

Provide Private Flood Insurance Options

Congressional Action Needed

Senate consideration and passage of H.R. 2901, the “Flood Insurance Market Parity and Modernization Act” sponsored by Reps. Dennis Ross (R-FL) and Patrick Murphy (D-FL).

Congressional Actions To Date

- H.R. 2901 passed the House of Representatives by an overwhelming bipartisan vote of 419-0.
- No action to date in the Senate.

What To Tell Your Representatives and Senators

- Thank your Representative for supporting H.R. 2901.
- Urge your Senator to bring up and pass the House bill.

Issue Background

Federal law requires that property owners with federally related mortgages buy and maintain a minimum amount of flood insurance coverage for properties located in Special Flood Hazard Areas. Currently, property owners may not satisfy this “continuous coverage” requirement with some private market alternatives to the National Flood Insurance Program (NFIP). If a policyholder leaves the NFIP for one of these market options, they could jeopardize their grandfathered status and face substantial rate increases should they later return to the NFIP.

H.R. 2901 would:

- Clarify that property owners may satisfy the mandatory purchase requirement with either an NFIP policy or private market coverage that meets state law.
- Ensure that consumers can move freely between the NFIP and private coverage without penalty.
- Preserve the NFIP as a viable choice, keeping homeowners from becoming stranded should private insurance options contract or become more expensive after major floods.
- Maintain important consumer disclosures, as well as Fannie Mae/ Freddie Mac’s ability to examine the financial solvency of private insurers and protect taxpayers.

Current law limits the flood insurance options available to property owners

- Right now, NFIP is the only de facto source of the flood insurance coverage required for properties with federally-backed mortgages.
- The private market may be able to offer comparable coverage at lower cost than the NFIP.
- Consumers need options and a competitive market for well-priced flood insurance coverage that meets their individual needs.

Expanding choice is a good first step toward a comprehensive reauthorization of the National Flood Insurance Program

- NFIP is up for reauthorization in 2017.
- This bill is an incremental step in the meantime to offer additional options to property owners.
- A strong NFIP coupled with a consumer-friendly private insurance market will provide property owners with the choices they demand.

Opposing Viewpoints

- Opponents have expressed concern that private insurers could offer less coverage than NFIP.
- Another concern raised focuses on the ability of consumers to seek redress from non-admitted or surplus lines insurers.