



REINSURANCE ASSOCIATION OF AMERICA

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Chairman Tim Johnson
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Johnson:

The Reinsurance Association of America strongly supports the “Flood Insurance Reform and Modernization Act of 2011.” The legislation will ensure the National Flood Insurance Program (NFIP) can continue to provide needed flood insurance coverage to homeowners living in flood-prone regions, while at the same time protecting U.S. taxpayers.

The RAA supports many of the bill’s provisions, but our letter today focuses on Section 135 – Reinsurance. We believe the NFIP can address its volatility and extreme event exposure and reduce the dependence of the Program on taxpayers and Federal debt through risk transfer to reinsurance and capital market providers. Both markets have significant capacity and an appetite to assume flood risk.

The legislation’s language makes it clear the FEMA Director has the authority to utilize private reinsurance to minimize the burden on American taxpayers. The RAA applauds you for including provisions that direct FEMA to report to Congress an assessment of the capacity and pricing of the private reinsurance, capital markets, and financial markets by requesting proposals from those markets to assume a portion of the program’s risk. This will allow NFIP to work with modelers, underwriters and/or brokers to provide the market with an evaluation of its risk portfolio, determine what types of risk in the NFIP are amenable to risk transfer and then if they choose to, find and secure coverage in the private sector. Importantly, the legislation would also allow FEMA to develop a protocol for the release of NFIP data to the private sector, that includes adequate privacy protections, so that an adequate risk assessment can be conducted in developing these proposals.

We applaud your commitment to reforming the NFIP and for including provisions that enhance NFIP’s ability to explore approaches to reduce taxpayer exposure by shifting the risk of loss to the private reinsurance and capital markets. We look forward to working with you on this critical issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Franklin W. Nutter', with a horizontal line extending to the right.

Franklin W. Nutter
President