



Help Protect Your Constituents Through Flood Insurance

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What Agents Do

Insurance agents play a vital role in serving the flood insurance needs of consumers. PIA agents help consumers better understand the National Flood Insurance Program (NFIP), an essential and often misunderstood program. Agents are often the face of the NFIP for consumers, and agents are the first people policyholders turn to when they have questions about their policies, when they want clarity on how to file a claim, and when they need to understand how to purchase the coverage that's right for them. PIA supports the NFIP; in collaboration with our members, it provides critical support to those affected by floods.

The Issue: Ensuring a Stable and Efficient Program

The NFIP debt of \$24 billion puts the future of the program at risk and is primarily the result of two extraordinary mega-events, 2005's Hurricane Katrina and 2012's Superstorm Sandy. Risk-based rates have never been charged universally to NFIP consumers, because the NFIP was created at a time when flood insurance was not only unaffordable but unavailable. The NFIP has subsidized some flood insurance policyholders since its inception. However, because of the increased availability of flood insurance and the program's mounting debt, risk-based rates are now all but essential for putting the NFIP on the path to fiscal stability.

However, they must be implemented gradually over time with clear and frequent communication from the Federal Emergency Management Agency (FEMA), the agency that oversees the NFIP. Otherwise, consumers will be left bewildered by sudden increases in their premiums. PIA continues to support the engagement of private sector insurers in offering flood insurance policies and endorsement coverages. Opportunities for private sector flood insurers are better now than they have been in the past. However, the private flood insurance market is in need of legislative solutions to create sensible options for it to grow.

How You Can Help

- ✓ **SUPPORT** a reauthorization of the NFIP that:
 - Recognizes the *key role* that agents—the NFIP sales force—plays in delivering the program.
 - Institutes the *gradual implementation of risk-based rates*.
 - Is *long-term* and allows changes to be communicated in a timely way to agents and consumers.
 - Includes the continued *grandfathering of rates* so that properties can be transferred between owners without coverage disruption or surprise.
 - To encourage expansion of the private market, support the inclusion of legislation, **the Flood Insurance Market Parity and Modernization Act** (H.R. 1422/S. 563), in the broader reauthorization of the NFIP.
 - **The Flood Insurance Market Parity and Modernization Act** will clarify issues from 2012's Biggert-Waters that have prompted lenders not to accept private flood legislation as fulfillment of the mandatory purchase requirement. This bill simply clears up the confusion so lenders will accept such policies, and the bill ensures that private flood insurance can be used to satisfy the NFIP's continuous coverage requirement, an essential aspect of ensuring policyholders are not penalized for moving from one category of policy to another.

- ✓ **OPPOSE** attempts to cut or cap agent commissions in NFIP reauthorization:
 - Agents play a crucial role in explaining this confusing program and servicing their clients during the sale and the stressful aftermath of a flood event.
 - Cutting commissions will lead to an exodus of the agent salesforce, decreasing the number of flood policies sold, when one of Congress's goals should be to increase the take-up rate for flood insurance policies.
 - *PIA opposes the House Financial Services Committee-passed legislation* that cuts the Write Your Own (WYO) reimbursement rate from 30.9 percent to 27.9 percent, as the entire cut will be passed on to agents from WYO insurance carriers.
 - While we oppose any cut to the WYO reimbursement rate, if one is made, it must include a robust agent commission protection so agents don't bear the brunt of the cut.



National Association of Professional Insurance Agents
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