BIPARTISAN POLICY CENTER

**Rate Increases are the Most Important Part of Flood Insurance Reform**
Unsubsidized Rates (with Low-Income Protections) Should Be Phased In for All Properties

*This is an abbreviated version of this blog post. For the longer version, please see our post* ***Possible Reforms to the National Flood Insurance Program****.*

The National Flood Insurance Program (NFIP) faces a number of serious problems, including premiums that do not cover the program's expected future costs, administrative issues, an outdated computer system, low uptake, and $24 billion in debt to the U.S. Treasury. We suggested potential fixes for those issues in a recent blog post. Regardless of other changes, unless rates are increased on the roughly 20 percent of policies that are subsidized and the rates for all properties are based on accurate maps, the program will remain in long-term fiscal peril.

We propose that premiums for all subsidized properties and properties with rates reflecting outdated maps increase to their fair full-risk rate. Under such a proposal, premium increases for properties that are sold could be capped at 25 percent per year; properties that have not been sold would have a lower cap on rate increases (perhaps 15 percent per year). Unlike several recently attempted fixes to the program that exempted individuals who did not sell their homes, we suggest increasing the rates on *all* properties to keep insurance rates roughly equal between properties that face similar flood risks.

Rate increases would stop when the full-risk premium is reached. In cases where elevation data is not available to accurately assess what full-risk rates should be, as is the case with 97 percent of currently subsidized properties, rates would increase without bound (or to very high levels) until policyholders produce an elevation certificate. Rebates for acquiring elevation certificates and subsidies for premiums should be means-tested and administered as refundable, advanceable tax rebates.

Please read our longer blog post for details on this potential flood insurance premium policy reform and other reforms that include:

- Delaying establishment of a reserve fund;
- Forgiveness of NFIP debt owed to the U.S. Treasury;
- Replacement of antiquated computer systems;
- Testing innovative contracts to increase uptake; and,
- Involving the private market to mitigate the risk of catastrophic losses.