National Flood Insurance Program
Reauthorization and Reforms
prior to September 30, 2017 expiration
Introduction

Congress must tackle how and when to reauthorize the National Flood Insurance Program (NFIP), which expires in September 2017. This eBook provides an overview to help WYO carriers and insurance agents understand the NFIP reauthorization process and potential impact if the program is not reauthorized.
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Aon National Flood Services supports FEMA’s charge to increase flood insurance coverage so that Americans can recover more quickly and fully after flood events.

Louis Hobson
CEO, Aon National Flood Services
What is NFIP reauthorization?
The National Flood Insurance Program (NFIP) is promulgated by law and authorized by Congress and the President. The current authority for the NFIP expires at midnight on September 30, 2017.

To ensure that NFIP flood insurance continues to be made available for property owners and buyers, it is critical that the NFIP be reauthorized before the end of September. An on-time and long-term reauthorization is important for the stability of the insurance, real estate and mortgage marketplace.

Who are the key decision makers?
The House Financial Services Committee (HFSC) and the Senate Committee on Banking, Housing and Urban Affairs (SBC) are the committees responsible for oversight of the NFIP and will be leading the charge to create the reauthorization bill that the president will ultimately sign.
What to expect before September 30, 2017

What to expect between now and September 30, 2017?

Congressional hearings have already occurred, and it is likely that additional hearings will be scheduled in the coming months. It is anticipated that the House Financial Services Committee (HFSC) will release a draft bill during the second quarter of 2017, with full committee mark-up to follow. The Senate and the Senate Banking Committee (SBC) have a number of other initiatives in play and appear to be waiting for the House to release a draft bill.

What happens if the NFIP authority expires on September 30, 2017?

If the NFIP authority isn’t fully reauthorized on or before September 30, 2017, no NFIP flood insurer can issue new policies, renewal policies or coverage increases on in-force policies as of October 1, 2017.

Should a lapse of the NFIP authority occur, Aon National Flood Services will operate in compliance with all FEMA and NFIP directives and/or guidance, and will provide necessary information and direction to our WYO clients.
An historical look at NFIP reauthorization

Last time around: Between 2008 and 2012 the NFIP authority was extended through 14 extensions, with extensions lasting as few as five days on up to 365 days.

In addition, NFIP authority lapsed five times ranging from two to 31 days during which property owners were unable to purchase, renew or make coverage changes to flood insurance; property buyers were unable to close real estate/mortgage transactions on which flood insurance was required.

Although the lapses were ultimately resolved through retroactive reauthorization, they created a major disruption in the market and a great deal of confusion for property owners, agents, realtors and mortgage lenders.
What Agents need to know

Important to note: A lapse in NFIP statutory authority would not impact the ability to pay claims on in-force NFIP flood policies issued on or before September 30, 2017.

In addition, there would be no impact to servicing in-force NFIP flood policies for non-coverage related changes (e.g., mortgagee changes, mailing address changes). However, a lapse would prohibit any coverage increases.
As we learn more about the NFIP reauthorization, Aon National Flood Services will issue addendums and updates to keep you current as Congressional activities unfold.

Additional resources

WYOs and agents should reach out to their corporate government relations team or their industry trade association for additional information about the NFIP reauthorization and work with them to support an on-time reauthorization of the NFIP.
Aon National Flood Services leads the flood insurance industry, serving approximately 60% of the NFIP, based upon policies, premium, and participating carriers. Unmatched in claim handling, NFS has settled 215,000 claims and processed more than $11.2 billion in claims payments over the last decade. In addition to serving the NFIP, comprehensive private flood solutions are available through the NFS subsidiary, Aon NFS Edge Insurance Agency, Inc.