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VIA ELECTRONIC MAIL

December 4, 2013

Gerard Poliquin
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428.

RE: RAA Comments on "Loans in Areas Having Special Flood Hazards."
RIN 3133-AE18

Dear Mr. Poliquin:

The Reinsurance Association of America (RAA) is pleased to provide input to the Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, Farm Credit Administration and National Credit Union Administration (collectively the "Agencies") with respect to the proposed regulations intended to implement sections 100209, 100239, and 100244 of the Biggert-Waters Flood Insurance Reform Act of 2102 (BW-12). Our comments focus on section 100239 relating to the acceptance of private flood insurance coverage.

The RAA is a national trade association representing reinsurance companies 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.

Reinsurance is essentially insurance for insurance companies. It is a risk management tool for insurance companies to reduce the volatility in their insurance portfolios and improve their financial performance and security. Reinsurance is also the primary mechanism for spreading risk globally, thereby accessing a greater pool of capital to pay for the inevitable catastrophic losses.

Reinsurers believe the private sector can and should assume more risk of insured losses arising from flood disasters. Reinsurers are willing to offer catastrophe reinsurance options to the National Flood Insurance Program (NFIP) and private insurers voluntarily writing flood coverage to help them manage their exposure to flood insurance losses.

Streamlined, lender due diligence safe-harbor

With regard to the proposed regulations, the RAA is pleased that the Agencies have created a streamlined, lender due diligence safe-harbor provision that will facilitated lender acceptance of flood insurance provided by private insurers.

Under the proposal, lenders may rely upon a written determination by a state insurance regulator that a flood insurance policy issued by a private insurer meets the BW-12 requirements for "private flood insurance."

Unlike mortgage lenders, state insurance regulators have experience in reviewing policy documentation to ensure that the forms comply with applicable laws. By utilizing the experience and skills of state insurance regulators, the streamlined, lender due diligence safe-harbor will facilitate lender acceptance of private flood insurance policies and will remove a potential burden on lenders' mortgage processing operations.

Surplus lines insurance

Generally, there are two types of property and casualty insurers. Admitted insurers file their forms with state insurance regulators. "Surplus" or "excess" lines insurers (collectively, "surplus lines"), who specialize in difficult or hard to place risks, do not file rates with state regulators. The RAA understands that surplus lines insurers write a significant amount flood insurance that provides coverage above the NFIP limits.

Because the safe-harbor provision requires a written determination by a state insurance regulator that the flood insurance policy is acceptable under BW-12, the safe-harbor is not available to an entire subsection of the insurance industry that is actively writing flood insurance.

The lack of a streamlined, due diligence safe-harbor for "private flood insurance" written by surplus lines insurers will limit the development of a private market for flood insurance, frustrating the intent of Congress embodied in BW-12.

The RAA suggest that the Agencies confer with representatives of surplus lines insurers to develop an alternative approach, which may include a self-certification or another process that would facilitate lender acceptance of surplus lines flood insurance written in accordance with applicable state regulations.

Conclusion

Natural catastrophe insurance, including flood insurance, can and should be written voluntarily in the private market. The use of private capital will protect consumers, taxpayers, and communities, while spreading risk throughout the globe to insurers and other capital who are willing to assume such risk.

The proposed regulations will promote the use of private flood insurance by easing lender burdens and facilitating their acceptance of qualifying "private flood insurance." By developing a streamlined, due diligence safe-harbor for "private flood insurance" written by surplus lines insurers, the Agencies will remove barriers to private insurer participating in the flood insurance market, thereby fulfilling the intent of Congress.

We thank you for the opportunity to submit these comments.

Respectfully,

Dennis C. Burke
Vice President