

NFIP extension pitch draws praise and concern

A draft proposal floated by two U.S. senators to extend the National Flood Insurance Program for 10 years is drawing some initial positive feedback, but stakeholders caution that some provisions are potential causes for concern.

The draft legislation released by Bill Cassidy, R-La., and Kirsten Gillibrand, D-N.Y., would reauthorize the NFIP, which is currently set to expire on Sept. 30 and is in debt to the tune of \$24.6 billion, on a long-term basis in hopes of avoiding short-term extensions and program lapses that create uncertainty in the insurance and housing markets, according to a press release issued last week. The proposal features several provisions aimed at enhancing the affordability and accessibility of flood insurance.

Insurance associations are still soliciting feedback from their members on the proposal, but welcomed some of its elements while cautioning that there were some potential areas of concern that need further evaluation.

“There are a lot of good parts of the proposal,” said Robert Gordon, senior vice president, policy research and international regulation for the Property Casualty Insurers Association of America in Washington. “I think it’s helpful that it includes a long-term reauthorization.”

The proposal’s clarification that mortgage lenders can accept private flood insurance is also helpful, but Mr. Gordon is concerned about a provision in the bill that would impose fees and surcharges on private flood insurance policies.

“Consumers of private flood insurance already pay their own taxes and private insurance companies already pay the taxes so to penalize them with a third layer of federal taxes, which is something FEMA doesn’t have to do, not only is it an unfair competitive burden, but you’re imposing a double penalty on the private sector to pay for a public good,” he said. “I think it would be surprising if conservatives decide to create a whole new avenue of federal taxes on private products. That would open the floodgates to additional federal taxes.”

The 10-year extension proposal is “a positive thing,” as are data sharing provisions and a provision to remove the program’s non-complete clause, said Tom Santos, vice president of federal affairs for the American Insurance Association in Washington. The proposal would provide access to decades of NFIP claims data for structures in lower to higher flood risk zones and prohibit the program’s administrator from banning Write Your Own insurers from offering or selling private flood insurance outside of the program. But other provisions “haven’t been fully vetted by industry or other stakeholders,” he said.

“It’s not clear to us that some things in there would actually sufficiently expand the ability for the private sector to write the coverage (or) whether it would improve the program’s fiscal footing,” he said. “For example, there are some things in there that seem to suggest we want to keep rates at some level to keep them affordable, yet there are things in there where they’re eliminating certain exclusions or they’re attempting to raise coverage limits. We need to figure out the balance of what that means to the program and figure out other affordability questions. There are a lot of moving pieces and we need to figure out the impact of all those moving pieces.”

The two senators “obviously have a very keen interest in flood insurance and its reauthorization” given the states they represent, but neither of them are on the Senate Banking Committee, which will conduct a second hearing on the NFIP on Thursday and is expected to produce its own legislation, Mr. Santos said.

While the Financial CHOICE Act has taken on increased prominence with a bill markup scheduled for Tuesday in the House Financial Services Committee, the reauthorization of the NFIP remains a high priority for federal legislators on both sides of the aisle, according to experts.

“In all candor, I wish we would further along on flood insurance at this point,” Mr. Santos said. “I do think it’s a priority. I think the fact that there are discussion drafts being circulated ... that’s applying some pressure on the institution to get something done. I know for certain that both Senate and House leadership are cognizant of the fact that the clock is ticking and they don’t want to be brushing up against the expiration deadline. I think we are still optimistic that a long-term bill is possible. I’m very optimistic that we won’t see a lapse or the termination of the program.”

See also: [Flood Program Reauthorization: Why Congress Must Act](#)