
May 2, 2017

The Honorable Paul Ryan
Speaker
U.S. House of Representatives
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, DC 20510

Re: National Flood Insurance Program Reauthorization

Dear Speaker Ryan, Minority Leader Pelosi, Leader McConnell, and Minority Leader Schumer:

On behalf of the National Association of Insurance Commissioners (NAIC)¹, we write to urgha

provide such coverage. We encourage Congress to utilize NFIP reauthorization as an opportunity to remove some of the barriers that currently preclude the creation of a robust private flood insurance market. Although one of the objectives of the Biggert-Waters Flood Insurance Reform Act of 2012 was to provide opportunities for the growth of the private market as an alternative to the NFIP, the definition of and regulatory environment surrounding private flood insurance created by the Act is at odds with this objective.

We strongly support the Flood Insurance Market Parity and Modernization Act (H.R. 1422/S. 563) introduced by Representatives Ross and Castor and Senators Heller and Tester to address these concerns and urge its inclusion in NFIP reauthorization legislation. This bill clarifies state insurance authority over private flood insurance and provides a clear definition of private flood to remove the confusing language in current law to help prompt more insurers to enter the market if they are willing. Facilitating the entry of additional carriers into the market will provide consumers with access to additional options for flood insurance products. Over time, this additional competition and shift of risk from a federal program to the private market could help lessen the exposure of U.S. taxpayers to the types of catastrophic flood losses that now reside as unpaid debt on the PHKRØ"dqmu0" The bill also includes important provisions ensuring 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.

We also recommend reauthorization legislation require the Federal Emergency Management Agency (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. HGOCØ" policy change discourages eqpuwogtuØ" wug" qh" rtkxcvg" hnqqf" kpuwtcepg0" The Government Accountability Office has also noted concerns about this change and recommended FEMA reconsider these rules in its Lwn{" 4238" tgrqtv." ØRqvgpvkcn" Dcttkgtu" Ekvgf" vq" Kpetgcugf" Wug" qh" Rtkxcvg" Kpuwtcepg0" We do not believe consumers should be penalized by a prohibition on pro-rata NFIP refunds because they chose to obtain a private flood insurance policy mid-term and encourage your support for including language to reestablish the prior rules. In order to help facilitate the growth of the private flood insurance market, Congress should also encourage FEMA to share its NFIP data with state insurance regulators and insurers to provide meaningful statistical information to help the private market be able to accurately assess flood risks. Further, we also support requiring FEMA to eliminate the non-compete clause to allow the Write Your Own insurance companies to sell private flood insurance outside of the NFIP.

In addition to our support for creating a regulatory environment more conducive for a private flood insurance market, we believe it is critical that reauthorization legislation focus on increasing flood mitigation efforts. Floods continue to be one of the most destructive natural hazards and encouraging investment in prevention and preparedness measures are critical to help minimize the impact of the damage and economic loss. We support 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 legislation to allow individuals to set aside funds in a tax-preferred savings account for disaster mitigation and recovery expenses. We also cr rtgekcvg" Tgrtgugpvkxg" Tq{egØ" legislative efforts to address the challenges of repetitive loss properties and to develop strategies to help reduce the number and vulnerability of these properties. These actions along with building and maintaining structures that incorporate mitigation strategies have the potential to reduce future program losses and improve the financial condition of the program.

