

September 29, 2015

The Honorable Dean Heller
U. S. Senate
324 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Jon Tester
U. S. Senate
311 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Dennis Ross
U.S. House of Representatives
229 Cannon House Office Building
Washington, D.C. 20515

The Honorable Patrick Murphy
U.S. House of Representatives
211 Cannon House Office Building
Washington, D.C. 20515

Re: Flood Insurance Market Parity and Modernization Act (S. 1679/H.R. 2901)

Dear Senator Heller, Senator Tester, Representative Ross, and Representative Murphy:

The undersigned organizations wish to express their unified support for S. 1679 and H.R. 2901, the Flood Insurance Market Parity and Modernization Act. This bi-partisan, bi-cameral legislation addresses an important provision of the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12), reaffirming the long-standing acceptability of private sector flood insurance policies to satisfy the mandatory purchase requirement of the National Flood Insurance Act. S. 1679 and H.R. 2901 do nothing more than allow the intent of BW-12 to take effect so that consumers subject to the mandatory flood insurance purchase requirement have the choice to look to the private market for flood insurance coverage.

While the intent of the BW-12 was for private flood insurance to satisfy the mandatory purchase requirement, BW-12 includes a well-intentioned definition of ‘private flood insurance’ that, if implemented as drafted, will have the unintended consequence of discouraging lenders from accepting private flood insurance policies that those lenders would have otherwise accepted. S. 1679 and H.R. 2901 correct the BW-12 definition of private flood insurance to allow State insurance regulators to provide the same protections for flood insurance consumers that State regulators provide for consumers of all other lines of insurance, including the homeowners insurance policies on very same properties subject to the mandatory flood insurance purchase requirement. S. 1679 and H.R. 2901 may serve as first steps to achieving wider availability of private market flood insurance.

In addition, this legislation clarifies that continuous coverage by private flood insurance satisfies any statutory, regulatory, or administrative continuous coverage requirements. Under current NFIP rules, policyholders can permanently lose access to their current NFIP rates if they leave the NFIP and opted to obtain coverage with a private flood insurance policy. This has created a disincentive for consumers to choose a private policy in lieu of the NFIP and thwarts congressional intent to allow the consumers the choice to seek better or more affordable coverage from a robust private flood insurance market. By clarifying that private coverage satisfies the continuous coverage requirement, S. 1679 and H.R. 2901 will help to make these policies a more viable option for consumers.

We note, however, that S. 1679 and H.R. 2901 leave in place a legacy provision of the National Flood Insurance Act which caps the amount of coverage necessary to satisfy the

mandatory purchase requirement at the lower of the maximum NFIP limits (\$250,000) or the outstanding principal balance of the federally guaranteed or regulated loan on the property. Our support of the Flood Insurance Market Parity and Modernization Act is in no way an endorsement of public policy that would encourage consumers not to fully insure themselves against the risk of flooding, regardless of the outstanding balance of their mortgage.

With the reauthorization of the NFIP pending for action before September 2017, some will be tempted to put off until 2017 to make the admittedly technical corrections in the Flood Insurance Market Parity and Modernization Act. However, until the BW-12 definition of private flood insurance is corrected, policymakers will have no data as to how increased private sector involvement could expand available flood insurance options, lower costs to consumers, and reduce the federal government's exposure to flood loss over time. Consequently, the pending 2017 NFIP reauthorization date is not a reason to slow action on the Flood Insurance Market Parity and Modernization Act. Instead, the pending NFIP reauthorization is a primary reason why prompt enactment of this legislation is imperative to enrich the fast approaching flood insurance public policy debate.

Again, we support S. 1679 and H.R. 2901 and we look forward to working together to generate the congressional support needed to move this legislation expeditiously through the legislative process.

The American Bankers Association (ABA)

The American Bankers Insurance Association (ABIA)

The American Insurance Association (AIA)

The Council of Insurance Agents and Brokers (CIAB)

The Financial Services Roundtable (FSR)

The Independent Insurance Agents and Brokers of America (IIABA)

The Mortgage Bankers Association (MBA)

National Association of Professional Insurance Agents (PIA)

The National Association of Professional Surplus Lines Offices (NAPSLO)

The Property Casualty Insurers Association of America (PCIAA)

The Reinsurers Association of America (RAA)