

## H.R. 3111, National Flood Insurance Program Administrative Reform Act of 2019

As ordered reported by the House Committee on Financial Services on June 11, 2019

By Fiscal Year, Millions of Dollars	2019	2019-2024	2019-2029
Direct Spending (Outlays)	0	*	*
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	*	*
Spending Subject to Appropriation (Outlays)	0	16	not estimated
Statutory pay-as-you-go procedures apply?	Yes	<b>Mandate Effects</b>	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between zero and \$500,000			

H.R. 3111 would direct the Federal Emergency Management Agency (FEMA) to make several administrative changes to the National Flood Insurance Program (NFIP) related to determinations for paying claims, processing timelines, and other matters. The costs of administering the NFIP are covered by annual appropriations. The premiums that property owners pay for flood insurance and payments for claims are classified as direct spending.

Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 3111 would cost \$16 million over the 2020-2024 period, mostly to cover the costs of processing appeals of denied claims and an advisory committee on flood insurance. The costs of the legislation (detailed in Table 1) fall within budget function 450 (community and regional development).

**Table 1.**  
**Estimated Increases in Spending Subject to Appropriation Under H.R. 3111**

	By Fiscal Year, Millions of Dollars						2019-2024
	2019	2020	2021	2022	2023	2024	
Estimated Authorization	0	4	3	3	3	3	16
Estimated Outlays	0	4	3	3	3	3	16



H.R. 3111 would change the process for policyholders to appeal claims that have been denied. Under current law, policyholders with a denied claim who subsequently file suit against their insurance carrier cannot appeal the denial of that claim.<sup>1</sup> H.R. 3111 would require policyholders to administratively appeal denied claims before filing suit against their carrier or FEMA, and would pause the one-year statute of limitations on filing suit while FEMA considers an administrative appeal. The bill also would require FEMA to issue a decision within 120 days of the policy holder filing an appeal. Consequently, CBO expects that the number of appeals filed would increase significantly and that FEMA's appeals branch would require additional resources to process that higher number of appeals in a timely manner. Using information from FEMA about the number of appeals filed under current law, CBO estimates that the cost to handle the increased number of appeals would be \$2 million a year over the 2020-2024 period. Those costs would be for an additional nine employees and for contract support.

H.R. 3111 also would establish a flood insurance advisory committee, to include members from the federal government and the private sector. The committee would be responsible for reviewing and making recommendations on several different aspects of the NFIP. Using information from FEMA about the costs of operating a similar committee, CBO estimates that implementing this provision would cost about \$1 million per year over the 2020-2024 period for staff, consultants, travel, and other expenses.

The bill would direct the Government Accountability Office to complete two studies on the NFIP. Based on the cost of similar studies, CBO estimates that those studies would cost \$1 million in 2020.

Finally, H.R. 3111 would authorize FEMA to create a pilot program through the end of 2024 that would allow private insurance companies who partner with FEMA to sell and service NFIP policies (known in the program as Write Your Own, or WYO, insurance companies) to inspect properties with NFIP insurance for pre-existing structural conditions that could result in the denial of an NFIP claim and to provide that information to the property owner and FEMA.

FEMA would impose a surcharge on each policy to account for any administrative costs faced by the WYO companies to complete those inspections. Thus, the net effect on direct spending would be negligible because any additional costs associated with completing those inspections would be offset by additional NFIP collections.

The CBO staff contact for this estimate is Jon Sperl. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

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1. Under the NFIP, private insurance companies issue and service most policies purchased by policyholders and receive a fee from the FEMA for administering those services. The NFIP covers the actuarial risk of paying claims.