



Property Casualty Insurers  
Association of America

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## STATEMENT

### PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

#### S.B. No. 265 – AN ACT CONCERNING LIMITS ON FLOOD INSURANCE POLICIES

#### COMMITTEE ON PLANNING AND DEVELOPMENT

March 7, 2014

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on Senate Bill No. 265. PCI is a national property casualty trade association comprised of over 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. Our members include more than two-thirds of the insurers that partner with the National Flood Insurance Program (NFIP) through the "write your own" (WYO) program to sell, service and administer this federal program.

S.B. 265 would prohibit mortgage lenders from requiring homeowners to purchase flood insurance in an amount that exceeds the amount of the mortgage loan. While this bill is well intentioned and PCI understands the desire to reduce flood insurance costs, lowering consumer flood insurance costs by limiting the amount of insurance purchased, does nothing to impact the cost of the flood insurance itself. The likely impact of this bill is that Connecticut homeowners may not secure adequate levels of flood insurance coverage which will likely result in significant hardship in the event of a catastrophic flood loss.

Additionally, if this bill were passed, consumers may be misled to believe that they have secured sufficient flood coverage since they have purchased the amount required by their mortgage lenders. Some important lessons which were highlighted as a result of Storm Sandy are that not enough consumers purchase flood insurance and that consumers are often unfamiliar with the provisions of their NFIP policies. This bill would take Connecticut in the wrong direction with regard to both of these lessons because it would likely result in Connecticut homeowners being underinsured, while potentially not fully understanding this important fact.

Flood insurance affordability issues are currently being debated in Congress and PCI would submit that this issue will most appropriately be dealt with on the Federal level since the NFIP is a Federal program. PCI believes that a financially sound National Flood Insurance Program (NFIP) is critical for the 5.6 million Americans who have come to rely on the important protection provided by this program. Therefore, we respectfully suggest that if Connecticut seeks to take action in this area, it should be to ask members of Congress to find and develop a bi-partisan, targeted solution to the problems caused by the implementation of the Biggert-Waters Flood Insurance Reform Act of 2012 that is carefully

constructed so that NFIP flood insurance policy purchasers in Connecticut do not experience additional unintended consequences.

For all of the foregoing reasons, PCI urges the committee NOT to advance this bill.