

**Property and Casualty Insurance (C) Committee Recommendations to
the Government Relations (EX) Leadership Council**

PRINCIPLES FOR NATIONAL FLOOD INSURANCE PROGRAM (NFIP) REAUTHORIZATION

The current NFIP reauthorization expires on September 30, 2017 and Congress will be considering potential changes and improvements to the program as part of the reauthorization process. The NFIP seeks to decrease the costs and consequences of flooding for homeowners while at the same time encouraging flood mitigation and reducing the dependence on federal disaster assistance. Given these objectives, Congress faces the challenge of trying to maintain a balance between improving the financial solvency of the program and reducing taxpayer exposure while also being mindful of affordability concerns. Congress will have to tackle the tension between risk based pricing practices and affordable rates. As Congress wrestles with how to address these challenges, state insurance regulators stand ready to assist. We encourage Congress to consider the following recommendations for reauthorizing the NFIP as part of a comprehensive approach to address the nation's flood risk.

- Support a long-term reauthorization of the NFIP to avoid short-term extensions and program lapses that create uncertainty in both the insurance and housing markets. Reauthorization should be for a minimum of ten years.
- Encourage greater growth in the private flood insurance market as a complement to the NFIP to help provide consumers with more choices.
 - Support passage of the Flood Insurance Market Parity and Modernization Act (H.R. 2901/S. 1679) that clarifies private flood insurance meets the mandatory purchase requirement; that state insurance regulators have the same authority and discretion to regulate private flood insurance as they have with other similar insurance products; and that private flood insurance meets the continuous coverage requirement so policyholders will not lose any subsidy they previously had with the NFIP if they choose to return.
 - Require FEMA to reinstate its prior rules allowing policyholders to cancel their NFIP policy mid-term and receive a refund on a pro-rated basis if they decide to replace their NFIP policy with a private flood insurance policy.
 - Require FEMA to share NFIP claims data with insurers and modelers in order for the private market to be able to accurately assess flood risks.
 - Require FEMA to eliminate the non-compete clause to allow the Write Your Own (WYO) insurance companies to sell stand-alone private flood insurance outside of the NFIP.
- Require FEMA to consult with state insurance regulators on training for insurance producers that sell NFIP policies to ensure consistency with training requirements for insurance producers that sell private flood insurance policies.

- Encourage support for mitigation planning, including legislative efforts such as the Disaster Savings Accounts Act (H.R. 2230) to allow individuals to set aside funds in a tax-preferred savings account for disaster mitigation and recovery expenses.
- Consider changes to the tax code to allow insurers to establish tax-deferred pre-event reserves to fund catastrophe losses.
- Require FEMA to provide increased transparency to all stakeholders regarding its decision making process for developing and updating its flood maps.
- Encourage a coordinated effort between the public and private sector to increase overall take up rates of flood insurance, including facilitating opportunities to educate consumers about flood insurance policy options. Explore methods to ensure better compliance with the mandatory purchase requirement and encourage the purchase of flood insurance for those outside of special flood hazard areas.
- Encourage careful consideration of affordability issues and the impact of NFIP policy changes on current NFIP policyholders. Certain actions should be considered within the reauthorization to address affordability, potentially including continuation by FEMA of its NFIP grandfathering provisions.
- Consider requiring a study on alternative approaches to the flood insurance program structure, including, but not limited to, transitioning the NFIP into a residual market or a reinsurance backstop. The study should include an assessment of the implications of such changes on affordability, availability, the federal budget, taxpayer exposure, and the flood insurance marketplace.