Flood Insurance

NCSL Executive Committee Task Force on Insurance

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NFIP Reauthorization

• NFIP extended to Dec. 22, 2017 – w/Continuing Resolution
• Original House and Senate bills:
  – Payments to private WYOs cut by 19 to 28 percent
  – PCI survey showed most WYOs would exit or consider exiting
  – New, precedent-setting federal taxes on private flood insurance
  – Increased administration and litigation for program
  – Requirements/expectations can easily spill into state regulation
• Too hot/too cold shifting to private sector
  – Stable transfer requires evolution; revolution triggers political backlash
=> Unified P/C Trade Opposition
NFIP Reauthorization Issues

• Debt – Still at $14.425 (of $30.425 billion max)*
• New construction eligibility – commercial & residential
• How much private flood? How soon?
• Claims Handling – Sandy (2%) vs. Baton Rouge (<1%) vs. HIMN (?)**
• Senate may not accept private without claims reform

*FEMA
**I.I.I. Report
NFIP Reauthorization Issues

• Emphasis still on long term reauthorization (without a lapse)
• New construction eligibility – commercial & residential
• Increasing the number of properties protected
  – Majority of consumers had no flood coverage in Baton Rouge – 2016
  – Similar gap for Harvey and Irma
  – NFIP policyholder base is shrinking – now less than 5 million
• Repetitive loss and, as always
• Mapping issues
House Flood Insurance Reform Package

- House passed a long-term reauthorization package on Nov. 14
  - Includes Ross-Castor bill – lender acceptance of private sector policies
  - Reduces WYO reimbursement for administration by 3% over three years
  - Caps rate changes at 15% - down from 18% - Max. policy cost $10,000
  - Includes claims reforms – timeframes, litigation oversight
  - Sets up a program for states to address affordability issues
  - Addresses mapping and map appeals issues
  - Allows lenders to require flood insurance – even if outside the floodplain
  - Extends the program to Sept. 30, 2022

- The Senate ???
Flood Insurance
The Future is NOW!

• Several “admitted” insurers – FL, LA and (your state here?)
• Private sector flood losses from HIMN – may exceed NFIP’s
• Key = lender acceptance for mandatory purchase
• State key = gradual growth and marketplace acceptance
• “Moon Shot” – double the number of flood insurance purchasers
• Private sector product will be different
• Stability is the key – 17 short-term extensions and 4 lapses
• CONGRESS needs to act!
SAVE THE DATE

NATIONAL FLOOD CONFERENCE

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