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## Bills to Delay Flood Rate Hikes Garnering Mixed Reactions

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The National Association of Federal Credit Unions (NAFCU) voiced strong support Tuesday night for legislation introduced in both the House and Senate that would effectively delay for perhaps four years most flood insurance rate increases mandated by a 2012 law reauthorizing the National Flood Insurance Program (NFIP).

NAFCU President and CEO Dan Berger said the current law imposes an unacceptable financial burden on some credit union members.

However, an official of the trade group that represents the U.S. reinsurance industry said blanket subsidies for people who need flood insurance is not a good idea.

And, in Florida, two companies, one with ties to Lloyd's of London, said they will offer private flood insurance at rates similar to what they would be charged under the NFIP if the Biggert-Waters Act of 2012 had not mandated much higher rates, according to the Tampa Bay Times.

An insurance industry official who asked not to be named said the fact that the bill was introduced after the rates began to go into effect is raising concerns at the Federal Emergency Management Agency, which runs the program, as well as among Write-Your-Own (WYO) insurers and agents who sell the program and handle claims--as well as the companies that provide the back-office help needed to help the WYO companies and agents do their jobs.

"It is not clear what will happen to policyholders who have already seen rate increases or whether or not the real estate folks will be satisfied by this legislative proposal," one industry official said. Rate increases went into effect for some on Oct. 1.

"There is also the issue of the vehicle--what trolley will sponsors of the legislation use as a vehicle to get to try to get this through Congress, and when will that happen?" the official asks. "Each month that goes by another 400,000 renewal notices going out under the current [Biggert-Waters] and if they pass something, how long will it take for FEMA to issue direction to the WYOs? Four months? Six? Eight?"

The bill, the Menendez-Isakson "Homeowner Flood Insurance Affordability Act," has nine Senate co-sponsors and 82 House co-sponsors.

The bill delays the "most dangerous rate increases under the Biggert-Waters Act until FEMA proves its flood maps are accurate and understands the impacts these drastic rate increases will have on individual policy holders and the program at large," according to its chief Senate sponsors, Sen. Robert Menendez, D-N.J., and Sen. Johnny Isakson, R-Ga.

Frank Nutter, president of the Reinsurance Association of America (RAA) is urging Congress to stay the course with the reforms.

He said that, "To be fair to American taxpayers and those who have embraced appropriate flood plain management practices, the NFIP must have fiscal integrity, and phasing in risk-based rates is the logical way to accomplish this."

Nutter said if there are cases of severe economic hardships due to the proposed rate increases, the federal government should target the assistance on a means-tested, transparent basis, rather than provide blanket subsidies or opaque rate subsidies.

"To do otherwise will only further de-stabilize the precarious financial position of the program," Nutter said.

Nutter further suggested that because the private reinsurance industry has an interest in underwriting NFIP flood risk, Congress should not delay the implementation of the Biggert-Waters provision that mandates FEMA to assess privatization options.

That is what is happening in Florida. Spurred by state insurance commissioner Kevin McCarty and others in the Florida government, Tampa-based Homeowners Choice, a publicly traded company with about 140,000 policyholders statewide, wants to add an endorsement to its homeowners policies to include flood coverage.

The Flood Insurance Agency, a Gainesville-based firm, likewise says it could save customers thousands of dollars compared with National Flood Insurance Program premiums for those who have lost their subsidies, according to the Tampa Bay Times.

The agency is technically acting as exclusive administrator for a program backed by insurance giant Lloyd's of London, giving it a strong financial footing.

A lawyer for Lloyd's in Washington, D.C. that there are several other Lloyd's coverholders writing private flood insurance elsewhere in the U.S.

Federal banking regulators recently proposed a rule that will allow mortgage servicers to accept private flood insurance for mortgages insured by the federal government. The regulation was mandated via a provision of the B-W law.