

NAIC 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 policyholders 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 the insurance, housing and commercial lending markets.
- 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 have a choice to return to the NFIP without penalty, including not losing any subsidy they previously had with the NFIP.
 - Require FEMA to reinstate its prior rules allowing policyholders to cancel their NFIP policies mid-term and receive refunds on a pro-rated basis if they decide to replace their NFIP policies with private flood insurance.
 - Require FEMA to share NFIP information, including claims, elevation, and mapping data, with state insurance regulators, insurers, modelers, advisory, statistical and rating organizations 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 private flood insurance outside of the NFIP.
- Review current NFIP training requirements for insurance producers in consultation with state insurance regulators who are tasked with licensing producers who sell NFIP policies. Ensure that any NFIP training is accurate and consistent with regard to the existence and availability of private flood insurance.
- Encourage support for mitigation planning, including mitigation discounts, such as premium discounts or insurance rate reductions to persons who build, rebuild, or retrofit certain residential properties to better resist flood events, and 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.

- 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, for example, potentially including continuation by FEMA of its NFIP grandfathering provisions or implementing means-tested discounts coupled with rate reform.
- Require FEMA to provide increased transparency to all stakeholders regarding its decision making process for developing and updating its flood maps and rate making.
- 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. Implement methods to ensure better compliance with the federal mandatory purchase requirement and encourage the purchase of flood insurance for those outside of special flood hazard areas.
- 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, as well as addressing issues related to the NFIP debt. 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.