



# LEGISLATIVE REPORT

January 2012

## **Congress Extends Flood Insurance until May 31, 2012**

On Dec. 17, 2011, Congress extended National Flood Insurance Program (NFIP) authority through May 31, 2012. This latest extension was a part of H.R. 2055, the so-called megabus conference report combining the remaining nine appropriations bills to fund the federal government for FY2012. NAR is urging Congress to use the additional time to complete work on a 5-year NFIP re-authorization bill (H.R. 1309) to provide certainty and avoid further disruption to real estate markets.

## **Housing Taxed**

The President signed into law legislation that will extend the payroll tax, maintain Medicare payments, and unemployment benefits on the back of the housing sector. Despite NAR's strong opposition to the diversion of housing resources to pay for non-housing uses, increases in Guarantee Fees on Fannie/Freddie mortgages and premium charges for FHA loans are being used to pay for the extensions. These increases will translate into additional costs for housing consumer and will divert fees needed to minimize the loss exposure of the government-sponsored enterprises, investors, and ultimately, the taxpayer.

A link to the letter NAR sent to Senate Majority Leader, Harry Reid (D-NV).

[12.15.11 NAR Letter to Senate Majority Leader Regarding GSE gfee and FHA Premium Increases](#)

## **New HUD Settlement Statement Debuts**

The Consumer Financial Protection Bureau (CFPB) recently unveiled two draft versions of a replacement for the HUD-1 Settlement Statement. Each has a cover sheet that closely resembles the proposed Truth in Lending forms the CFPB has been testing throughout the summer and fall. The next sheets are similar to a conventional HUD-1 with minor variations and imply an intention to continue the policies of the 2009-10 RESPA reform. The industry continues to advocate for changes to rule, including elimination of problematic "tolerances." This is going to be a much more complicated rule-making process than previously thought. CFPB promises to have its draft rule done by its deadline of July 2012.

## **Not Running**

**Reps. Dewey Hill (D-Columbus)** and Phil Haire (D-Jackson) have announced they will not seek additional terms in office. Hill, currently serving his 10th term, says he wants to devote more time to his business and noted that the legislature had met 11 of the 12 months during 2011. Haire told The Sylva Herald this week that he will not seek re-election. He has served seven terms.



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## **NC Homeowner's Insurance Rates**

The following is a portion of a letter written to Senator Harry Brown (R-Onslow County) who is attempting to give legislative relief to coastal homeowners from unfair insurance rates. The letter sent by Cady Thomas of the NCAR government affairs staff, outlines some possible solutions for the legislature when it reconvenes in 2012.

*Senator Brown,*

*Thank you for meeting with several of us after the last Insurance Committee meeting. As we discussed, in 2009 we commissioned an analysis/study of other coastal states and their insurance laws from Dr. Jim Kleckley at ECU. The results of that 2009 analysis are attached for your review. **Please note that we have not confirmed whether or not the states listed have changed their laws since this study was completed.***

*As you will recall, you asked us to put together some ideas of things that may help in NC as well as viable for passage in the NC General Assembly. Unfortunately, the problems with homeowners insurance go far beyond the borders of NC or even the US. We all understand that having insurance available is just as important as affordable insurance. However, the state cannot force insurance companies to write policies in our state. Additionally, we understand the makeup of the General Assembly and the way members are hesitant to change the laws that directly affect rates as they are worried it will increase rates in the rest of the counties.*

*Therefore, we would like to share with you potential ideas for your consideration. Please note that none of these address the rate issue but would likely be helpful. We have not spoken with anyone in the insurance industry to determine their thoughts on the ideas.*

