



May 2, 2017

The Honorable Senator Robert Casey
393 Russell Senate Office Building
Washington DC 20510

Dear Senator Casey:

As the National Flood Insurance Program (NFIP) is due to expire on September 30, 2017, I wanted to reach out to each of you to express my support for a long-term reauthorization of the federal program. I also wanted to express my support for using reauthorization as an opportunity to remove the many barriers that currently preclude the creation of a robust private flood insurance market that would serve as a viable and affordable alternative to the NFIP for your constituents.

The NFIP was created in 1968 through the passage of the National Flood Insurance Act of 1968. At the time, flood insurance was generally unavailable from the private insurance market and the establishment of the federal flood insurance program helped to mitigate the rising cost of taxpayer funded disaster relief for those affected by floods.

For many years the NFIP effectively offered flood insurance at a reasonable price and premiums paid to the NFIP were adequate to cover flood claims and fund the NFIP's considerable operations. As a result, reliance on federal flood disaster assistance decreased. However, Hurricane Katrina and Super Storm Sandy changed that narrative.

Consequently, today the NFIP is more than \$24 billion in debt. Recent legislative reforms to the NFIP are moving all NFIP policyholders towards actuarially sound rates, which provides the opportunity for the private flood insurance market to assume future risk.

Flood insurance is a big issue in Pennsylvania. FEMA statistics show that from 2006 through 2014, Pennsylvania property owners filed more than 18,000 claims with the NFIP, exceeding \$551 million in damages, with claims filed from 66 of the state's 67 counties.

As I have travelled around the state, I have heard stories of people being unable to afford their homes because of the increased cost that NFIP flood insurance has added to their mortgages. Consumers cannot afford to stay in their homes and at the same time they cannot sell their homes without a significant loss in equity. Private flood insurance may provide a more affordable option. I have heard from a homeowner who would have had to pay \$2,700 a year for an NFIP policy, but was able to get private coverage for \$718, and another instance where NFIP coverage would have cost \$2,000 annually, but the homeowner found private coverage for just \$400 every two years.

There will always be a need for the NFIP. There isn't a mandatory type of property and casualty insurance without a residual market or insurer of last resort. And, the NFIP provides more benefits than just selling insurance; it is a flood insurance program complete with mitigation efforts, grants, flood

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maps, etc. But it's time to let the private market compete with the NFIP's flood insurance monopoly and remove the many barriers that keep the private flood insurance market from providing a viable and affordable alternative for your constituents.

This is why I am writing you in advance of the NFIP's scheduled expiration at the end of September. There is much that can be done through NFIP reauthorization that will provide consumers affordable flood insurance options and reduce the burden on taxpayers of an insolvent, government-run monopoly flood insurance provider.

Clearly, the intent of Congress was to grow the private flood insurance market when it passed the Biggert-Waters Flood Insurance Reform Act of 2012. However, five years later, federal rulemaking that would implement the private flood insurance acceptance requirements in the Act remain unpromulgated and many other obstacles remain – some created by the NFIP itself. Many of these obstacles can be solved through the NFIP reauthorization process.

As the private flood insurance market grows, the NFIP will be less exposed to catastrophic flood losses. At the same time, consumers will be provided options – something most do not have now. For some consumers, the NFIP may remain their best option. But for others, the premium savings available through purchase of a private policy may be significant and such a policy can be customized to provide better, more appropriate coverage for homeowners.

If we can grow the private flood insurance market to the point where most homeowners' insurers provide an optional flood endorsement, we can finally solve the wind vs. water causation issue that has plagued so many people devastated by storms past.

The following is a list of recommendations that I ask for you to consider as you work towards reauthorization of the NFIP effective October 1, 2017:

1. Support a long-term reauthorization of the NFIP to avoid short-term extensions and program lapses that create uncertainty in the insurance, housing and commercial lending markets.
2. Require the NFIP reinstate its rule permitting a policyholder to cancel an NFIP policy mid-term (and receive a partial refund) when the consumer obtains a compliant private flood insurance policy to replace the NFIP policy.
3. Require the NFIP consider a consumer that maintains compliant flood insurance – whether from the NFIP or from the private insurance market – to have met the continuous coverage requirements for purposes of qualifying for subsidies and/or grandfathered rates.
4. Require lenders accept compliant private flood insurance policies as an alternative to coverage provided by the NFIP.
5. Require the NFIP remove its non-compete clause for private insurers participating in the NFIP's "Write Your Own" program.

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6. Require an annual notice displaying the cost of NFIP coverage, the percentage and dollar change from the policy being superseded and disclosure that flood insurance may also be available from the private insurance market.
7. Require the NFIP share is vast historical flood insurance data in a way that protects consumer confidentiality but also provides meaningful statistical information that the private insurance market can use.
8. Require private flood insurance policies be assessed a fee to fund NFIP operations that do not relate to the payment of flood insurance losses and which would qualify the policyholder for any and all non-insurance FEMA benefits provided to NFIP policyholders.

I appreciate the opportunity to provide our input as you discuss reauthorization of the NFIP. As you consider these recommendations, please do not hesitate to reach out to me or my department on this important matter or any other insurance-related issue under your consideration.

Sincerely,



Teresa D. Miller
Commissioner