

Flood Insurance

- *The 2004 and 2005 hurricane seasons revealed that the National Flood Insurance Program (NFIP) is not prepared to meet the challenges of a large-scale disaster.*
- *The NAIC stands ready to assist Congress in crafting NFIP reform legislation and implementing improvements that will make flood insurance viable and effective.*
- *NAIC staff worked with Congress to incorporate non-binding mediation language as part of flood insurance reform legislation in the 110th Congress. The House has introduced legislation, H.R. 1309, in the 112th Congress to reauthorize NFIP. Non-binding mediation language should be included in any reform legislation.*

Issue Background

The National Flood Insurance Act of 1968 authorized the creation of the National Flood Insurance Program (NFIP) because this type of insurance was unavailable from the private insurance markets following the significant flooding of the Mississippi River during the early 1960s. With premium revenues of roughly \$2 billion and borrowing authority of roughly \$1.5 billion, the NFIP was overwhelmed by the magnitude of the 2005 hurricane season, and Congress acted to raise the program's borrowing authority to \$20.8 billion.

Although state insurance departments regulate most insurance, the NFIP is a federal program with no state oversight. However, the NAIC collaborates with the NFIP and FEMA to ensure that consumers are sufficiently protected and informed. This working relationship has developed minimum flood insurance training and education requirements for agents who sell flood insurance policies for FEMA.

Key Points

- The NFIP has been running on a series of short-term extensions since its reauthorization expired. Congress should move to reform the program when it reauthorizes it. The current extension runs until September 30, 2011, at which time the program will require an additional extension unless reform is passed before that date.
- The NAIC encourages Congress to include non-binding mediation language in any reform legislation. State non-binding mediation has a proven and successful record that will allow the NFIP, insurance companies, and policyholders to settle claims quickly outside the expensive and time-consuming litigation process. The NFIP should be required to participate when appropriate to resolve wind and water claims simultaneously.
- As Congress considers flood reform, thought should be given to the broader issue of natural catastrophes in general so that solutions to these related problems are developed cooperatively.