

NATIONAL COUNCIL OF INSURANCE LEGISLATORS
SPECIAL COMMITTEE ON NATURAL DISASTER RECOVERY
AUSTIN, TEXAS
DECEMBER 11, 2019
DRAFT MINUTES

The National Council of Insurance Legislators (NCOIL) Special Committee on Natural Disaster Recovery met at the JW Marriott Hotel in Austin, Texas on Wednesday, December 11, 2019 at 9:45 a.m.

Senator Vickie Sawyer of North Carolina, Chair of the Committee, presided.

Other members of the Committees present were:

Sen. Jason Rapert (AR)	Rep. George Keiser (ND)
Rep. Matt Lehman (IN)	Rep. Tom Oliverson, M.D. (TX)
Rep. Edmond Jordan (LA)	Del. Steve Westfall (WV)
Sen. Dan "Blade" Morrish (LA)	

Other legislators present were:

Rep. Deborah Ferguson (AR)	Rep. Bruce Grubbs (MT)
Asm. Ken Cooley (CA)	Rep. Tracy Boe (ND)
Rep. Doug Gutwein (IN)	Sen. Jerry Klein (ND)
Rep. Peggy Mayfield (IN)	Sen. Shawn Vadaa (ND)
Rep. Joe Fischer (KY)	Asw. Maggie Carlton (NV)
Del. Mike Rogers (MD)	Asw. Ellen Spiegel (NV)
Sen. Gary Dhams (MN)	Sen. Neil Breslin (NY)
Sen. Paul Utke (MN)	Rep. Julie Johnson (TX)
Rep. Donna Pfautsch (MO)	Rep. Eddie Lucio III (TX)
Sen. Paul Wieland (MO)	

Also in attendance were:

Commissioner Tom Considine, NCOL CEO
Paul Penna, Executive Director, NCOIL Support Services, LLC
Will Melofchik, NCOIL General Counsel
Cara Zimmermann, Assistant Director of Administration, NCOIL Support Services, LLC

QUORUM

Upon a motion made by Rep. George Keiser (ND) and seconded by Sen. Jerry Klein (ND) the Committee waived the quorum requirement without objection by way of a voice vote.

MINUTES

Upon a motion made by Rep. Keiser and seconded by Del. Steve Westfall (WV), the Committee approved the minutes of its July 11, 2019 meeting in Newport Beach, CA without objection by way of a voice vote.

DISCUSSION ON NCOIL PRIVATE FLOOD INSURANCE MODEL ACT

Senator Vickie Sawyer (NC), Chair of the Committee, stated that at the NCOIL Summer Meeting in July this Committee decided to take what were amendments to the existing NCOIL State Flood Disaster and Mitigation Relief Model Act and instead develop a separate NCOIL private flood insurance model law proposal for the Committee to consider. In the 30-day materials for this meeting, the first draft of that Model law proposal was included for comment.

Sen. Sawyer stated that the sponsor of that Model, Florida Representative David Santiago, unfortunately was not able to be here today for this meeting but noted that the Committee hopes to have a very productive discussion today that will guide the Committee's direction on the Model going forward. In terms of the substance of the Model, Sen. Sawyer noted that it appears the two issues that have garnered the most attention are Sections 5 – form review – and 7 – producer duties. With regard to form review, Sen. Sawyer stated that switching from prior form approval to providing states the option of requiring review through the application of the state's existing regulatory system is appropriate. Sen. Sawyer also stated that the changes in requirements for producers in terms of their interactions with consumers when discussing flood insurance are appropriate. The changes that have been made to those sections are a step in the right direction and hopefully the final language will be something that everyone can support. Sen. Sawyer noted that there will be no vote on the Model today and that hopefully the Committee can have something ready for a vote at the Spring Meeting in March in North Carolina.

