



NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

March 10, 2006

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HEADQUARTERS**

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Honorable Richard C. Shelby
Chairman
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
Washington, DC 20510

Honorable Paul S. Sarbanes
Ranking Member
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
Washington, DC 20510

RE: State-Sponsored, Non-Binding Mediation of Flood Insurance Claims

Dear Chairman Shelby and Ranking Member Sarbanes:

**GOVERNMENT
RELATIONS**

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On behalf of the nation's insurance commissioners, we commend your leadership and commitment to reform the National Flood Insurance Program (NFIP). States are the laboratories of reform, and as such we ask that Congress incorporate our hands-on experience as you consider reforms to NFIP. In addition to implementing the reforms of the Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004, we write to recommend a critical, proven improvement to the speed and efficiency with which homeowners and small businesses are able to recover from disasters—State-sponsored, non-binding mediation.

**SECURITIES
VALUATION
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State mediation has a proven, successful record. In 2004, after four hurricanes, Florida executed an innovative mediation program that was able to successfully settle 92 percent of the disputed claims taken up in the mediation process. Insurance companies and policyholders have a strong self-interest in sitting down with all the relevant parties to settle claims quickly outside the expensive and time-consuming litigation process. Those who are not satisfied with the process—either policyholders or insurers—retain their right to go to court, but mediation's exceedingly high success rate demonstrates that most parties prefer a speedy and efficient alternative for reaching a good faith settlement.

**WORLD
WIDE WEB**

www.naic.org

There is one problem with mediation. The NFIP has declined to participate—leaving policyholders unable to deal with both of their insurers at the same time for the same property. Given the extraordinarily large number of “wind vs. water” disputes and the fact that Florida, Alabama, Mississippi and Louisiana are using the Florida model for mediation, we strongly request that Congress require the NFIP to participate fully and constructively in our existing and future non-binding mediation programs. NFIP participation will enable families, businesses, and the economy-at-large to recover faster and without going to court or having to waste time and money on duplicative meetings and paperwork. As we help policyholders recover from Hurricanes Katrina, Rita and Wilma and prepare for

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all future disasters, we welcome participation by FEMA officials in our programs and look forward to the increased efficiencies and cost-savings that will benefit both insurance consumers and the federal government.

As the State officials responsible for protecting the insurance-buying public, the members of the National Association of Insurance Commissioners (NAIC) have an important stake in assuring that NFIP flood insurance policies are administered soundly in conjunction with traditional private, State-supervised insurance products. We stand ready to assist Congress and the NFIP with our extensive expertise and experience in dealing with disaster recovery and policyholder protection as you consider improvements to the NFIP.

Sincerely,



Alessandro Iuppa
Maine Superintendent of Insurance
NAIC President



Walter Bell
Alabama Insurance Commissioner
NAIC President-Elect



Catherine J. Weatherford
NAIC Executive Vice President and CEO

Cc: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs