

FOR IMMEDIATE RELEASE

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FOR FURTHER INFORMATION

Barbara W. Carroll
202-783-8390; carroll@reinsurance.org

**RAA/ABIR SUPPORT PRIVATIZING OPTIONS FOR THE NATIONAL FLOOD
INSURANCE PROGRAM**

Washington, D.C. — In a public forum hosted today by the Federal Emergency Management Agency (FEMA) on reforming the National Flood Insurance Program (NFIP), Frank Nutter, president of the Reinsurance Association of America said, “On a number of levels, there is a strong case to be made for privatizing the NFIP. Private (re)insurers and capital markets have the capacity and interest in underwriting flood insurance risk, and that has real upside for the American taxpayers who ultimately bear the costs of the current program.” “A guiding principle of the NFIP,” he went on to say, “should be to protect the American taxpayer.”

Brad Kading, president and executive director of the Association of Bermuda Insurers and Reinsurers (ABIR) also noted, “Private insurance and reinsurance sends important signals to consumers about risk since prices are based on the risk transferred. Thus incentives are created to preserve environmentally sensitive land from development; to promote storm proofing and risk mitigation by property owners; and to protect coastal wetlands as important hurricane damage buffers that further keep people and their property safe.”

Both Mr. Nutter and Mr. Kading suggested a number of options that could be considered for privatizing all or part of the NFIP:

- The private (re)insurance sector could assume flood risk over time and eliminate or greatly reduce the federal role for providing insurance if insurers could be encouraged to underwrite flood policies as part of standard homeowners’ policies and allowed to charge actuarially sound, risk-based rates that reflect the true cost of capital;
- Insurers should be incented to assume NFIP policies;

- Private sector flood coverage should be exempt from state rate regulation, or alternatively, federal law should authorize competitive use and file rating rules for federally-determined flood risk coverage;
- A consortium of private sector underwriters supported by private reinsurance;
- Utilize the NFIP as an aggregator or risk—at risk-based rates—with a defined strategy to spread the risk to the private reinsurance and capital markets.

Concluding their remarks, Mr. Nutter and Mr. Kading expressed their ongoing commitment to exploring the options for privatizing the NFIP and other ideas to enable private sector participation.

The Reinsurance Association of America (RAA) is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross-border basis. The RAA represents its members before state, federal and international bodies.

The Association of Bermuda Insurers and Reinsurers (ABIR) represents 22 (re)insurers with principal underwriting operations in Bermuda. These companies write about 40% of the property catastrophe reinsurance sold to U.S. ceding insurers, and collectively, they have paid nearly \$30 billion in U.S. catastrophe claims this decade.

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