Cate Paolino, Director of Public Policy for the National Association of Mutual Insurance Companies (NAMIC), thanked the Committee for all of its work thus far on this issue and noted that NAMIC looks forward to working on the Model as it continues to move forward. Ms. Paolino stated that the language set forth in the "Purpose" Section of the Model – Section 2 – provides some important language that can help guide the Committee's efforts when working on this Model. Said Section states "in an effort to provide protection of lives and property from the peril of flood, this legislation is designed to encourage a robust private flood insurance market to provide consumer choices and alternatives to the existing National Flood Insurance Program (NFIP)." It would be very beneficial to the future marketplace if that "purpose" could be a guide in the language that follows in the Model.

Ms. Paolino stated that much of the language in the Model serves as a framework for private flood, but she is not sure if some of the language goes as far as facilitating that marketplace. For example, with regard to underwriting and the flexibility to select and reject risk, one insurer has been recounting some difficulty it has been having in terms of states perhaps not differentiating between requirements for flood and requirements for homeowner's coverage. Embedded in some state's law may be, as it relates to homeowner's, restrictions on the use of information about catastrophes and weather-related risk. We can see how this would be a pretty big barrier if applied to floods if that is the essence of what the coverage is about. Those kinds of things are important to think about as they may be contrary to the "purpose" outlined in the Model.

Another example might fall within the scope of the form-related requirements such as the design and filing regime. There may be an opportunity to work on the handling of the discretionary acceptance policies under the federal rule that relate to the NFIP that was

issued last Summer. Ms. Paolino stated that she looks forward to working on some clarification in that area. Also, as there are possibly proposals to limit the wording of the Model, Ms. Paolino stated that she is hoping for a dialogue as to what it means to be outside the scope of the Model. It is not clear whether such products may still be written in the private market or whether it somehow implies that they are not able to move forward.

With regard to the filing side of things, Ms. Paolino stated that there has been discussion of following the underlying state filing regime or perhaps including a drafting note asking for consideration of methods to accelerate that. Consistent with the “purpose” language in the Model of trying to incentivize and bring forth a marketplace on an expedited basis, NAMIC asks that the filing language be further examined. Ms. Paolino stated that she looks forward to working with the Committee going forward.

Ron Jackson, VP of State Affairs, Southeast Region, at the American Property Casualty Insurance Association (APCIA), stated that APCIA members write approximately between 76% of write-your-own (WYO) policies in partnership with the NFIP, and approximately 91% of all private flood coverage in the nation. Accordingly, this is an important issue and APCIA congratulates NCOIL for bringing the issue forward for discussion. Mr. Jackson stated that APCIA looks forward to working on the Model to, as Ms. Paolino stated, ensure that the Model’s “purpose” is properly met. With regard to rate and form filing requirements, APCIA believes it is critically important to incentivize additional writings in the private market – both in the personal and commercial side. As of today, 64% or so of the private flood writing is in the commercial realm. There is certainly still a lot of coverage in the surplus lines market. That highlights the need for flexibility as you see where the majority of the market is going where they have greater rate and form flexibility. There are approximately 15 states that do not require prior approval of personal forms so providing that flexibility is not as radical and scary as some may think. It has been done in a number of states with various lines of insurance and coverages and APCIA believes it is particularly important if you are looking to incentivize greater flood writing.

Mr. Jackson stated that it is important to educate consumers about flood insurance as we all know what the mindset has been over the years – namely that consumers think they should not buy flood insurance if they are not in a flood zone. APCIA looks forward to working with the Committee on the Model.

Wes Bissett, Senior Counsel of Government Affairs at the Independent Insurance Agents and Brokers of America (IIABA), stated that IIABA is a very strong supporter of building out the private flood insurance market and shares the desire of the Committee as outlined in the Model’s “purpose” section. IIABA’s members provide consumers choice through a variety of different companies so from IIABA’s perspective, the more options available, the better for IIABA and its clients. IIABA has been very supportive of legislative efforts in Congress and individual states to address private flood related issues that have arisen with the emergence of this market. For example, IIABA was very supportive of Rep. Santiago’s bill in Florida that was adopted a couple of years ago. However, IIABA does have some concerns with Section 7 of the Model – Duties of Producer. The reason why is because said Section does not really relate to private flood itself and does not mirror the Model’s goal of building a robust marketplace for private flood alternatives.

