



# ISSUES

## National Flood Insurance Program

July 2010

### **PIA supports comprehensive reforms to the National Flood Insurance Program (NFIP).**

PIA:

- Opposes the addition of multiple peril (wind) coverage to the NFIP.
- Supports multi-year authorization of NFIP by Congress, in this case five years, in order to operate a balanced, consistent program.
- Supports the forgiveness of the NFIP's debt, currently at \$18.75 billion.
- Supports coordinated flood coverage for commercial policies in the area of business interruption insurance (BII). BII is currently only available in the private sector property market on a "covered peril" basis.

The NFIP provides an important service to people and places affected by floods. The private insurance industry has been almost entirely unwilling to underwrite flood insurance because of the catastrophic nature of these disasters. Therefore, the NFIP is virtually the only way for people to protect themselves against the loss of their homes and businesses.

A major detriment to the NFIP would be the inclusion of wind coverage. Currently, only flood insurance is provided by the NFIP, while wind insurance is covered under homeowners' insurance policies and statewide wind pools. PIA believes that combining the two perils in the NFIP would create more problems than solutions. Before adding an additional peril, it is necessary to further study and review the full economic impact such an action would have on the program.

The NFIP is currently in considerable debt due to the significant claims from Hurricanes Katrina, Rita, and Wilma. PIA wholeheartedly supported the Congress' past increase of the programs borrowing authority to \$20.775 billion, as it was absolutely essential to ensure that policyholders received payment on their flood insurance claims. FEMA is now responsible for repaying the \$18.75 billion loan from the Department of Treasury. Interest payments alone on this loan totaled \$298 million in FY2009. FEMA receives approximately \$3.2 billion each year in flood insurance premiums and fees, thus leaving slightly more than half to keep on hand to cover any future policy claims and to continue administering the program. PIA feels it is necessary to forgive the debt of the NFIP to ensure that the program can build reserves for future flooding events.

PIA supports H.R. 5114, the Flood Insurance Reform Priorities Act of 2010. Among many improvements, this bill extends the NFIP through Fiscal Year 2015, increases coverage limits, phases in actuarial rates, and adds coverage for additional living expenses and business interruption.

For additional information on this issue, please contact PIA's federal affairs department.