

H.R. 2565, Use of Replacement Cost in Determining Premium Rates
Section-by-Section Summary
June 14, 2017

SEC. 1 USE OF REPLACEMENT COST IN DETERMINING PREMIUM RATES.

The Administrator shall conduct a study to evaluate insurance industry best practices for risk rating and classification, including practices related to replacement cost value in premium rate estimations and developing a feasible implementation plan and projected timeline for including replacement costs value in the estimates of risk premium rates for flood insurance made available under the NFIP. Effective twelve months after the bill's enactment, the Administrator shall submit to Congress a report that contains the results and conclusions of the study. The report shall include an analysis of the recommendations resulting from the study and any potential impacts on the NFIP; a description of any actions taken by the Administrator to implement the study recommendations; and a description of any study recommendations that have been deferred or not acted upon.

This section also requires the Administrator to incorporate up-to-date replacement cost values, by structure, when calculating annual chargeable premium rates, as opposed to the current practice that relied upon a national average, over a 1-3 year period.