Mr. Bissett stated that one provision in Section 7 that appears to be specific to private flood insurance is the requirement that producers notify an applicant of the NFIP and private flood alternatives and then get them to sign a documented acknowledgement that the disclosure was made. IIABA has some concerns with that requirement. First, from a technical perspective, it is unclear when and to whom the requirement would apply. As currently drafted, it would apply to every conceivable insurance transaction of any kind. More critically, IIABA wonders about the benefit of the provision as it is really adding paperwork to what is already a paper-intensive and bulk transaction. NCOIL has also been very active in its innovation initiatives to try and make the insurance buying process more thoughtful and eliminate some unnecessary processes. IIABA's view is that adding more paperwork to this process is inconsistent with what NCOIL is doing in other areas. IIABA also believes there is somewhat of a false foundation to the provision as it ignores the idea that independent agents have a strong incentive to do these things anyway. Agents sell insurance as it is their job and if there are good and meaningful private market alternatives out there, they will talk about them with their clients.

Mr. Bissett stated that IIABA also sees some practical issues with the proposal. IIABA wonders what will happen if an agent, especially a direct agent or a captive agent, is not authorized or appointed to sell private flood insurance. Agents do not want to be in a position of talking about carriers and products they are not authorized to sell on behalf of. That is typically something that is not completely within the agent's control. IIABA is also worried if there are not good private flood insurance options in a particular state. Not every carrier is a good carrier and maybe they have a track record that for whatever reasons would cause an agent to be hesitant in placing a client with that company. Putting agents in a position of potentially highlighting and marketing products for those type of carriers is troubling.

Mr. Bissett stated that IIABA views the Model as completely well-intentioned but thinks it is unnecessary in light of some of the market forces in play. IIABA urges the Committee to consider some other issues that relate to the intersection of existing state law and the emergence of private flood. IIABA has submitted comments to the Committee in that regard. One concept relates to the idea of a continuing coverage notice which would address a private flood insurance-specific problem that was in Rep. Santiago's Florida bill and which other states are looking at. IIABA believes this issue is important because under current federal law, a consumer has to maintain consistent continuous coverage with the NFIP if they qualify and want to maintain a subsidy. If a consumer does not have continuous coverage and went to a private carrier, they would lose the subsidy. The typical consumer may not be aware of that reality. That may be something the Committee should consider with regard to considering meaningful disclosures to consumers.

Another notice-related provision to consider is that with the expansion of the private flood insurance market, figuring out how cancellation and non-renewal notice requirements apply. This is going to be particularly important for someone who might have a private flood policy cancelled and they need to then get back into the NFIP. The reason this is important is because in order to get NFIP coverage there is a 30-day waiting period from the time of purchase. So if you are in a state that only requires cancellation notices to be provided 30 days in advance of a cancellation, a person in that situation of losing a private flood policy and needs to get back into the NFIP will have a gap in coverage. IIABA has proposed that states contemplate at least a 45-day notice

requirement for private flood carriers so that there is a window of time for the consumer not to have a gap.

Mr. Bissett stated that the final provision that IIABA has proposed relates to surplus lines placements. IIABA suggests considering whether to eliminate the so-called diligent search requirement in connection with private flood placements either on a permanent or temporary basis. There have been a number of states recently that have done away with diligent search requirements altogether and that could be something that is helpful in terms of bringing about some innovation in the marketplace. Mr. Bissett thanked the Committee for its consideration and noted that IIABA looks forward to being a part of this process going forward.

Birny Birnbaum, Director of the Center for Economic Justice (CEJ), stated that CEJ applauds NCOIL for its work in trying to close the flood insurance gap. Before commenting on the Model, Mr. Birnbaum commented on a broader strategy to address the protection gap. The Committee's work is laudable, but it still is nibbling around the edges as the only way to truly close the protection gap is for the states to take back flood. There is a good model for federal-state cooperation that preserves state regulation – the Terrorism Risk Insurance Program (TRIP). State regulators should push for changing the NFIP from a direct insurer to a reinsurer that caps massive exposure coupled with mandatory offer by private insurers regulated by the states. It is unclear why the states aren't clamoring to take back flood like the states regulate every other type of property insurance peril.

