



The Weight of Water: Spotlight on the NFIP

NAIC Consumer Liaison Committee Meeting
December 15th, 2013. Washington D.C.

Amy Bach, Exec. Dir., with input from
Birny Birnbaum, Exec. Dir. CEJ

United Policyholders
2013 © ALL RIGHTS RESERVED

Colorado Flooding | Unite x

www.uphelp.org/blog/roadmap-recovery/manitou-springs-flooding

Apps Yahoo! United Policyholder... sanbrunoglennview P... United Policyholder... All Tabs ~ salesforce... FEMA link

November 2013 Update: The deadline for filing National Flood Insurance Claims related to the September 2013 CO flooding disaster has been extended by 21 days. Your deadline depends on the date of your loss. [Click here to read the FEMA bulletin.](#)

Read: [Important Flood Insurance Claim Deadlines](#) for more information.

Watch our workshop on [Flood Damage and Flood Insurance Information](#):

United Policy Holders provides Flood Damage and insurance

Commissioner Sallie Clark and Mayor Marc Snyder along with United Policy Holders, held a Flood Damage and Insurance Information Workshop for Manitou Springs residents and businesses that were affected by the recent flash flooding.

Held on August 26, 2013
at Manitou Springs City Hall

[Go. Back. Discovery](#)

0:00:04 / 1:50:56

Recent Media Coverage:

- ▶ Colorado Public Radio: [The Flood Recovery Process](#)
- ▶ Colorado Public Radio: [Flood Damage Homes: Who Pays?](#)

Help

- ▶ Texas Wildfire Recovery
- ▶ San Bruno Help Resources
- ▶ Oklahoma Wildfire Recovery
- ▶ Tropical Storm Irene Damage Claim Help
- ▶ Reno, NV - Wildfire Claims
- ▶ Boulder Colorado - Fire Wildfire Recovery

Roadmap to Prepare

- ▶ Unpaid Life Insurance Investigation Passes 1 billion!
- ▶ Tracking Down Life Insurance Policies
- ▶ Time to Dust Off Those Policies
- ▶ What's In Your Life Insurance
- ▶ Insurance Companies With States on Unclaimed Policies - Could One Be You?
- ▶ Roadmap to Prepare Road
- ▶ Shaken Awake Conference
- ▶ San Diego County Road Preparedness Outreach
- ▶ Agencies Celebrate Reduction Enhances Road Safety

11:50 AM

OVERVIEW

- BW12 did not address the **impact** of the remapping and rate changes on policyholders
- Property owners hit with NFIP rate increases are between a rock and a hard place
- Stakeholders, Pressure to Reform BW12, Defenders of BW12
- Status Quo or Privatize?
- Opportunities for State Regulators

BW12

- Extended the NFIP for 5 years
- Remapping and rate changes designed to make the NFIP more financially stable, ensure that rates more accurately reflect the real risk of flooding, incentivize and reward mitigation
- 80% of current flood phs rates not subsidized
- Subsidies phased out (>25% ann.) for 2nd homes, businesses, repetitive loss and SFHA
- Rate adjustments due to remapping

BW12 did not address the **impact** of the remapping and rate changes on policyholders

- Insufficient funding and time to complete the affordability study mandated by BW12 before the subsidy reductions and rate increases began taking effect in October

Property owners hit with NFIP rate increases are between a rock and a hard place:

If your lender requires you to have flood insurance, you have to pay the increase or sell your property (NFIP =only option for most)

But can't sell if buyer knows the insurance price tag

Overpriced LPI flood policies will compound the problem

The rock and the hard place:

“Flood insurance rate hikes up to 900 percent slam Florida”

November 14, 2013, Palm Beach Post:

“The flood insurance premium for a \$216,000 home she bought last year shot from \$1,614 to \$8,924”

“Ask Aaron Greenwood. He purchased a home this year figuring the flood premium was \$4,397 a year. He never imagined a nearly 900 percent increase to \$43,885. I would not have purchased this home if I had been aware of the increased flood insurance premiums, I cannot pay the new premium. I cannot sell this home with a flood insurance rate of over \$43,000 a year.”

Stakeholders weighing in:

- Home and business owners, Realtors
- State regulators
- Congressional representatives
- Floodplain Managers
- Local governments
- Reinsurers
- Environmental groups
- FEMA/NFIP/WYO insurers
- Developers/Builders/Chambers of Commerce
- NCOIL

Litigation

- MS. Insurance Dept. v. Homeland Security
USDC Southern District, 1:13CV379LG-JMR
<http://www.mid.ms.gov/pdf/NFIP-Complaint.pdf>
- Amici include: LA, FL, AL, MA, SC

Pressure to reform BW12:

- Coalition for Sustainable Flood Insurance (200+ members including National Association of Counties, National Association of Home Builders, National Association of REALTORS®, Independent Community Bankers Association) www.csfi.info
- “Stop FEMA Now” www.stopfemanow.org
- Homeowner Flood Insurance Affordability Act (H.R. 3170 and S. 1610)
 - 4 year delay in rate increases, various other provisions

Critics of delaying BW12

- Franklin Nutter, president, Reinsurance Association of America, also criticized the idea of a delay in the flood insurance reforms. “It [the bipartisan deal] effectively guts the reforms, it would be a remarkable and unfortunate turnaround for Congress to do this.”
- 12/1/13 WSJ Editorial:
“Flooding Taxpayers Again: A bipartisan caucus wants to keep subsidies flowing to the 1%”.

Defenders of BW12:

- “We should be helping this law along, not pulling it out by its roots,” said Steve Ellis, vice president of Taxpayers for Common Sense...Taxpayers should be outraged that their tax dollars are incentivizing high risk behavior that increases federal disaster costs”

BW12 rate increases are not an unintended consequence

Rep. Randy Neugebauer, R-Texas:

"We do know that there are some people out there who are going to experience higher premiums. But, you know, **that was the purpose.**"

How did we get here?

- Katrina revealed:
 - Flood risk maps and zones outdated
 - Subsidies to wealthy homes inappropriate
 - Stronger disincentives for building/living in harm's way
- NFIP has been a Congressional football
- Elevation requirements post-Sandy have brought an increased focus on the NFIP

Should the NFIP continue status quo?

- Very limited coverage
- Adverse selection/unhealthy risk pool
- WYO system plus IA claim adjusting inefficient
- State regulators have no jurisdiction
- What is preventing a private market from developing?

Opportunities for State Regulators:

- Gather data
 - Rate increases hitting your state's residents
 - Subsidy/direct assistance needs of your state's residents
- Help craft private market solutions:
 - Putting flood back into standard HO policy would spread the risk of flood more widely
 - NFIP coverage is very limited as it is
 - It can be done (Chubb, AIG, Lloyds)