

Reauthorize The National Flood Insurance Program

BACKGROUND

The National Flood Insurance Program (NFIP) expires on September 30, 2017. The last several reauthorizations have faced political hurdles that resulted in lapses and retroactive reauthorizations, which created uncertainty for homeowners. The NFIP was reauthorized in 2012 by the Biggert-Waters Flood Insurance Reform Act, which made sweeping changes to the program including annual rate increases intended to bring most flood insurance premiums closer to actuarial rates. Prior to its full implementation, concerns were raised that these reforms would cause rate increases so severe that many people would be driven out of their homes. In response, Congress passed The Homeowner Flood Insurance Affordability Act of 2014, which rolled back many of the reforms from Biggert-Waters.

The House Financial Services Committee began reauthorization discussions early in 2016 in order to avoid a lapse in the program. Congress has sought to address the initial intent of Biggert-Waters to allow for more private market participation in the program. The Flood Insurance Market Parity and Modernization Act of 2015, offered in the House by Reps. Dennis Ross (R-FL) and Patrick Murphy (D-FL), and in the Senate by Sens. Dean Heller (R-NV) and Jon Tester (D-MT), amends the definition of private flood insurance to ensure surplus lines insurers are eligible to offer private market solutions and alternatives to consumers in need of unique and complex flood risks. This legislation overwhelmingly passed the House in 2016, but was referred to the Senate Banking Committee.

THE ISSUE

As seen in Biggert-Waters, Congress has the intent that private flood insurance should be an option available to homeowners. Biggert-Waters narrowly defined acceptable private flood insurance, thereby limiting the flexibility of state regulators to license private flood insurance products. So while such insurers are currently "allowed" to provide private flood coverage, the definition of private flood insurance has created uncertainty for both lenders and consumers. As a result, lenders have rejected perfectly valid, well-underwritten insurance policies because they are afraid to accept the policy under current law.

The NFIP currently undergoes short-term reauthorizations, resulting in frequent lapses and volatility in the program which creates uncertainty in both the insurance and housing markets. Additionally, the flood insurance policy take-up rates seen in mandatory purchase zones are increasingly low because many people who live in designated flood zones are not purchasing flood insurance (despite their requirement to buy flood insurance due to their federally-backed mortgages). The Council encourages greater compliance with mandatory purchase requirements in order to provide greater coverage for homeowners in flood-prone areas.

OUR POSITION

The Council of Insurance Agents & Brokers urges Members of Congress to ensure a long-term reauthorization of the National Flood Insurance Program before it expires on September 30, 2017. Members of The Council look forward to a full overhaul of the NFIP that increases private market involvement, increases flood insurance take-up rates in the mandatory purchase zones and preserves the Write-Your-Own Program.

ABOUT US

The Council of Insurance Agents & Brokers is the premier association for the top regional, national and international commercial insurance and employee benefits brokerage firms worldwide. Council members are market leaders who annually place 85% of U.S. commercial property/casualty insurance.

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