Regarding the Model, Mr. Birnbaum noted that Section 4(a) states that “the [state entity for regulation of insurance] may audit an insurer's flood rates to ensure compliance with state laws and regulations” but the Model doesn't provide any consequences if the Commissioner finds that the rates are excessive or unfairly discriminatory and it doesn't give the Commissioner, for example, authority to order restitution or to order the company to refund rates that are found to be excessive. There should be something there to say what the consequences are if the Commissioner does in fact find the rates to be non-compliant.

Mr. Birnbaum stated that Section 4(b) of the Model states that the rates do not have to be filed until 30 days after the use. CEJ does not see any reason to delay the filing of the rates. If an insurer has new rates it has to communicate those rates to producers and distribute them before the effective date in order to allow the rates to be incorporated into rating software. The rates are set well before an insurer can implement them so there is no reason not to file the rates with the Commissioner at or before the implementation date. If the Commissioner finds that the rates are excessive or unfairly discriminatory, it is important to minimize the amount of times the non-compliant rates have been used and have harmed consumers.

Section 5 of the Model relating to forms says that the Commissioner may require the filing of forms, but the Model is silent as to the process. It is not clear whether this is something the Commissioner may decide on his or her own and with or without any public input such as via a rulemaking process. CEJ suggests that the Model provide some guidance as to how that decision is developed and communicated. CEJ also believes that review of forms is essential as these are complex contracts and consumers rely upon regulators to make sure that such contracts do not contain misleading or confusing terms. Mr. Birnbaum also noted that federal agencies have recently adopted

rules for banks to accept private flood. One of the rules states that banks may accept non-standard forms as long as the insurer stamps on the form that the forms have provisions that meet or exceed the requirements of the NFIP, but there is no review of that. Accordingly, CEJ asks that the Model be integrated with those federal rules to the extent necessary.

Mr. Birnbaum further stated that Section 6 of the Model talks about a plan of operation, but it is unclear how a plan of operation is different than a rate filing. Section 7 regarding producer responsibilities talks about a best practice to maintain records. CEJ is not clear what a best practice is in a statute. If it is a requirement, then it is not clear how the regulator should deal with it. If the Model is requiring that the producer make certain disclosures, then there must be some mechanism by which the regulator can determine whether the disclosures have been made. It should not be a best practice to maintain documents – it should be a requirement. Having said that, CEJ concurs with many of the things stated by Mr. Bissett regarding producers and disclosures. As someone who has been working extensively with consumer disclosures for many decades, more disclosures do not necessarily help consumers. A disclosure can simply be one more page on top of a pile of pages that the consumer is already not paying attention to. Mr. Birnbaum stated that if the Committee wants to require disclosures then this regulatory tool should have the same sort of regulatory expertise as any other type of regulatory tool which means there should be expertise in the design of disclosure format and the timing of the disclosure format. The use of electronic disclosures should also be considered which is consistent with NCOIL's insurance modernization work. This is an area where disclosure could be provided electronically that might be far more useful than a paper disclosure.

Dennis Burke, VP of State Relations at the Reinsurance Association of America (RAA), applauded the Committee for improving the Model and stated that it is important to avoid doing no harm moving forward. Past experiences have shown in some states that definitions can be too broad which can swallow the commercial market, even comprehensive auto, and it is therefore important to make sure the Model achieves the legislative objective of enhancing the regulatory structure in such a way that the market is facilitated yet still maintaining consumer protections. Mr. Burke stated that it is important to make sure that it is understood exactly what the Model is trying to achieve. If we want it to apply to all aspects of flood, we probably must make a lot of changes but if we are only trying to address the policies that are as broad as the NFIP and facilitate the use of those forms and the rates associated with them using the NFIP price as the de facto rate regulator then certain changes should be made to Section 5 which Mr. Burke noted he has submitted to NCOIL staff.

