

HR 3111, the National Flood Insurance Program Administrative Reform Act of 2019

Section-by-Section

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Section 1. Short Title

This Act may be cited as *the National Flood Insurance Program Administrative Reform Act of 2019*.

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Section 2. Pilot Program for Properties with Pre-Existing Conditions

Authorizes the FEMA Administrator to create a pilot program of the NFIP to authorize Write Your Own (WYO) insurance companies to inspect pre-existing structural conditions of insured and pre-insured properties that could result in a denial of a flood insurance claim. A report covering such conditions would be filed with the FEMA Administrator to create a pre-disaster baseline of the conditions that might affect the resolution of future NFIP claims. The pilot program will sunset on December 31, 2024, and the NFIP is required to conduct a rigorous study and evaluation and provide that report to Congress no later than March 31, 2025.

Section 3. Penalties for Fraud and False Statements in the National Flood Insurance Program

Prohibits false or fraudulent statements from being made in connection with the preparation, production, or submission of claims adjustment, engineering, and technical assistance reports that result in a wrongful denial or substantial payment error of flood insurance coverage. Ensures the Federal Government may bring legal action against a company or individual under applicable statutes, including the False Claims Act. Also, refers any person found to have engaged in such prohibited action to the appropriate state licensing agency for such further action.

Section 4. Enhanced Policyholder Appeals Process

Codifies additional due process protections for policyholders wishing to appeal a full or partial denial of their NFIP claim by their insurance company and requires FEMA to provide policyholders with a written appeal decision that upholds or overturns the decision of the insurer.

Ensures policyholders' litigation rights are preserved throughout the administrative appeals process.

Section 5. Deadline for Approval of Claims

Requires the FEMA Administrator to make an initial determination regarding the approval of a claim for payment or disapproval of the claim within 120 days of the claim being made. Authorizes the FEMA Administrator to extend the 120-day deadline by an additional 30 days when extraordinary circumstances warrant.

Section 6. Litigation Process Oversight and Reform

Provides the FEMA Administrator with additional authorities and responsibilities for overseeing litigation conducted by the WYO companies acting on behalf of the NFIP. Requires the FEMA Administrator to ensure that WYO litigation expenses are reasonable appropriate, and cost-effective, and provides the FEMA Administrator with the authority to deny any expenses that are contrary to those terms.

Section 7. Prohibition on Hiring Disbarred Attorneys

Prohibits the FEMA Administrator from hiring any attorney in connection with the program who has been suspended or disbarred.

Section 8. Technical Assistance Reports

Requires the FEMA Administrator to restrict the use of outside technical reports by WYO insurance companies and the NFIP direct servicing agent as part of specific claims investigations only to such reports that are final and prepared in compliance with applicable state and federal laws regarding professional licensure and conduct.

Defines “technical assistance report” to mean reports created for the purpose of furnishing technical assistance to an insurance claims adjuster assigned by the NFIP, including those by engineers, surveyors, salvors, architects, and certified public accounts.

Upon request by the policyholder, requires the FEMA Administrator to provide a true, complete, and unredacted copy of any technical assistance report that the Administrator relied upon in adjusting and paying for any damage to or loss of property insured by the policyholder and covered by the NFIP.

Section 9. Improved Disclosure Requirement for Standard Flood Insurance Policies

Requires the FEMA Administrator to create a coverage disclosure sheet for policyholders, which outlines the coverage afforded by the NFIP’s standard flood insurance policy, including a description of the type of loss that would be covered, a summary of costs associated with the policy, clear communications of the policy’s full flood risk determinations. Requires the disclosure to include an acknowledgement sheet of the disclosure by the policyholder and the insurer selling the policy on behalf of the NFIP.

Section 10. Reserve Fund Amounts

Authorizes FEMA to transfer money from the Reserve Fund into the NFIP for the purposes of paying future claims.

Section 11. Sufficient Staffing for the Office of Flood Insurance Advocate

Requires the FEMA Administrator to ensure the Office of the Flood Insurance Advocate has sufficient staffing within 180 days after enactment.

Section 12. Federal Flood Insurance Advisory Committee

Creates a new Technical Insurance Advisory Committee consisting federal, state, and local experts to review the NFIP's insurance practices and propose new standards to FEMA.

On an annual basis, the Committee shall report to the Committee on Financial Services in the House and the Banking, Housing and Urban Affairs Committee in the Senate, as well as the Office of Management and Budget on the actions it has taken and the actions that are still pending.

Section 13. Interagency Guidance on Compliance

Twelve months after enactment and every two years thereafter, requires that federal banking agencies update the document entitled: "Interagency Questions and Answers Regarding Flood Insurance," which addresses many flood insurance compliance questions in order to understand any conflicts with FEMA requirements or other industry practices and limitations.

Section 14. GAO Study of Claims Adjustment Practices

Requires the Comptroller General of the United States to conduct a study assessing the policies and practices for adjustment of claims for losses under the NFIP to determine whether the current system impacts the quality of the claims and adversely impacts policyholders.

Section 15. GAO Study of Flood Insurance Coverage of Treatment of Earth Movement

Requires the Comptroller of the United States to conduct a study assessing the treatment of "earth movement and subsidence caused by flooding" on the NFIP and policyholders.