As we relayed in our May 24th update, both the National Flood Insurance Program (NFIP) and COBRA benefits subsidies (as well as other programs such as the unemployment benefits extension) are scheduled to expire yet again on May 31, 2010. House and Senate leadership have been working on an extension of these programs, but at this time it appears almost certain that the House and Senate will not come to a resolution on these extensions and that the NFIP and COBRA subsidies will expire on May 31, 2010.

The House and Senate continue working on two potential vehicles for extending these programs. First, they are attempting to move a large “Extenders” package called the “American Jobs and Closing Tax Loopholes Act.” This approach would extend these programs until the end of the year. However, the cost of the legislation (now estimated at approximately $150 billion over ten years) has created opposition from Republicans and some moderate Democrats in both the House and Senate. Additionally, numerous business groups (including the US Chamber and the Business Roundtable) have come out strongly against some of the tax increases found in the bill. While Congressional leadership is still trying to find a compromise to get the votes necessary for passage, we are hearing from top sources that it is increasingly unlikely that a compromise will be reached before Congress adjourns for their Memorial Day recess, which is scheduled to start tomorrow.

Congress has also been working on a fall-back “short-term” 30 day extension of the critical provisions that will expire (including the NFIP and COBRA subsidies) in case they do not reach a compromise on the larger “Extenders” piece. Unfortunately, we are now hearing that even that 30 day short-term extension has encountered significant resistance in the Senate and its passage is very unlikely.

As we have reported numerous times, the NFIP extension itself is not controversial, but unfortunately the extension continues to be combined with legislation extending other expiring programs that are controversial because of the cost associated with their extension. These other programs continue to drag down the NFIP, and we have been advocating strongly that Congress separate out the NFIP extension from these other program extensions. We made some progress in the last few months, and stand-alone legislation has been introduced in both the Senate and
House that would extend the program till the end of the year. Unfortunately however Congress has no plans to act on these stand-alone bills this week.

**In summary, barring an 11th hour breakthrough, it appears almost certain that Congress will adjourn for Memorial Day recess and the NFIP and COBRA subsidies will expire on May 31, 2010. Congress is scheduled to return on June 7, 2010, and it is our hope that they will work on a retroactive extension at that time.**

In the case of flood insurance, the expiration means that there can be no new policies or renewals until an extension is passed. However companies have been directed to continue to pay all claims for policies in force.

We will let you know as soon as Congress moves to extend these very important programs.

Below is the detailed bulletin from FEMA from late March (the last time these programs expired) on how to handle the expiration.