Mr. Burke noted that the "as broad as" section only applies to those who are in the special flood hazard area. It does not apply to people who don't have mortgages so you can be in that zone but if you don't have a mortgage you can buy any type of policy or no policy at all. It is important therefore to provide as many opportunities as possible for the private market and make sure certain avenues aren't closed off so that consumers can be given more choices. Mr. Burke stated that he looks forward to working with the Committee on the Model going forward.

Lauren Pachman, Counsel and Director of Regulatory Affairs for the National Association of Professional Insurance Agents (NAPIA), stated that with regard to the Model's disclosure requirement related to agents, NAPIA believes that the requirements

are good for agents and they really should be doing the things required by the Model anyway. NAPIA's members are exclusively independent agents – they are not captive agents and they routinely lay out options and provide alternatives and explain thoroughly what choices are available to their customers or potential customers. The Model requires those agents to provide information about NFIP products and private market alternatives and that is their job irrespective of the Model. Customers rely on agents to provide information and distill the complexities of the NFIP and the private flood market into a format that they can easily digest and make an educated decision based on.

NAPIA's members are well versed on the market availability of various options including those in the private market as well as those through the NFIP and are confident in their ability to execute on those obligations. Any good agent is going to notify a customer that their homeowners' coverage doesn't automatically extend to flood insurance. Generally, NAPIA supports ideas that protect agents from unwarranted lawsuits by homeowners who retroactively decide that the educated decision they made at the time now seems less wise with the benefit of hindsight. When customers are fully informed and make an educated choice there is more protection for agents if there is a piece of paper that has the homeowners signature that says "I was given all of this information and I was able to make an educated decision about it." Accordingly, Ms. Pachman noted that NAPIA supports the Model's disclosure requirements.

John Meetz, State Relations Manager at the Wholesale and Specialty Insurance Association (WSIA), stated that WSIA represents surplus lines brokers and carriers throughout the U.S. Mr. Meetz stated that WSIA supports the amendment submitted by IIABA regarding surplus lines placements and the diligent search requirement. Typically, a P&C agent is required to conduct a diligent search of the admitted market before they are able to place insurance in the surplus lines market – the IIABA amendments would create an exemption for that. There are a number of states already doing that, so it is not a fringe concept (13 states; and another 7 states have a piecemeal approach to it). Mr. Meetz noted that WSIA does not typically advocate for diligent search exceptions as it usually lets the IIABA lead as they are the source and know when these types of coverages are not available in the admitted market so WSIA is piggybacking on the IIABA. Any successful exemption is going to require some vigilance and a sunset or a limited exemption may be considered. That is a conversation to have with regulators to determine what the availability of private flood in the admitted market is in a given state.

Whitney Lane, on behalf of Lisa Miller & Associates, spoke in support of the Model, particularly the consumer education provisions in Section 7. Florida already has such language and now has over 30 private flood insurance companies offering coverage. The Model will also create competition in the marketplace and allow more affordable choices for consumers. Ms. Lane stated that Ms. Miller looks forward to continuing to work with the Committee on the Model.

Rep. Keiser stated that the Model sounds so much like long term care it scares him. Also, with states that have prior approval of forms, that system tends to work because the regulators frequently catch issues and bring them to the surface and then they get changed. Rep. Keiser stated that he has concerns with the Model, particularly Sections 4(a) and (b). Section 4(a) is essentially a form of self-regulation. Section 4(b) sounds so much like long term care because it essentially states that the insurer can change the rates at any time. Rep. Keiser stated that North Dakota legislators have received so many calls from people who have paid their premiums for so many years and suddenly

their rates tripled, and they cannot afford them. Rep. Keiser asked the panel if they would support the inclusion of an exception to the state guaranty fund. In long term care, when Penn Treaty went down legislators are paying for that because it went to the state guaranty funds with a provision that insurers get credit on their premium taxes which affected state budgets. Rep. Keiser stated that he does not want to be in that position again.

