

Flood Insurance Reauthorization

- *The current National Flood Insurance Program (NFIP) reauthorization expires on September 30, 2021. 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 part of reauthorization, Congress should also focus on ways to encourage investment in flood mitigation efforts to reduce future flood risks.*

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. Regulators worked through the NAIC to develop guiding principles for NFIP Reauthorization for Congress that underscore 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. It is also critical to ensure that private flood insurance meets the continuous coverage requirement, so policyholders have a choice to return to the NFIP without penalty, including not losing any subsidy they previously had with the NFIP as is proposed in H.R. 1666. 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 for those outside of special flood hazard areas. We also urge the inclusion of the Catastrophe Loss Mitigation Incentive and Tax Parity Act (H.R. 5494) in any final legislation, which would ensure that state-based disaster mitigation grants receive the same federal tax exemptions as federal mitigation grants and help provide greater incentives for homeowners to take action to protect their homes from natural disasters.

Other Key Points

- ✓ Congress should pass a long-term NFIP reauthorization prior to the September 2021 expiration to ensure that there will be no gaps in coverage for policyholders.
- ✓ State insurance regulators encourage Congress to utilize NFIP reauthorization as an opportunity to cultivate the private market to help expand consumers' flood insurance options.
- ✓ We also support the inclusion of mitigation discounts, such as premium discounts or insurance rate reductions to persons who build, rebuild, or retrofit their properties to better resist flood events, and allowing individuals to set aside funds in a tax-preferred savings account for disaster mitigation and recovery expenses.