

**Testimony of Adam Kolton  
Executive Director, National Advocacy Center, National Wildlife Federation,  
on behalf of the Smarter Safer Coalition.**

**United States Senate  
Committee on Banking, Housing and Urban Affairs  
“Reauthorization of the National Flood Insurance Program, Part II”**

**June 23, 2011**

Good Morning Chairman Johnson, Ranking Member Shelby and Members of the Committee. I am Adam Kolton and I serve as the Executive Director of the National Advocacy Center of the National Wildlife Federation (NWF), the nation’s largest conservation education and advocacy organization with more than four million members and supporters and affiliate conservation organizations in 47 U.S. states and territories. We greatly appreciate the opportunity to offer our views on the need to reform the National Flood Insurance Program (NFIP).

At the outset let me express our concern over the impact that the recent and ongoing record breaking flooding is having on thousands of people across America’s heartland. The first priority of the federal, state, and local government is appropriately focused now on preventing loss of life, minimizing property damage and assisting those in need with all resources possible. At the same time it’s imperative that we not miss this opportunity to reform federal policies so that we are better prepared for and can better protect people and communities from future storms and floods. In that regard, reforming the National Flood Insurance Program could not be more urgent.

National Wildlife Federation has joined forces with a uniquely diverse set of interests that includes other national conservation organizations, insurance and reinsurance companies and associations, housing advocacy groups, taxpayer and free market think tanks and others to form the Smarter Safer coalition (list attached). While each Smarter Safer member has different underlying motivations and interests we all support the same goal -- environmentally responsible, fiscally sound approaches to natural catastrophe policy that promote public safety. We all believe that the NFIP is broken and in desperate need of reform.

The unprecedented string of flooding disasters including Hurricanes Katrina, Rita and Wilma in 2005, Hurricane Ike and the Midwest floods of 2008, the New England Floods of 2010, and this year’s Midwest floods that continue to unfold along the Mississippi, Missouri and Ohio Rivers have strained the flood program. These events caused tremendous damage, threw the program into record level debt and highlighted the limited effectiveness of the nation’s floodplain management strategy to protect property owners and reduce federal disaster relief expenditures.

The NFIP is in the most serious trouble of its entire 43-year history and, without significant reform, it could be in danger of eventual collapse. The NFIP is currently \$18 billion in debt to the US Treasury, and that amount is likely to increase in the near future as a result of recent flooding. With annual revenues of only \$3 billion, FEMA Administrator Fugate recently testified that it will be virtually impossible to repay the debt. The NFIP is essentially bankrupt.

The program has essentially been bailed out by US taxpayers, and given the many problems the program continues to face, we have little reason to believe that without major changes this scenario will not repeat itself over and over in the future. We do not believe the public or Congress will continue to support the program under such conditions.

While the program has established some minimum standards for flood risk management, which are now in place in most communities, the NFIP has fundamentally failed to keep pace with and to substantially discourage and reduce the buildup of flood risks and damages across the nation. It has also contributed to the deterioration and loss of important floodplain and coastal habitat areas and the serious decline of valuable and sensitive ecosystems. The NFIP minimum standards have changed little since the program was initiated over 40 years ago. Standards are so weak that even when properly enforced they virtually guarantee increasing flood losses. In addition, these standards remain in desperate need of updating, strengthening and reform.

The NFIP was originally founded on a strategy developed by eminent scientists and government officials in the early 1960's, which combined the ideas of identifying flood risks (generally through mapping), developing and implementing risk-reducing land use and building codes, and providing affordable insurance that was not otherwise available in the private markets. It was believed that the NFIP would slowly reduce the amount of development of the floodplain. Forty-three years later, we find major failures on each of these fronts. This is in large part due to the failure to charge actuarially sound rates, the failure to aggressively mitigate risks, and the failure to protect the vital functions that floodplains perform. National flood damages, instead of decreasing as the program's founders would have hoped, are now rising at alarming levels.

The Smarter Safer Coalition has formulated a proposal to reform the National Flood Insurance program that we believe will better protect taxpayers; will protect environmentally sensitive areas; will ensure that people understand their true risks; and will encourage mitigation of homes, property and communities. Our proposal focuses on the following (full proposal attached):

- Flood maps must be accurate, up to date and based on the best science available. This will ensure that people understand their true risk and will increase the confidence in FEMA's ability to accurately assess risk.
- The NFIP must charge rates that are based on true risk. This will reduce the burden on taxpayers, encourage private sector engagement and allow market forces to direct development towards higher ground.

