code standards if “substantial” (50% or more of the total home value) damages or improvements occur to the house. These properties have been repaired numerous times and continue drain taxpayer funds - many have been repaired at original elevations and continue to be classified as properties eligible for subsidized insurance. According to FEMA, a disproportionate share of NFIP claims are for RLPs that suffer less the 50% damages and, therefore, are not required to be rebuilt to appropriate floodplain management standards designed to reduce future losses.

A September 1999 FEMA Inspector General audit also noted that many communities participating in the NFIP did not enforce

substantial damage rules, with the result that subsidized rates were being inappropriately provided to structures that should have no longer qualified for these subsidies.

NFIP can also offer to mitigate or relocate properties such as these, but homeowners can continue to choose to decline these offers and purchase subsidized insurance rates.

While this bill makes a number of good improvements to address this issue of RLPs, this amendment would further ensure that taxpayers do not continue to subsidize rates for properties that have received generous federal offers of mitigation or relocation. Should property owners decline these offers, they will no longer receive subsidized rates for their flood insurance coverage.