

August 17, 2016

Tiffany Fosgate  
Administrative Assistant III  
Research & Actuarial Services  
National Association of Insurance Commissioners

VIA EMAIL: [tfosgate@naic.org](mailto:tfosgate@naic.org)

Re: Comments of United Policyholders to the National Association of Insurance Commissioners re: Principles for National Flood Insurance (NFIP) Reauthorization

Dear Ms. Fosgate,

Please accept the comments below on behalf of United Policyholders. The bulleted principles from the draft are listed below and followed by our comments in bold.

- Support a long-term reauthorization of the NFIP to avoid short-term extensions and program lapses that create uncertainty in both the insurance and housing markets. Reauthorization should be for a minimum of ten years.

**Strongly support.**

- Encourage greater growth in the private flood insurance market as a complement to the NFIP to help provide consumers with more choices.
  - Support passage of the Flood Insurance Market Parity and Modernization Act (H.R. 2901/S. 1679) that clarifies private flood insurance meets the mandatory purchase requirement; that state insurance regulators have the same authority and discretion to regulate private flood insurance as they have with other similar insurance products; and that private flood insurance meets the continuous coverage requirement so policyholders will not lose any subsidy they previously had with the NFIP if they choose to return.

**United Policyholders strongly supports encouraging growth in the private flood insurance market as a complement to the NFIP. We support H.R. 2901 in concept, but note:**

**1) Non-admitted carriers and at least one admitted carrier are already selling flood insurance outside the NFIP. Non-admitted carriers have been selling flood insurance outside the NFIP for many years.**

**2) Regardless of how quickly or slowly the private market for flood insurance develops, the NFIP must remain a viable source of insurance for properties in flood zones that are not attractive to private competitors.**

#### Board of Directors

**Amy Bach**  
Executive Director

**E. Gerard Mannion**  
Board Chair  
Mannion and Lowe

**David Baria**  
Mississippi State Representative

**Christine Davis**  
DZH Phillips

**Larry P. Ginsburg, CFP**  
Ginsburg Financial Advisors, Inc.

**William H. Hedden**  
Consolidated Adjusting, Inc.

**Jim Jones**  
Industry Ventures

**Brian S. Kabateck**  
Kabateck Brown Kellner LLP

**Susan Piper**  
Disaster Survivor

**John Sullivan**  
Corporate Financial Management

**Alice J. Wolfson**  
DL Law Group

#### Ex Officio

**Hon. Stanley G. Feldman**  
Chief Justice (RET)  
AZ Supreme Court

**Deborah Senn**  
Insurance Commissioner (1993-2001)  
Washington State

**William M. Shernoff**  
Shernoff Bidart Echeverria Bentley LLP

#### Programs

*Advocacy and Action*  
*Roadmap to Preparedness™*  
*Roadmap to Recovery™*

**While we don't advocate holding out for the perfect solution, we are not confident that H.R. 2901 contains adequate safeguards to prevent private insurers from scooping up all the lowest risks and leaving the highest ones to the NFIP. Some form of a combination federal and state-based residual flood insurance entity that all insurers participate at a level consistent with their market share of residential property policies could be the solution.**

- Require FEMA to reinstate its prior rules allowing policyholders to cancel their NFIP policy mid-term and receive a refund on a pro-rated basis if they decide to replace their NFIP policy with a private flood insurance policy.

**Support.**

- Require FEMA to share NFIP claims data with insurers and modelers in order for the private market to be able to accurately assess flood risks

**The NFIP should not be required to share data with competitors beyond what competing insurers currently are required to share with each other.**

- Require FEMA to eliminate the non-compete clause to allow the Write Your Own (WYO) insurance companies to sell stand-alone private flood insurance outside of the NFIP.

**Oppose. Given that the NFIP direct program has proven viable on a moderate scale, this proposal doesn't make sense to us. If these companies have the capacity to underwrite and sell flood insurance on their own, there doesn't seem to be a logical reason to let them have two bites at the apple. It will also cause consumer confusion. Currently, when a consumer sees the corporate branding of a WYO insurer on their NFIP policy, they reasonably believe that policy was issued by a private carrier.**

- Require FEMA to consult with state insurance regulators on training for insurance producers that sell NFIP policies to ensure consistency with training requirements for insurance producers that sell private flood insurance policies.

**Given that there's no assurance that there will be parity in terms and conditions, this seems unworkable.**

- Encourage support for mitigation planning, including legislative efforts such as the Disaster Savings Accounts Act (H.R. 2230) to allow individuals to set aside funds in a tax-preferred savings account for disaster mitigation and recovery expenses.

**Support. Participating insurers should offer mitigation discounts that are meaningful and incentivize customers to make the smart expenditures that will fortify their homes and qualify them for better insurance rates.**

- Consider changes to the tax code to allow insurers to establish tax-deferred pre-event reserves to fund catastrophe losses.

**No position.**

- Require FEMA to provide increased transparency to all stakeholders regarding its decision making process for developing and updating its flood maps.

**There appears to be ample information about mapping and map updating available. See, e.g., National Flood Programs & Policies in Review (2015) A publication of the Association of State Floodplain Managers, [http://www.floods.org/ace-files/documentlibrary/NFPPR2015/NFPPR2015\\_Rev6.pdf](http://www.floods.org/ace-files/documentlibrary/NFPPR2015/NFPPR2015_Rev6.pdf)**

- Encourage a coordinated effort between the public and private sector to increase overall take up rates of flood insurance, including facilitating opportunities to educate consumers about flood insurance policy options. Explore methods to ensure better compliance with the mandatory purchase requirement and encourage the purchase of flood insurance for those outside of special flood hazard areas.

**Support. United Policyholders and many other stakeholders believe that adding flood risk to basic home policies is the right approach to increasing the overall take up rate for flood insurance. While that market develops, (see, e.g., Coastal American's recent roll out in Mississippi), we support coordinated outreach and consumer education to create vocal demand for combination products.**

- Encourage careful consideration of affordability issues and the impact of NFIP policy changes on current NFIP policyholders. Certain actions should be considered within the reauthorization to address affordability, potentially including continuation by FEMA of its NFIP grandfathering provisions.

**Support.**

- Consider requiring a study on alternative approaches to the flood insurance program structure, including, but not limited to, transitioning the NFIP into a residual market or a reinsurance backstop. The study should include an assessment of the implications of such changes on affordability, availability, the federal budget, taxpayer exposure, and the flood insurance marketplace.

**Support provided Congress allocates sufficient funding.**

Thank you for your time and consideration. Please let me know if you have any questions.

Sincerely,



Amy Bach, Esq., Executive Director  
NAIC Consumer Representative  
Property and Casualty Insurance (C) Committee  
[amy.bach@uphelp.org](mailto:amy.bach@uphelp.org)  
415-393-9990 Ex. 101