

## Flood Insurance Reauthorization

- *The current National Flood Insurance Program (NFIP) reauthorization expires on September 30, 2017. A long-term reauthorization of the NFIP is critical for a stable program and to provide certainty for policyholders.*
- *Reauthorization legislation should ensure consumers have access to multiple options for flood insurance products and help facilitate greater growth in the private flood insurance market as a complement to the NFIP.*
- *As Congress considers reauthorization proposals, state insurance regulators encourage careful consideration of affordability issues balanced with efforts to improve the program's financial solvency as well as inclusion of flood mitigation initiatives.*

### Background

Congress established the NFIP in 1968 in response to the lack of availability of private insurance and continued increases in federal disaster assistance due to floods. While the NFIP has served as the primary source of flood coverage, more sophisticated risk mapping and modeling has developed in recent years and is generating new interest among private insurers to provide such coverage.

State insurance regulators are engaged on flood insurance issues and want to help improve the NFIP and consumer experience. Through the NAIC, regulators developed guiding principles for NFIP Reauthorization for Congress that focus on the importance of a long-term reauthorization and reforms. The NAIC supports legislative efforts to facilitate the growth of a state-regulated private flood insurance market to help provide consumers with more choices and coverage potentially at more affordable prices. As part of these efforts, Congress should encourage FEMA to share NFIP information with state insurance regulators and insurers to help the private market be able to accurately assess flood risks. Reauthorization legislation should also require FEMA to provide increased transparency regarding its decision making processes for developing and updating its flood maps and rate making. State insurance regulators encourage Congress to focus on flood mitigation efforts as well as developing strategies to increase take up rates of flood insurance, including facilitating opportunities to educate consumers about flood insurance policy options, and encouraging the purchase of flood insurance for those outside of special flood hazard areas. Congress should also include a study in reauthorization legislation to explore alternative approaches to the current flood insurance program structure to help guide continued reform efforts to address the nation's flood risk.

### Other Key Points

- ✓ Congress should avoid short-term NFIP extensions and program lapses that create uncertainty in the insurance, housing, and commercial lending markets. A timely, long-term reauthorization will ensure that there will be no gaps in coverage for policyholders.
- ✓ State insurance regulators support cultivating the private market and urge the inclusion of the "Flood Insurance Market Parity and Modernization Act (H.R. 1422/S. 563)" in NFIP reauthorization legislation. This bill clarifies state insurance regulators' 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.
- ✓ As part of reauthorization, Congress should also focus on ways to encourage investment in flood mitigation efforts to reduce future flood risks. The NAIC supports legislation to allow individuals to set aside funds in a tax-preferred savings account for disaster mitigation and recovery expenses.