



PIA legislative update

NFIP set to expire Sept. 30, 2011; FEMA offers guidance

The National Flood Insurance Program (NFIP) is set to expire on Sept. 30, 2011. This program is responsible for more than 90 percent of all flood policies written nationwide; and in the midst of this year's active hurricane season, a lapse could prove devastating for homeowners and businesses throughout the country.

On the legislative front

Congress has been extending the flood insurance program for short intervals over the past few years. Efforts to enact comprehensive reforms to the NFIP have been stymied primarily over two issues: proposals to add coverage for wind damage to the flood program and forgiving the nearly \$20 billion debt amassed by the program as a result of catastrophic storms in 2004 and 2005. PIA opposes inclusion of wind coverage in the NFIP program and supports debt forgiveness.

On July 13, 2011, the U.S. House voted 406-22 to pass the Flood Insurance Reform Act of 2011 (H.R. 1309) extending the National Flood Insurance Program (NFIP) for a full five years and enacting key reforms to put the program on firm financial footing. Among reform provisions, the bill phases in risk-based premiums and phases out subsidies for certain properties, including high-risk buildings subject to repeat claims; and confirms FEMA's authority to utilize private reinsurance in lieu of taxpayer exposure to mitigate risk. However, it looks like (at best) we'll see another short-term extension of the NFIP "as is." Senate Banking Committee Chairman Tim Johnson, D-S.C., has introduced a bill to extend the program to Dec. 31, 2011. In addition to this, the House will likely be considering a continuing resolution (an appropriations bill that will extend all government funding and programs past the end of the Sept. 30 fiscal year). The current draft extends the NFIP to Nov. 18, 2011.

What it means to you and your clients

PIA recognizes the burden on agents and insurance consumers alike that this possible NFIP expiration poses. Those individuals looking to close on their homes or businesses, where flood insurance is required, will be put at an absolute disadvantage. Agents, carriers and consumers should be on alert because of this. FEMA has released a memorandum offering guidance in the event of a lapse in the program. It is available at: <http://bsa.nfipstat.com/wyobull/2011/w-11084.pdf>.

More NFIP news

If the program is extended, effective Oct. 1, 2011, producers and consumers will see an average rate increase of 4 percent, according to [FEMA Memorandum #W-11020](#). To implement this increase, as well as numerous other changes, the NFIP has updated its Flood Insurance Manual, which is available through the NFIP website at: http://www.nfipiservice.com/pdf/may2011_revised/index.pdf.

PIA will offer NFIP-approved training, including ALL changes to the program

With the remnants of Tropical Storms Irene and Lee still very visible in your day-to-day operations, and the numerous claims you are seeing, this would be a great time to gain some additional insight into the vast realm of flood insurance. Flood expert Rita Hollada will be your instructor for a three-part flood insurance webinar. For more information, or to register, logon to: <http://www.pia.org/EDU/webinar/#flood>.

PIA will continue to keep you apprised of these and other issues as they arise. If you have additional staff you would like to receive these types of business-related alerts, be sure to send their names and e-mail addresses to: publications@pia.org.