

H.R. 1422, the “Flood Insurance Market Parity and Modernization Act”
Section-by-Section Summary
June 14, 2017

SEC. 1 SHORT TITLE.

This Act may be cited as the “Flood Insurance Market Parity and Modernization Act”.

SEC. 2 PRIVATE FLOOD INSURANCE.

Updates current law to reinforce and strengthen requirements that flood insurance provided by private sector insurance carriers shall be accepted and considered similar to those policies offered by the National Flood Insurance Program (NFIP), provided certain conditions are met. Strikes and restates, in part, the current statute with updated language to reflect the recognition of flood policies offered by the NFIP and the private flood insurance market. Identical to current law, restates the mandatory insurance requirement that any building, mobile home or personal property that would be financed by a federally-backed mortgage must have flood insurance if the property is located in an area designated as a special flood hazard.

Clarifies that the coverage amount of flood insurance provided under either a Federal or private policy must be at least equal to the lesser of: the development or project cost of the building, mobile home, or personal property (less estimated land cost); the outstanding principal balance of the federally insured loan secured by the property; or the maximum limit of Federal flood insurance coverage made available with respect to the particular type of property. If the financial assistance provided is in the form of a loan or an insurance or guaranty of a loan, the amount of required flood insurance need not exceed the outstanding principal balance of the loan and need not be required beyond the term of the loan.

Consistent with current law, Federal banking regulators are required to instruct, by regulation, that regulated institutions not make loans secured by real property located in flood zones unless the property is covered by “flood insurance” (Federal or private). This section clarifies that each Federal banking regulator must require regulated financial institutions to accept Federal (National Flood Insurance Program) and private flood insurance as satisfaction of the flood insurance coverage requirement.

Updates current law to require the Government Sponsored Enterprises (GSEs), known as the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, to require flood insurance for any real estate or mobile home located in a special flood hazard area and purchased or guaranteed by such entity. This section would also add a new requirement that GSEs accept Federal (National

Flood Insurance Program) and private flood insurance as satisfaction of the mandatory flood insurance coverage requirement, provided that the flood insurance coverage meets the requirements under this bill and any requirements established by the Federal National Mortgage Association or the Federal Home Loan Corporation relating to the financial strength of such private insurance companies. Such requirements developed by the GSEs shall not affect or conflict with any state law, regulation, or procedure concerning the regulation of the business of insurance.

Defines flood insurance as either “Federal flood insurance” or “private flood insurance.” “Federal flood insurance” is defined as a policy available through the NFIP. “Private flood insurance” is defined as a flood insurance policy that is issued by a state-licensed insurer, or a non-admitted insurer that is not disapproved by the state as a surplus lines insurer, and that complies with the laws and regulations of the state in which the insured property is located. The term “State” means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Northern Mariana Islands, the Virgin Islands, and American Samoa.

Clarifies that the Administrator of the Federal Emergency Management Agency shall consider any period during which a property was continuously covered by private flood insurance to be a period of continuous coverage.