

Union Calendar No. 156

115TH CONGRESS
1ST SESSION

H. R. 2565

[Report No. 115–221]

To require the use of replacement cost value in determining the premium rates for flood insurance coverage under the National Flood Insurance Act, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 19, 2017

Mr. LUETKEMEYER introduced the following bill; which was referred to the Committee on Financial Services

JULY 14, 2017

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on May 19, 2017]

A BILL

To require the use of replacement cost value in determining the premium rates for flood insurance coverage under the National Flood Insurance Act, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. USE OF REPLACEMENT COST IN DETERMINING**
 4 **PREMIUM RATES.**

5 *(a) STUDY OF RISK RATING REDESIGN FLOOD INSUR-*
 6 *ANCE PREMIUM RATING OPTIONS.—*

7 *(1) STUDY.—The Administrator of the Federal*
 8 *Emergency Management Agency shall conduct a*
 9 *study to—*

10 *(A) evaluate insurance industry best prac-*
 11 *tices for risk rating and classification, including*
 12 *practices related to replacement cost value in*
 13 *premium rate estimations;*

14 *(B) assess options, methods, and strategies*
 15 *for including replacement cost value in the Ad-*
 16 *ministrator's estimates under section 1307(a)(1)*
 17 *of the National Flood Insurance Act of 1968 (42*
 18 *U.S.C. 4014(a)(1));*

19 *(C) provide recommendations for including*
 20 *replacement cost value in the estimate of the risk*
 21 *premium rates for flood insurance under such*
 22 *section 1307(a)(1);*

23 *(D) identify an appropriate methodology to*
 24 *incorporate replacement cost value into the Ad-*

1 *ministrator's estimates under such section*
2 *1307(a)(1);*

3 *(E) develop a feasible implementation plan*
4 *and projected timeline for including replacement*
5 *cost value in the estimates of risk premium rates*
6 *for flood insurance made available under the Na-*
7 *tional Flood Insurance Program.*

8 *(2) REPORT.—*

9 *(A) REQUIREMENT.—Not later than the ex-*
10 *piration of the 12-month period beginning on the*
11 *date of the enactment of this Act, the Adminis-*
12 *trator shall submit to the Committee on Finan-*
13 *cial Services of the House of Representatives and*
14 *the Committee on Banking, Housing, and Urban*
15 *Affairs of the Senate a report that contains the*
16 *results and conclusions of the study required*
17 *under paragraph (1).*

18 *(B) CONTENTS.—The report submitted*
19 *under subparagraph (A) shall include—*

20 *(i) an analysis of the recommendations*
21 *resulting from the study under paragraph*
22 *(1) and any potential impacts on the Na-*
23 *tional Flood Insurance Program, including*
24 *cost considerations;*

1 (ii) a description of any actions taken
 2 by the Administrator to implement the
 3 study recommendations; and

4 (iii) a description of any study rec-
 5 ommendations that have been deferred or
 6 not acted upon, together with a statement
 7 explaining the reasons for such deferral or
 8 inaction.

9 (b) *USE OF REPLACEMENT COST VALUE IN PREMIUM*
 10 *RATES; IMPLEMENTATION.*—

11 (1) *ESTIMATED RATES.*—Paragraph (1) of sec-
 12 tion 1307(a) of the National Flood Insurance Act of
 13 1968 (42 U.S.C. 4014(a)(1)) is amended, in the mat-
 14 ter preceding subparagraph (A), by inserting after
 15 “flood insurance” the following: “, which shall incor-
 16 porate replacement cost value, and”.

17 (2) *CHARGEABLE RATES.*—Subsection (b) of sec-
 18 tion 1308 of the National Flood Insurance Act of
 19 1968 (42 U.S.C. 4015(b)) is amended, in the matter
 20 preceding paragraph (1), by inserting after “Such
 21 rates” the following: “shall incorporate replacement
 22 cost value and”.

23 (3) *EFFECTIVE DATE.*—The amendments under
 24 paragraphs (1) and (2) of this subsection shall be

1 *made upon the expiration of the 12-month period be-*
2 *ginning on the date of the enactment of this Act.*

3 (4) *APPLICABILITY AND PHASE-IN.—The Admin-*
4 *istrator of the Federal Emergency Management Agen-*
5 *cy shall apply the amendments under paragraphs (1)*
6 *and (2) to flood insurance coverage made available*
7 *under the National Flood Insurance Act of 1968 for*
8 *properties located in various geographic regions in*
9 *the United States such that—*

10 (A) *over the period beginning upon the ex-*
11 *piration of the period referred to in paragraph*
12 *(3) of this subsection and ending on December*
13 *31, 2020, the requirement under such amend-*
14 *ments shall be gradually phased in geographi-*
15 *cally throughout the United States as sufficient*
16 *information for such implementation becomes*
17 *available; and*

18 (B) *after the expiration of such period re-*
19 *ferred to in subparagraph (A), such amendments*
20 *shall apply to all flood insurance coverage made*
21 *available under the National Flood Insurance*
22 *Act of 1968.*

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