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The background features several realistic water droplets of various sizes, some with highlights and shadows, scattered across the white space. A faint, light-colored circular graphic is centered in the upper half of the page.

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# OVERVIEW

- LEVEL SET – GENERAL PERSPECTIVES OF FLOOD INSURANCE IN GENERAL AND THE NFIP. HISTORY/BASIS FOR THOSE PERSPECTIVES
- KATRINA – PIVOTAL MOMENT OF CHANGE
- CONTENT AND EFFECT OF MAJOR LEGISLATIVE CHANGES – BW12 AND HFIAA
- THE PRIVATE FLOOD INSURANCE MARKET
- 2017 REAUTHORIZATION OF THE NFIP

# GENERAL PERSPECTIVES

- FLOOD LOSS WILL NEVER HAPPEN TO ME.
- FLOOD INSURANCE NOT NEEDED OUTSIDE THE “FLOOD PLAIN”.
- FLOOD INSURANCE ONLY AVAILABLE THROUGH THE US GOVERNMENT AND FUNDED BY THE US TAXPAYER.
- FEMA PRICING AND MAP ACCURACY
  - INDUSTRY - PRIVATE MARKET CANNOT PRICE BELOW NFIP AS NFIP ALREADY UNDERPRICED.
  - CONSUMER – I ONLY HAVE THE PRODUCT BECAUSE MY LENDER MAKES ME.

# HISTORY – BASIS FOR PERSPECTIVES

- FORMATION AND STRUCTURE OF NFIP
  - FINANCIAL STRUCTURE
  - PRE-FIRM
  - POST-FIRM
  - PARTICIPATING COMMUNITIES
  
- PROGRAM RESULTS 1974 TO 2005

# KATRINA – PIVOTAL MOMENT OF CHANGE

- \$17 BILLION EVENT
- NFIP BORROWED \$17.75 BILLION FROM TREASURY.

# BIGGER WATERS ACT - 2012

- RESULT OF 4 YEARS OF SHORT-TERM REAUTHORIZATIONS AND PROGRAM LAPSES.
- ATTEMPT TO “FIX” NFIP PERMANENTLY IN ONE BILL.
- ELIMINATED PRE-FIRM (“SUBSIDIZED”) RATES
- ELIMINATED GRANDFATHERING
- EXTREME DIRECT AND INDIRECT RESULTS FOR SOME POLICYHOLDERS AND COMMUNITIES
- CREATED OPPORTUNITY FOR PRIVATE MARKET. (PRICING AND REGULATORY 42 U.S.C. 4012A)

# SUPERSTORM SANDY – OCTOBER 2012

- SANDY OCCURRED AFTER BW12
- \$9 BILLION EVENT
- \$60 BILLION IN PUBLIC DISASTER ASSISTANCE
- NFIP BORROWED \$6.25 BILLION FROM TREASURY. TOTAL DEBT \$24 BILLION AS OF 3/31/2014.



# HFIAA - 2014

- REPEALED THE MOST HARMFUL PROVISIONS OF BW12
  - “SUBSIDIZED” RATES TO BE REMOVED OVER TIME RATHER THAN ALL AT ONCE.
  - “GRANDFATHERING” WILL CONTINUE.
  - NEW SURCHARGE APPLIED TO EACH POLICY
    - \$25 PER POLICY FOR PRIMARY RESIDENCES.
    - \$250 PER POLICY FOR ALL OTHER POLICIES.
- RESTORED STABILITY TO THE MARKETS.

# CREATION OF THE PRIVATE FLOOD MARKET

- BW12 – REGULATORY AND PRICING CHANGE
- TECHNOLOGY – DEVELOPMENT OF RISK MODELS
- EXCESS CAPITAL IN REINSURANCE MARKETS
- NFIP PRICING AND UNDERWRITING INEFFICIENCIES
  - POLITICS IN NFIP PRICING (PENALTIES & TAXES)
  - “SOCIAL PROGRAM” NATURE OF NFIP – TAKE ALL COMERS
  - BINARY NATURE OF FLOOD MAPS

# CURRENT PRIVATE FLOOD MARKET

- LESS THAN 1% MARKET SHARE, BUT GROWING. LONDON IS COMMITTED.
- MORE EFFICIENT UNDERWRITING AND PRICING
- BETTER COVERAGE
- SOME BARRIERS REMAIN (MARKET PARITY)

# FUTURE FOR PRIVATE FLOOD AND NFIP

- MARKET PARITY AND MODERNIZATION ACT (ROSS-CASTOR/TESTER-HELLER)
- LENDER ACCEPTANCE CLARIFIED
- NFIP MAY BECOME RESIDUAL MARKET DUE TO SOCIAL ASPECTS OF PROGRAM
  - ACCEPTING PRIOR LOSSES
  - GRANDFATHERING
  - TAXATION AND DEBT SERVICE
- NFIP MAY NOT BECOME RESIDUAL MARKET AS IT IS INNOVATING.

# NFIP REAUTHORIZATION

- HOUSE PROPOSALS
- SENATE PROPOSALS
- CURRENT EVENTS/PROJECTED TIMELINES