

Flood insurance UPdate

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NAIC Consumer Liaison Meeting
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An historic opportunity to improve home insurance options:

- Widespread recognition that the flood insurance marketplace needs reform and state regulator engagement
- The pending sunset of the NFIP (Sept. 2017) creates an imperative
- Work is already under way in coastal states to expand private market options

Work already underway:

- AL Governor Bentley's Coastal Insurance Working Group, the Hurricane Homeowners Insurance Initiative (multi-state coastal band/cat ins entity)
- FAIR's Catastrophe Reinsurance Conference
floridainsurancereform.org/conference
- H.R. 2091 – pending in Congress. Goal is to increase private flood market options

The NFIP = more than an insurer

- Mission is MITIGATING *and* INSURING flood risk
 - Home and business owners
 - Lenders
 - Communities/Infrastructure
- 5M policies in force, mostly in high risk areas
- 40 years of Congressional and internal tinkering
- \$23B in debt, on the hot seat post-Sandy

The ball is in play:

- NFIP acknowledges and working on challenges
 - State regulators were hard pressed to help post-Sandy – no mediation program, no authority
- NAIC to gather data on current private flood policies in force
 - All or almost all are non-admitted co. policies
- Roy Wright: “Plenty of flood insurance business to go around”
- Reinsurer capacity/appetite for CAT risk driving private market growth but it fluctuates
 - Healthy now...what about later?

On the table:

- How to develop a private market...
 - without destroying the NFIP's viability, and
 - that includes admitted and non admitted, adequately capitalized carriers
- Reforming NFIP is a given [See IG Report handout]
- Imperative to grow the # of flood-insured households to spread risk more widely and in anticipation of climate change

A growing consensus: It's all about that base...

- Spreading the risk increases affordability
- NFIP remains essential and will for the duration
- Simplify NFIP policy forms, fix claim handling
- Affordability *and value* of coverage is critical
- Putting flood options back in HO policies the logical fix