

June 14, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, D.C. 20510

The Honorable Tim Johnson
Chairman
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
Washington, D.C. 20510

The Honorable Richard Shelby
Ranking Member
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
Washington, D.C. 20510

RE: National Flood Insurance Program

Dear Senators Reid, McConnell, Johnson, and Shelby:

We write on behalf of the National Association of Insurance Commissioners (NAIC)¹ to express our strong support for prompt Senate action on a long-term reauthorization and reform of the National Flood Insurance Program (NFIP) before the latest extension expires on July 31, 2012. In 2011, FEMA issued a record 99 disaster declarations affecting 44 states, the majority of which involved flooding. A long-term extension of the NFIP is critical to provide stability to this important program, which protects more than 5.5 million consumers throughout the country.

We appreciate your commitment to allow floor consideration of the long-term reauthorization this month. Since 2008, the seventeen short-term extensions and program lapses have created significant uncertainty in both the insurance and housing markets. It is critical that consumers have continued access to flood insurance coverage to protect their homes and personal property, and provide them peace of mind. Moreover, according to the National Association of Realtors, the NFIP is essential for completing half a million home sales annually and more than 1,300 home sales per day were stalled during the 53-day lapse in 2010. The temporary extensions also impair consumers' ability to plan ahead, particularly when considering that most flood insurance policies don't take effect until 30 days after purchase. With hurricane season already underway, a long-term extension will help provide certainty for property owners in their efforts to prepare for flood disasters.

¹ The NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

We also encourage Congress to pursue necessary reforms including accurate flood mapping, loss reduction and hazard mitigation, strengthen and enforce building codes, and transitioning NFIP to actuarial sound rates. These reforms should provide long-term solvency to the program and significantly reduce the likelihood the program will need debt relief from taxpayer funds in the future. In addition to these broader policy reforms, a reauthorization of the NFIP should include certain policy provisions to protect consumer interests. In particular, we support the non-binding mediation language included in the Senate bill that reinforces state efforts to help policyholders resolve insurance disputes following a catastrophe. Non-binding mediation has a proven record that will allow the NFIP, insurance companies, and policyholders to settle claims quickly outside the expensive and time-consuming litigation process. We urge your continued support for this essential provision throughout floor consideration and in conference negotiations with the House, which, unfortunately, did not include a similar provision in their version of the reauthorization legislation.

The Senate bill also creates a Commission on Natural Catastrophe Risk Management and Insurance. The Commission's examination of the risks posed by natural disasters and the means for mitigating those risks and paying for losses can serve an important role in the development of a comprehensive national disaster risk management plan and further ensuring consumers are protected from the devastation of such disasters. However, we are concerned that under the proposal, state government employees would be prohibited from serving on the commission. Given our role in regulating the insurance sector and protecting consumers, it is crucial that any commission relating to insurance include state regulators. We believe our participation would provide a valuable perspective to the Commission and hope these changes can be incorporated during floor consideration or in Senate-House conference negotiations.

We appreciate your consideration of our comments and thank you for moving forward with consideration of long-term flood insurance reform legislation.

Sincerely,



Kevin M. McCarty
Commissioner
Florida Office of Insurance Regulation
NAIC President



James J. Donelon
Commissioner
Louisiana Insurance Division
NAIC President-Elect



Adam Hamm
Commissioner
North Dakota Department of Insurance
NAIC Vice President



Monica J. Lindeen
Commissioner/State Auditor
Montana Office of the Commissioner
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NAIC Secretary-Treasurer