Mr. Jackson stated that different states have and will, regardless of what NCOIL does with this Model, have different filing requirements for rates and forms. Florida has exempted flood rates from the prior approval statute for several years but the rates are still subject to the same standards that have been in effect for all insurance rates and the Commissioner has the authority to act if he or she finds that those rates do not meet those standards. There has been no indication that Commissioner Altmaier's office, or other states that have provided flexibility on rates, have seen problems and felt like they needed to roll the flexibility back though certainly they can do so if problems developed.

Mr. Birnbaum stated that the Model does not completely de-regulate rates as it has a use and file provision. CEJ suggests that it become a file and use provision, but it nevertheless authorizes the Commissioner to review the rates and make decisions although it does not speak to what happens if the Commissioner finds a problem. Regarding guaranty fund coverage, long term care is covered by the guaranty fund, but flood insurance issued by a surplus lines brokers wouldn't be because they are not members of the guaranty fund. If there is a concern, and it is reasonable to have one because we are talking about a catastrophic risk that can wipe out a small carrier in a major event, then the Committee may want to start thinking about ways to incorporate this into a guaranty fund framework or do what Florida does as they have an alternative to a guaranty fund for some of the surplus line business.

Rep. Keiser stated that as he understands it the Model would expand coverage options from the surplus lines to the P&C market. Mr. Birnbaum stated that an admitted carrier has always been able to offer flood if they wanted to, as have surplus lines writers. The intent of the Model is to prod both admitted carriers and surplus lines writers to offer more private flood. What we have seen is that the bulk of the new coverage, at least on the residential side, is being written by surplus lines because there is less oversight of rates and forms. The Model does not change that particularly but the theory that insurers offer is that once they get to know the business through the surplus lines market then it will migrate to the admitted market. It is not clear if that is factual, but the bottom line is that there is a need for sales of private flood and that is what the Model is trying to get at. Mr. Birnbaum stated that it is a small step but one that CEJ supports – CEJ would rather see a broader proposal.

Rep. Matt Lehman (IN) – NCOIL Vice President – stated that he believes the Model is a broad work in progress and it is something that the Committee needs to get right as it is a big issue facing the agent community, the insurers and on a larger scale, the banks. Rep. Lehman stated that he hopes the Committee can continue to make progress with the Model because as with other coverages, the true solution is the standard market stepping in with a solution. The surplus lines market has its role but ultimately as more data comes forward the goal should be figuring out how to make this product affordable in a standard homeowner's policy.

LESSONS IN NATURAL DISASTER RECOVERY

Michael Hecht, President & CEO of Greater New Orleans, Inc. (GNO), stated that the Coalition for Sustainable Flood Insurance (Coalition) is something that was started in 2013 after Biggert-Waters was instituted with best intentions but many unintended consequences came out of it. It started because there were individuals in the New Orleans region who saw their insurance increase from \$300 per year to over \$10,000 per year for properties that never flooded. The implications for not just the homeowners but for the entire economy was awful. The Coalition ended up growing and eventually encompassed over 250 organizations across 35 states.

Led by GNO, and in partnership with the Delegation, the Coalition succeeded in passing the Homeowner Flood Insurance Affordability Act of 2014 (HFIA). The catalyst was really Hurricane Sandy as when Wall Street flooded it was then perceived as not just a problem in Louisiana but something that was a national issue. HFIA was celebrated as a victory but it really only got things back to pre-Biggert-Waters. Mr. Hecht stated that flood insurance is important because wherever it rains, flooding can occur. Accordingly, the insurance gap makes no sense and it is something that where folks who do not have flood insurance are socializing it on everyone else and that is not efficient from an economic or philosophical standpoint. Whether you want to use the words climate change, the reality is undeniable as volatile weather is increasing.

Mr. Hecht stated that one of the issues that has been difficult to explain to people, particularly in New Orleans, is that this is not just an issue of people owning their beach homes and wanting to get them rebuilt when the carpeting gets wet. The reality is that the reason why New Orleans is there and the reason why one third of the country was purchased for a very good price is because being by the water is essential for commerce and defense. If you look at the numbers, the majority of the country lives by the water and the numbers will only increase. Coastal areas have a GDP of \$11 trillion - 57% of the total U.S. GDP. Accordingly, living and being sustainable by the water is not a luxury or vacation issue but rather fundamental to the economic and security future of the nation.

