Mary Rullo

From: Jerry Wahl
Sent: Tuesday, August 30, 2016 7:52 AM
To: Carla DaSilva; Dan Danaher; Dave Siperek; David Middleton; Jerry Wahl; Julie Siano; Kevin Gaskin; Marti Flanagan; Mary Rullo; Michael Wagner; Shane Pineo
Subject: Insurance Groups Back NAIC Panel Draft Proposal Seeking Long-Term NFIP Reauthorization

Best's News Service via Bestwire - August 29, 2016 11:51 AM

Insurance Groups Back NAIC Panel Draft Proposal Seeking Long-Term NFIP Reauthorization

SAN DIEGO - Insurance groups back proposals drafted by a National Association of Insurance Commissioners' panel to reform the National Flood Insurance Program, including a long-term reauthorization and changes to allow insurers participating in the program to sell private insurance outside the NFIP.

The comments were in response to the NAIC's Property and Casualty Insurance Committee's initial draft recommendations, which could serve as recommendations to Congress when it considers reauthorizing the NFIP, which expires Sept. 30, 2017. The NAIC is holding its summer meeting in San Diego.

The draft said reauthorization should be set for a 10-year minimum in order to avoid short-term extensions and program lapses, which create insurance and housing market uncertainties.

The draft would require the Federal Emergency Management Agency, which administers the NFIP, to eliminate its noncompete clause in order to allow companies in the Write Your Own portion of the NFIP to sell stand-alone private insurance outside of the program. The FEMA earlier this year proposed several changes to the WYO program that would make it easier to modify policy terms (Best's News Service, May 24, 2016).

Also, the proposal would have Congress encourage greater private flood insurance market growth to complement the NFIP in order to widen consumer choice. To that end, the proposal supports passage of H.R. 2901/S. 1679, the Flood Insurance Market Parity and Modernization Act, which clarifies that private flood insurance meets the mandatory flood insurance requirement. The House passed the legislation, seen as an NFIP alternative, earlier this year (Best's News Service, April 29, 2016).

The draft supports H.R. 2230, the Disaster Savings Accounts Act, to aid mitigation planning. Specifically, it would allow people to put money into tax-preferred savings accounts for mitigation and recovery expenses (Best's News Service, Dec. 5, 2013).

The American Insurance Association said in a letter it would support reauthorization with meaningful reforms and it believes the draft principles "correctly identify many important reform measures that can occur now to improve the NFIP's financial position and foster private market development." The letter supported passage of H.R. 2901 and the elimination of WYO non-compete clauses.

The AIA letter and comments from the Property Casualty Insurers Association of America said Congress must tackle the tension between risk-based pricing and affordable rates. "We believe this is fundamental to any reform effort," the AIA letter said. "Rates must reflect risk in order for a meaningful private sector to develop. As such, affordability for the economically disadvantaged should be handled through government programs and not through rate suppression."

Lloyd's issued a letter in support of the draft, particularly the idea of a long-term reauthorization. The letter said if H.R. 2901/S. 1679 fails to pass this fall, Lloyd's would support its inclusion in the NFIP reauthorization bill.

PCI said in its comment letter it supported the idea of a long-term reauthorization and said the congressional bills are "the next, necessary step in providing greater choice in flood insurance options to consumers throughout the country." PCI backs the draft's proposal to abolish the WYO noncompete clause, as well as the draft's support for mitigation planning expressed in H.R. 2230.

The National Association of Mutual Insurance Companies backed the long-term reauthorization and the removal of the WYO noncompete clause. A letter sent to the panel also said insurers will need access to FEMA historical loss data, saying this is "essential for any insurer to begin to assess flood insurance risk to make possible the development of a private-sector insurance product."

Birny Birnbaum, Center for Economic Justice executive director, said the NFIP should be reauthorized for no more than five years in order to transform it from being a direct provider of insurance to a mega-catastrophe reinsurer modeled after the Terrorism Risk Insurance Program. Birnbaum's letter to the panel said the draft "fails spectacularly as a presentation of principles" that "reads like a wish list from lobbyists and agents making money off the management expertise Congress and consumers would expect from state insurance regulators." He called the proposal to eliminate the noncompete clause shocking because it would allow WYO insurers to review and keep less-risky properties on their books while placing riskier properties in the NFIP.

Thomas Harman