

NAR Committee:

Insurance Committee

What is the fundamental issue?

Congress must remove federal regulatory barriers to more affordable private flood insurance options.

I am a real estate professional. What does this mean for my business?

According to NAR research, approximately 40,000 property sales each month depend on flood insurance. While the National Flood Insurance Program (NFIP) was the only source for this insurance for many years, the private market is now offering the same or better coverage at lower cost in many parts of the country. In addition, private flood insurance is not affected by NFIP lapses which could offer additional options to consumers especially where flood insurance is required for a mortgage.

NAR Policy:

Supports:

- Development of private market options where cost-effective, provided the NFIP remains a viable option for property owners.
- Expanding the NFIP's definition of continuous coverage to include policies held under either NFIP or private flood insurance.
- Removing duplicative, overlapping, or unnecessary federal requirements for private flood insurers already licensed and regulated by states.
- Maintaining federal mortgage regulatory authority to set standards for the financial strength of private flood insurers.

Opposition Arguments:

Opponents warn that the private market will "cherry pick" the best risks and leave the worst to the National Flood Insurance Program (NFIP). However, private market supporters counter that there are no "cherries" in the NFIP and many of its "prunes" are obtaining more affordable coverage in the private market as well.

Legislative/Regulatory Status/Outlook

Most federal agencies have taken steps to expand access to private flood insurance.

- **January 24, 2019:** Federal lending regulators issued final rules requiring lenders to accept private flood insurance policies that meet the definition under the Biggert-Waters Flood Insurance Reform Act of 2012. The rules also clarify that lenders may accept policies that don't meet the definition, provided

Insurance / Private Flood Insurance Options

they offer sufficient protection and comply with safety and soundness standards.

- **November 21, 2022:** HUD issued a final rule allowing lenders to accept private flood insurance for FHA-insured mortgages in Special Flood Hazard Areas. However, these policies must meet the same strict definition under Biggert-Waters.

However, key challenges remain. FEMA's continuous coverage rules exclude most private policies, discouraging NFIP policyholders from exploring private alternatives—even when those policies offer equal or better coverage. Leaving the program, even temporarily, can result in losing subsidized rates and returning at full-risk pricing.

NAR will continue working to improve access to private flood insurance and address these issues as part of broader NFIP reform legislation.

Current Legislation/Regulation (bill number or regulation)

Congressional authorizing committees have not introduced legislation at this time.

Legislative Contact(s):

Austin Perez, aperez@nar.realtor, 202-383-1046

Regulatory Contact(s):

Austin Perez, aperez@nar.realtor, 202-383-1046