*Potential Ideas:*

1. **Catastrophe Savings Account** - South Carolina did an overhaul of their statutes in 2007 which can be found at the following link: [http://www.scstatehouse.gov/sess117\\_2007-2008/bills/3820.htm](http://www.scstatehouse.gov/sess117_2007-2008/bills/3820.htm). As part of that legislation, they began allowing individual taxpayers to contribute to a Catastrophe Savings Account. The taxpayer is allowed a deduction from state income tax for amounts contributed. This could be an option to save folks a small amount of money in taxes on income that is used towards the protection of their homes from catastrophes.
  - a. Defined as a "regular savings account or money market account established by an insurance policyholder for residential property in this State to cover an insurance deductible under an insurance policy for the taxpayer's legal residence property that covers hurricane, rising floodwaters, or other catastrophic windstorm event damage or by an individual to cover self-insured losses for the taxpayer's legal residence from a hurricane, rising floodwaters, or other



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*catastrophic windstorm event. The account must be labeled as a Catastrophe Savings Account in order to qualify as a Catastrophe Savings Account as defined in this article. A taxpayer shall establish only one Catastrophe Savings Account and shall specify that the purpose of the account is to cover the amount of insurance deductibles and other uninsured portions of risks of loss from hurricane, rising floodwater, or other catastrophic windstorm event.”*

2. **Annual Public Hearing and Legislative Report** - *Additionally, SC implemented a requirement that their equivalent of our Commissioner of insurance hold a public hearing at least once a year in the affected area, to provide the public with information and an opportunity to discuss and offer input concerning the rates, territory, and other pertinent issues regarding the South Carolina Wind and Hail Underwriting Association. Notice of the hearing must appear in newspapers of general circulation within the seacoast area at least thirty days before the hearing. After such hearing, “the director must submit a report to the President Pro Tempore of the Senate and the Speaker of the House of Representatives by no later than January thirty-first of each year regarding the status of the South Carolina Wind and Hail Underwriting Association, including any recommended modifications to statutory or regulatory law regarding the operation of the South Carolina Wind and Hail Underwriting Association and its territory.”*
3. **Consumer Advocate** – *Florida has a consumer advocate who is responsible for communicating and educating insurance consumers on issues of concern such as changes to the rates or rules. The advocate also represents the consumers on regulatory matters and sits on the statutory Boards, Commissions, or Ad Hoc entities related to Florida's insurance markets An overview of this position can be found at the following site: <http://www.myfloridacfo.com/ica/overview.asp>.*
4. **Rate Zone Changes** – *Change our zones to split the true waterfront and more inland areas within a county rather than by county. SC is a good example.*
5. **Mitigation Credits** – *Creating real credits for all mitigation efforts by consumers in the construction of, remodeling, renovation or retrofitting of their structures. Allow for all properties not just residences. The Rate Bureau should also implement something into their modeling which takes into account the stricter building codes already in place in coastal areas. CT, LA, MS and SC all have examples of possible credits.*
6. **Deductible Change** – *Allow one deductible to apply to multiple named storms per year as is done in Louisiana.*  
<http://www.insurancejournal.com/news/southcentral/2009/04/30/100094.htm>
7. **Tax Credits and Grants for Homeowners**
  - a. *Allow tax credits for costs incurred to retrofit or fortify the properties as SC did in their 2007 legislation.*
  - b. *Allow tax credits for low income households as SC does.*
  - c. *Give Grants to low income households for retrofitting like SC.*
  - d. *Give free retrofit inspections for single-family residential structures like in FL.*



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- e. LA report also show some consideration in future:  
[http://www.lldi.louisiana.gov/Documents/Property\\_Casualty/Ins\\_Commission/annual\\_report\\_%202010\\_2011.pdf](http://www.lldi.louisiana.gov/Documents/Property_Casualty/Ins_Commission/annual_report_%202010_2011.pdf).
- 8. Tax Credits and Grants for Insurance Companies**
- a. Allow credits for companies providing full property and casualty coverage that includes wind and hail to insured in coastal areas as done in SC.
  - b. Allow tax credits for companies for new policies written for essential property insurance within the coastal area as Mississippi has allowed.
  - c. Louisiana also created a grant program for companies in HB 678 from 2009 (<http://legis.la.gov/lss/lss.asp?doc=509455>, <http://legis.la.gov/lss/lss.asp?doc=509457>).