

July 14, 2017

The Honorable Dean Heller  
U. S. Senate  
324 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Jon Tester  
U. S. Senate  
311 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Dennis Ross  
U.S. House of Representatives  
436 Cannon Office Building  
Washington, D.C. 20515

The Honorable Kathy Castor  
U.S. House of Representatives  
2052 Rayburn House Office Building  
Washington, D.C. 20515

Re: Flood Insurance Market Parity and Modernization Act (S. 563 and H.R. 1422)

Dear Senator Heller, Senator Tester, Representative Ross, and Representative Castor:

The undersigned organizations wish to express their unified support for S. 563 and H.R. 1422, the Flood Insurance Market Parity and Modernization Act. This bi-partisan, bi-cameral legislation addresses an important provision of the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12), reaffirming the long-standing acceptability of private sector flood insurance policies to satisfy the mandatory purchase requirement of the National Flood Insurance Act. S. 563 and H.R. 1422 do nothing more than allow the intent of BW-12 to take effect so that consumers subject to the mandatory flood insurance purchase requirement have the choice to look to the private market for flood insurance coverage.

While the intent of the BW-12 was for private flood insurance to satisfy the mandatory purchase requirement, BW-12 includes a well-intentioned definition of 'private flood insurance' that, if implemented as drafted, will have the unintended consequence of discouraging lenders from accepting private flood insurance policies that those lenders would have otherwise accepted. S. 563 and H.R. 1422 correct the BW-12 definition of private flood insurance to allow State insurance regulators to provide the same protections for flood insurance consumers that State regulators provide for consumers of all other lines of insurance, including the homeowners insurance policies on very same properties subject to the mandatory flood insurance purchase requirement. S. 563 and H.R. 1422 may serve as first steps to achieving wider availability of private market flood insurance.

In addition, this legislation clarifies that continuous coverage by private flood insurance satisfies any statutory, regulatory, or administrative continuous coverage requirements. Under current NFIP rules, policyholders can permanently lose access to their current NFIP rates if they leave the NFIP and opted to obtain coverage with a private flood insurance policy. This has created a disincentive for consumers to choose a private policy in lieu of the NFIP and thwarts congressional intent to allow the consumers the choice to seek better or more affordable coverage from a robust private flood insurance market. By clarifying that private coverage satisfies the continuous coverage requirement, S. 563 and H.R. 1422 will help to make these policies a more viable option for consumers.

We note, however, that S. 563 and H.R. 1422 leave in place a legacy provision of the National Flood Insurance Act which caps the amount of coverage necessary to satisfy the mandatory purchase requirement at the lower of the maximum NFIP limits or the outstanding principal balance of the federally guaranteed or regulated loan on the property. Our support of the Flood Insurance Market Parity and Modernization Act is in no way an endorsement of public policy that would encourage consumers not to fully insure themselves against the risk of flooding, regardless of the outstanding balance of their mortgage.

We encourage you to include H.R. 563 and H.R. 1422 as part of legislation to reauthorize the NFIP before its September 30, 2017 expiration. Last year, during the previous congress, the House passed similar legislation (H.R. 2901) by an overwhelming bipartisan vote of 419-0. Last month, the House Financial Services Committee passed H.R. 1422 by another overwhelming bipartisan vote of 58-0. Increased private sector involvement could expand available flood insurance options, lower costs to consumers, and reduce the federal government's exposure to flood loss over time. Again, we support S. 563 and H.R. 1422 and look forward to working together to generate the congressional support needed to enact this legislation.

The American Bankers Association (ABA)  
The American Insurance Association (AIA)  
The Association of Bermuda Insurers and Reinsurers (ABIR)  
The Council for Affordable and Rural Housing (CARH)  
The Council of Insurance Agents and Brokers (CIAB)  
The Financial Services Roundtable (FSR)  
The Independent Insurance Agents and Brokers of America (IIABA)  
The Mortgage Bankers Association (MBA)  
The National Affordable Housing Management Association (NAHMA)  
The National Apartment Association (NAA)  
The National Association of Housing Cooperatives (NAHC)  
The National Association of Mutual Insurance Companies (NAMIC)  
The National Association of Professional Insurance Agents (PIA)  
The National Association of Professional Surplus Lines Offices (NAPSLO)  
The National Association of REALTORS® (NAR)  
The National Multifamily Housing Council (NMHC)  
The Property Casualty Insurers Association of America (PCI)  
The Reinsurance Association of America (RAA)