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National Flood Insurance Program  
(NFIP)  
NAREIT Insurance Committee Update

March 30-April 1, 2016

# ***National Flood Insurance Program (NFIP)***

## ***2016 Issues***

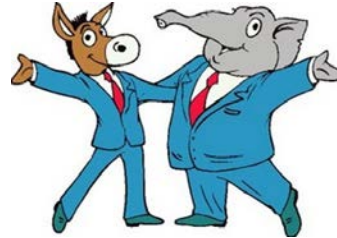


- ◆ NFIP Must be Reauthorized in 2017; expires September 30, 2017
- ◆ *The Flood Insurance Market Parity and Modernization Act* (H.R. 2901) unanimously passed the House Financial Services Committee on March 2, 2016
- ◆ Greater Concern in Scientific Community about Rising Sea Levels and their Implications

# *The Flood Insurance Market Parity and Modernization Act (HR 2901)*



- ◆ Its Bipartisan! Passed the House Financial Services Committee on March 2, 2016 by a 53-0 vote



- ◆ Sponsored by Reps. Dennis Ross (R-Fla) and Patrick Murphy (D-FI) with full backing of Committee Chair Jeb Hensarling (R-TX) and Ranking Member Maxine Waters (D-CA)

# *The Flood Insurance Market Parity and Modernization Act (HR 2901)*



- ◆ Intended to help facilitate the development of a private and competitive insurance market for flood insurance
- ◆ Strongly supported by insurance, banking, mortgage banking , property and financial services stakeholders, including *American Insurance Association, American Bankers Association, Mortgage Bankers Association, NAIC, Financial Services Roundtable, Property Casualty Insurance Association of America, National Association of Home Builders*
- ◆ Senate Companion Bill (S. 1679) has been introduced by Senator Dean Heller (R-NV).

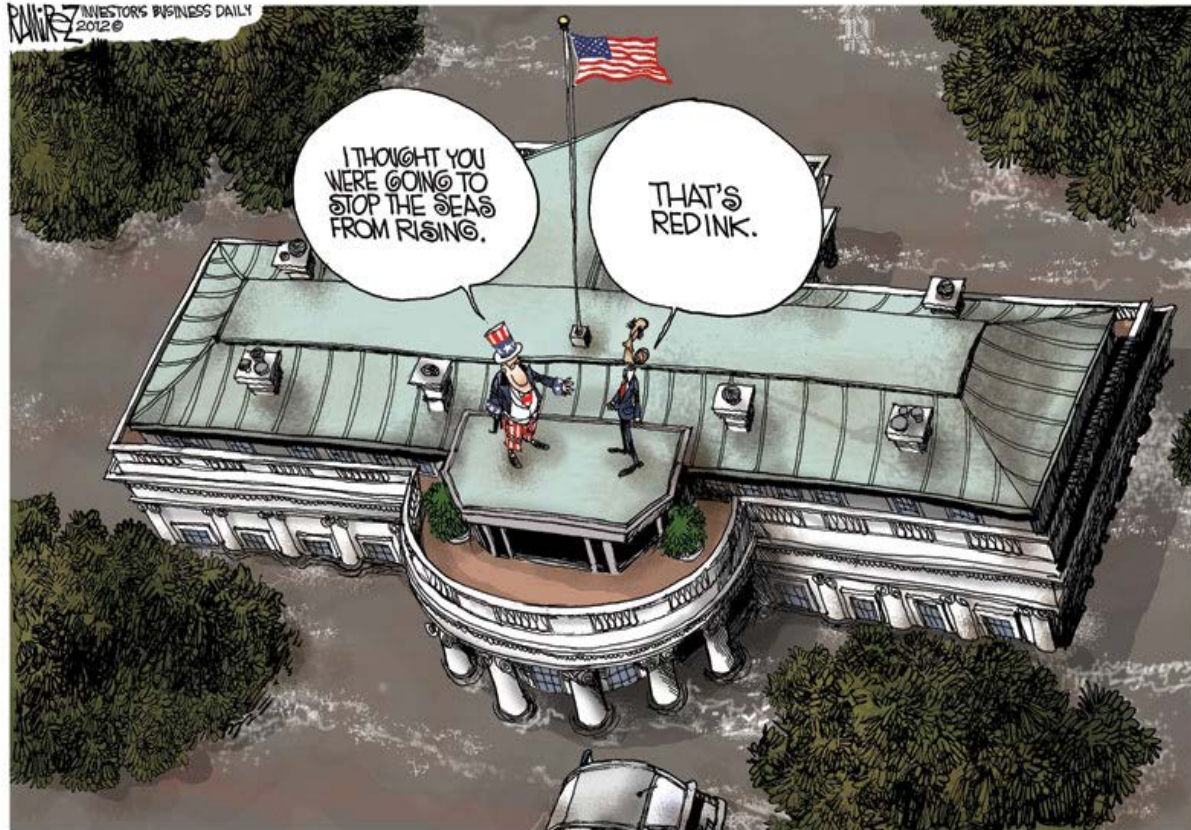
# *The Flood Insurance Market Parity and Modernization Act (HR 2901)*



## **What does it do?**

- ◆ Clarifies that flood insurance offered by a private carrier outside of the NFIP can satisfy the Flood Disaster Protection Act's mandatory purchase requirement
- ◆ Defines acceptable private flood insurance as a policy providing flood insurance coverage issued by an insurance company that is licensed, admitted, or otherwise approved to engage in the business of insurance in the state or jurisdiction in which the insured property is located.

# NFIP 2017 Reauthorization



# *NFIP 2017 Reauthorization: Issues*



- ◆ NFIP is INSOLVENT: FEMA Owes Treasury More than \$20 billion!
- ◆ Flood Risks Are Increasing!
- ◆ Everyone Agrees Reforms Are Needed; Everyone Does not Agree WHICH REFORMS are needed!
- ◆ Conflicting Goals: Cost Containment and Program Expansion

# *Flood Risks Are Increasing*







## *Increasing Flood Risks Agreement that Sea Levels are Rising Disagreement on Rate of Change*

- ◆ Intergovernmental Panel on Climate Change: More than three feet by the end of this century;
- ◆ United States Army Corps of Engineers: 5 feet by end of century;
- ◆ National Oceanic and Atmospheric Administration: Up to 6 ½ feet by end of century.



# ***NFIP 2017 Reauthorization Program Issues***



- ◆ Increasing Affordability and Reducing Subsidies: Difficult to do both!
- ◆ Improve FEMA Management and Prioritization: Easier said than done!
- ◆ Improve Prognostication and Communication of Risk
- ◆ Improve Flood Map Accuracy
- ◆ Expand Federal Risk Mitigation Programs
- ◆ Expand Property Owner Risk Mitigation Incentives
- ◆ Expand NFIP Coverage, e.g., business Interruption coverage, etc.
- ◆ Expand Commercial Property Owner Access to Federal Funding and Programs!!



# *NFIP 2017 Reauthorization Capital Market Options*



- ◆ Promote Greater Private Reinsurance Market Activity?
- ◆ Promote Catastrophe Bond Market Activity?



# *The Future of the NFIP?*



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## *Stay Tuned*

