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NCOIL LOOKS TOWARD FAIR, FINANCIALLY PRUDENT FLOOD INSURANCE REFORM

Savannah, Georgia, March 9, 2014—Building on their November 2013 support for temporarily delaying *Biggert-Waters Act* flood insurance rate hikes, NCOIL legislators convened in coastal Savannah furthered their effort to promote financially sound, affordable flood coverage and laid a groundwork for NCOIL outreach. The March 8 Spring Meeting discussion—which addressed possible options for encouraging private-sector involvement, as well as pending Florida legislation to encourage private-market competitors of the National Flood Insurance Program (NFIP)—took place just days after the U.S. House passed legislation to dial back *Biggert-Waters*.

Rep. Matt Lehman (IN), chair of the NCOIL Property-Casualty Insurance Committee, said that:

One of the most important things NCOIL can do in the near future is to weigh in on approaches to reduce taxpayer exposure to flood loss while keeping rates fair and affordable for property owners. Considering the speed with which Congress is now moving to delay NFIP rate increases, it's critical that NCOIL move forward expeditiously, prior to our next meeting, to help guide the discussion in DC. Private-market approaches, though certainly challenging, may be critical to effective flood insurance reform.

"NCOIL's position has always been clear," Rep. Lehman asserted. "We believe that flood risk is a rare example of when the federal government needs to be involved in insurance. That being said, we think that the federal role should be financially sustainable and as limited as possible and that this country should leverage the private sector and turn to state-based solutions whenever appropriate."

At the Spring Meeting, potential options for enticing more private insurers into the flood insurance business included allowing insurers to charge full-risk rates but having Congress authorize targeted subsidies; turning the NFIP into a residual insurer or into a reinsurer; requiring all homeowners' policies to cover flood loss; or allowing the NFIP to buy its own reinsurance.

Another approach, as laid out in a January 2014 General Accountability Office (GAO) report required under *Biggert-Waters* and discussed by NCOIL, included allowing the NFIP to issue catastrophe bonds—as some state insurance entities already do.

Rep. Lehman said, regarding state solutions, that the Committee would monitor further development of Florida SB 542, which aims to foster private-sector flood insurance that would cost less than NFIP coverage and would give property owners more flexibility. Rep. Lehman suggested that NCOIL might consider such a state-based proposal at the July Summer Meeting.

The November 2013 NCOIL *Resolution Requesting United States Congress to Pass the Homeowners Flood Insurance Affordability Act* supported bipartisan U.S. Senate legislation to suspend the NFIP rate increases until two years after the FEMA completed its *Biggert-Waters*–mandated affordability study on the impact of those increases. The resolution also urged Congress and FEMA to actively and expeditiously explore the use of private reinsurance.

On March 4, the U.S. House overwhelmingly passed bipartisan H.R. 3370, the *Homeowner Flood Insurance Availability Act*, that would prevent FEMA from raising rates on a class of properties by more than 15 percent per year and by no more than 18 percent for individual locations, among other provisions. According to reports, the Senate soon will consider H.R. 3370 as a possible compromise to the Senate bill, which passed on January 30.

The Spring Meeting took place in Savannah, Georgia, from March 7 to 9. The Summer Meeting will be held from July 10 to 13 in Boston, Massachusetts.

NCOIL is an organization of state legislators whose main area of public policy interest is insurance legislation and regulation. Most legislators active in NCOIL either chair or are members of the committees responsible for insurance legislation in their respective state houses across the country. More information is available at www.ncoil.org.

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