Mr. Hecht stated that people do not have flood insurance because they do not think they are going to flood; a moral hazard situation of being bailed out by FEMA/the federal government; or they might simply have bad information. For all of those reasons, there has been inadequate coverage and it is an inefficient way of addressing the increasing risk of flood. Mr. Hecht stated that the Coalition believes the following key principles are critical to sustainable flood insurance (RAMP): Risk Assessment – Enhancing the way we assess and communicate risk will protect communities and the NFIP over the long-term and help to close America's flood insurance gap. Congress and FEMA should use state of the art technology to accurately and simply communicate flood risk; Affordability – Premiums must remain affordable, and people who played by the rules at the time they built or bought their flood policy should not be penalized; Mitigation – A comprehensive approach to reducing flood losses before a disaster occurs is a more effective means to reducing economic loss and protecting taxpayers interests. Federal, state, and local governments should prioritize investments in mitigation, as should home and business owners; and Participation – Adopting policies that encourage more people to carry flood insurance will ensure a greater understanding of flood risk and that individuals and communities recover more quickly and fully following a flood event.

Mr. Hecht stated that progress has been made on each of those principles. The Disaster Recovery Reform Act of 2018 was signed into law making numerous investments in mitigation and disaster recovery, including addressing the duplication of benefits issue. FEMA should also be applauded for announcing its moonshot goals of doubling coverage and quadrupling investments in mitigation by 2022. Regarding risk assessment, the Coalition encourages all of the elements, including laser technology, to better communicate risk to individuals, communities and insurance companies. The risk rating 2.0 that is now being delayed another year by FEMA in theory fulfills this promise, but the devil is in the details. Now that we will be considering not just base flood elevation but also the threat of water above and the proximity to water, you have to have better accuracy as well.

Regarding affordability, grandfathering must be preserved. If someone moved into their house and bought the asset with a certain expectation of what they carry in costs for that home, including insurance costs, it does not make sense to blow them out of the water if that homeowner has done nothing wrong. That will only precipitate a domino effect in the community. To help with this you can allow for monthly payments of premiums, and formalize a 1% cost ratio that says premiums would be capped at 1% of the value of the policy. Affordability is going to end up being non-negotiable because ultimately it is a pocketbook issue. Bigger-Waters got turned back not because of ideology or philosophy but because of affordability.

Mitigation needs to occur at an increasing rate. A revolving loan fund needs to be established for mitigation and it is strongly encouraged to take the interest that is now being paid on NFIP's debt and put that into a mitigation fund. It is also suggested that the maximum increased cost of compliance coverage payment be increased from \$30,000 to \$100,000, and that people should be encouraged to take steps to mitigate in the first place so that they will not be in a position to file claims. Regarding participation, the trends are troubling regarding decreased participation in the flood insurance market. The Coalition has thought about ways to improve participation such as mandates, but people generally hate mandates. Accordingly, it may be better to offer a tax credit for flood insurance premiums so that people will have a proactive reason to purchase it. The numbers are still being crunched on that to determine if it will end up being a net-positive to Treasury.

Mr. Hecht stated that the Coalition wants to continue to develop a bipartisan, common sense approach to fixing an issue that is only going to become more intense going forward, and do it in a way that preserves people in their homes and ensures the ongoing sustainability of the NFIP. This is not going to happen overnight, but the problems are solvable.

Rep. Keiser stated that the number of homes in flood plains not being covered is a problem but noted that it is important to look at the flood insurance plan. In states like North Dakota, which floods a lot, homes are built with basements and people live in them. That part of the structure is not covered by flood insurance although the furnace and water heater are. Therefore, it becomes a cost-benefit analysis and in some respects, people are making good decisions to not purchase flood insurance.

ADJOURNMENT

There being no further business, the Committee adjourned at 11:00 a.m.