FLOOD INSURANCE

The National Flood Insurance Program (NFIP) is the main source for flood insurance in the U.S. The NFIP makes federally-backed insurance policies available in over 20,000 communities that enforce floodplain management standards. The NFIP provides flood insurance to approximately five million policyholders across every state and territory and in 2018 the NFIP paid claims in 49 states. However, despite the existence of the program, many properties impacted by flooding are not covered by flood insurance. More property owners should obtain flood insurance because it enables disaster survivors to recover more quickly and fully after a flood and is less costly to taxpayers than disaster assistance.

The Big "I" urges Congress to support a long-term extension of the NFIP before it expires on May 31, 2019.

The NFIP is reauthorized by Congress periodically and is currently set to expire on May 31, 2019. Reauthorization is necessary to avoid coverage lapses (especially during hurricane season) and significant disruption for consumers, small businesses and real estate markets. The program has seen nearly a dozen short-term extensions as well as a few brief lapses since September 2017. The instability created by continual short-term extensions not only threatens to cause concrete economic damage, but it also harms consumers, undermines public confidence in the NFIP, and distracts from the ultimate goal of reforming the NFIP.

The Big "I" asks Congress to support a modernized NFIP that would increase take-up rates for flood insurance.

The NFIP was created in 1968 and it is imperative that steps are taken to modernize the program. FEMA, which oversees NFIP operations, is currently working on an initiative—dubbed Risk Rating 2.0—to modernize the insurance products the NFIP offers to better reflect new technologies and to make the rates the program charges more fair and transparent. The Big "I" is encouraged by this effort and hopes that Congress and FEMA can work constructively on Risk Rating 2.0 and other innovative approaches to modernizing the program. Modernizing and simplifying the NFIP so that rates better reflect risks will encourage more consumers to purchase flood insurance.

The Big "I" also urges Congress to help more Americans obtain flood insurance coverage, whether through the NFIP or the private market. On July 1, 2019 a new banking regulation will go into effect that is intended to streamline lender acceptance of private flood insurance in satisfaction of mandatory purchase requirements. The Big "I" hopes that this regulation will provide clarity for the private flood insurance market, but believes additional legislation is still necessary. For example, the Big "I" supports clarifying that private flood insurance can satisfy NFIP continuous coverage requirements, which ensures that if consumers leave the NFIP for the private market and conditions change such that those consumers must return to the NFIP, they can do so without penalty. As a result, the association asks Congress to support H.R. 1666 by Reps. Kathy Castor (D-FL) and Blaine Luetkemeyer (R-MO). The Big "I" further supports allowing refunds for unearned premiums for the cancelation of NFIP policies if a consumer elects to purchase a private flood insurance policy and allowing private flood insurance to satisfy mandatory purchase requirements on FHA-insured mortgages. These policies will help to provide consumers with more choices.

The Big "I" urges Congress to support private sector delivery of NFIP policies and oppose efforts to limit the Write-Your-Own (WYO) Program in any manner that could negatively impact NFIP take-up rates.

The overwhelming majority of NFIP policies are written through the WYO program—a public-private partnership that utilizes insurers and agents to sell and service NFIP policies. Insurance agents and brokers are uniquely knowledgeable about the NFIP and are the main point of contact for consumers when purchasing flood insurance. The Big "I" opposes any policies that would harm the WYO Program (including compensation reductions), make it more complex, or limit the program negatively impacting NFIP take-up rates.