



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 27, 2014
(Senate)

STATEMENT OF ADMINISTRATION POLICY

S. 1926 – Homeowner Flood Insurance Affordability Act of 2014 and National Association of Registered Agents and Brokers Reform Act of 2014

(Sen. Menendez, D-NJ, and 3 cosponsors)

The National Flood Insurance Program (NFIP) provides a valuable public service by making flood insurance available to homeowners, renters, and business owners in communities across the Nation. In exchange, communities participating in the NFIP must adopt and enforce appropriate floodplain management measures to mitigate future flood damage. The Biggert-Waters Flood Insurance Reform Act of 2012 requires the NFIP to set premium rates for properties to reflect true flood risk in order to make the program more financially stable. The Administration strongly supports a phased transition to actuarially sound flood insurance rates, as provided for by that Act, in order to enable policyholders and communities to adjust to risk-based premiums. Transitioning to actuarially sound rates will help ensure that the NFIP has adequate resources to pay policyholders' future claims without increasing the program's debt levels.

Title I of S. 1926 would delay implementation of provisions of the Biggert-Waters Flood Insurance Reform Act of 2012 that require the Federal Emergency Management Agency (FEMA) to move to full risk-based premium rates for certain properties. Delaying implementation of these reforms would further erode the financial position of the NFIP, which is already \$24 billion in debt. This delay would also reduce FEMA's ability to pay future claims made by all policyholders. FEMA is working diligently with the National Academy of Sciences to conduct a study on insurance affordability for economically distressed policyholders pursuant to the Biggert-Waters Flood Insurance Reform Act of 2012. The Administration recognizes that many policyholders may be challenged financially by the new rates and remains committed to working with the Congress to develop approaches that ensure economically distressed policyholders are not unduly burdened while maintaining the financial stability of the NFIP.

The Administration supports the policy goals of Title II of S. 1926, which would establish a National Association of Registered Agents and Brokers (NARAB) as a mechanism for individuals and companies that sell insurance to be licensed to sell insurance in States other than their home State without having to be separately licensed in each State.

The Administration, however, is concerned that the bill provides a process for conducting criminal history records checks on individuals applying to become members of NARAB that is inconsistent with the normal process the FBI uses to conduct thousands of such background checks. The Administration believes the bill can be made consistent with current law in order to assure the benefits of an efficient and effective established process. In addition, the Administration has constitutional concerns with the requirement that the President reserve eight of the thirteen positions on the NARAB Board of Directors for State insurance commissioners, which appears to significantly constrict the pool of individuals from which the President would

be able to make those eight nominations. This restriction appears to impermissibly limit the scope of the President's appointment power. The Administration recommends that this requirement be amended to expand the size of the pool of potential appointees.

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