

March 15, 2017

The Honorable Dean Heller
U. S. Senate
324 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Jon Tester
U. S. Senate
311 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Dennis Ross
U.S. House of Representatives
436 Cannon House Office Building
Washington, D.C. 20515

The Honorable Kathy Castor
U.S. House of Representatives
2052 Rayburn House Office Building
Washington, D.C. 20515

Re: Flood Insurance Market Parity and Modernization Act (S. 563/H.R. 1422)

Dear Senator Heller, Senator Tester, Representative Ross, and Representative Castor:

On behalf of the National Association of Insurance Commissioners (NAIC)¹, we write to express our support for the “Flood Insurance Market Parity and Modernization Act (S. 563/H.R.1422)” to help facilitate the development of a private insurance market for flood insurance.

While the Biggert-Waters Flood Insurance Reform Act of 2012 affirmed Congress’s intent that lenders can accept private flood insurance as an alternative to the National Flood Insurance Program (NFIP), the definition and prescriptive conditions have created a significant obstacle impeding the development of a private market. At this time, the private flood market remains relatively small, but the clarifications included in this legislation will assist in removing any unintended barriers to help prompt more insurers to enter this 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, and already we have seen some examples where a private carrier is willing to offer comparable coverage at a lower cost than the NFIP. 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 NFIP’s books.

As the private flood insurance market develops, it is important to clarify that state insurance regulators have the same authority and discretion to regulate private flood insurance as they have to evaluate other similar insurance products. States, after all, have more than 145 years of experience supervising the business of insurance, protecting policyholders, and balancing affordability with solvency. Like any

¹ Founded in 1871, 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.

other insurance market, as the private flood insurance market grows, state insurance regulation will continue to evolve to meet the size and breadth of the market as well as the needs of insurance consumers. State insurance regulators have a long history of carefully monitoring the emergence and innovation of new products and coverages, and tailoring regulation over time to ensure consumers are appropriately protected.

We commend you for reintroducing this legislation to help encourage greater growth in the private flood insurance market, provide consumers with additional choices for flood insurance products, and make clear that the state insurance regulatory authorities that have long protected policyholders and allowed for the growth of a vibrant insurance market will apply to private flood insurance. We were pleased to see this legislation unanimously approved by the House in the previous Congress and have included support for this bill in our NAIC Guiding Principles for NFIP Reauthorization.

We urge Congress to support this important effort and look forward to continuing to work with you as you move forward with this legislation.

Sincerely,



Ted Nickel
NAIC President
Commissioner
Wisconsin Office of the
Commissioner of Insurance



Julie Mix McPeak
NAIC President-Elect
Commissioner
Tennessee Department of
Commerce & Insurance



Eric A. Cioppa
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David C. Mattax
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