- Finally, the NFIP must incentivize and encourage mitigation with an increased emphasis on protection of natural ecosystem functions, in lieu of subsidizing development in environmentally sensitive areas.

My testimony today will focus on necessary reforms that must be made to ensure the survival and viability of the National Flood Insurance Program in each of these key areas: rates, mapping, and mitigation. But first, allow me to explain the National Wildlife Federation's underlying interest in the NFIP and its reform – the protection of America's floodplains.

### **The NFIP Must Protect Floodplain Functions**

Floodplains, the flood-prone bottomlands that cradle rivers, streams and oceans are where the land and the waters meet. Naturally functioning floodplains provide vital habitat for countless species. These areas provide breeding, foraging and other life cycles and grounds for a variety of plants, insects, reptiles, amphibians, birds and mammals. Floodplains are also crucial to the survival and recovery of many threatened and endangered species, including salmon, steelhead trout, sturgeon, and sea turtles. Alterations to floodplains, however, create multiple threats to wildlife through a range of impacts including: changing the flow and hydrology of rivers; eliminating wetlands and side channels, nesting and other important habitat areas; straightening and deepening channels; and causing siltation, nutrient and other water quality problems.

Additionally, floodplains, in their natural form, provide an array of environmental and public health benefits, including: reducing the number and severity of floods; fostering vegetation to limit non-point water pollution from storm water runoff; providing a tree canopy for shade to moderate temperature extremes in adjacent rivers and streams, which in turn increases dissolved oxygen levels and consequently improves habitat for aquatic plants and animals; allowing water to recharge underground drinking water aquifers; and providing aesthetic beauty and outdoor recreation benefits.

The current floodplain management system in the United States is not working. Instead of reducing floodplain development, one of the NFIP's original goals, it has incentivized and exacerbated development. The result has been large-scale loss and alteration of floodplains, as these important natural systems have been developed, filled, and leveed off due in part to ill-conceived NFIP policy choices. As such, land use patterns have been altered, impairing the ability of the systems themselves to provide natural flood protection values. We are bearing the high costs of these policy failures: increased flood risk and flood intensity, habitat loss and destruction, the placement of people in harm's way, and economic devastation when floods hit. Between 1978 and 2008, the number of NFIP policies in force has nearly quadrupled from 1.4 million to 5.6 million. And as more and more properties are located in floodplains, the ecological benefits they provide are being further degraded or lost.

The federal government has done far too little to protect floodplains, and what it has done has too often been ineffective. Not only does the current system fail to discourage people from building

and rebuilding in vulnerable locations, it also uses taxpayers' dollars to encourage and enable development by subsidizing flood insurance rates and masking the true cost of risk associated with this type of development. This is the primary reason the NWF and its conservation partners take an extremely serious interest in the NFIP.

### **FEMA Mapping Must Use The Best Available Science To Accurately Reflect Risk And Place A Priority On Natural Resources Protection**

The NFIP is dependent upon the accuracy of its flood insurance rate maps. They show whether a property lies within the 100-year floodplain (and in some cases, the 500-year floodplain), high-risk storm surge zone, floodway or Coastal Barrier Resource Area and ultimately are the basis for the premiums associated with a property. The maps are key to the program's success or failure. They must be up-to-date, accurate and based on the best available science. This is why we support FEMA's Risk Map program and recognize its impact on the long term fiscal viability of the NFIP. However, we believe that Congress should mandate that maps be updated in a way that ensures they are as accurate as possible.

The nation's floodplains are dynamic. Changes include not only natural forces, but also the impacts of development, weather patterns, and topographical changes. Areas that were previously less prone to flooding may now be at greater and increasing risk of flooding. Levees that were thought to provide 100-year (1 percent annual chance) protection a decade ago may now provide far less protection due to poor maintenance, heightened flood elevations due to increasing runoff, new development, increased weather intensity, or sea level rise.

Since 2003, FEMA has been working to update thousands of flood maps. In addition, levees are being reviewed and in many cases decertified and losing accreditation for not meeting the required levels of protection. According to FEMA, the nation's special flood hazard areas (SFHA) have grown in size by seven percent. While in some cases map updates have revealed more land and housing vulnerable to flooding, in other areas fewer areas are vulnerable. In fact, the number of housing units in SFHAs has seen a net decrease of one percent<sup>1</sup>.

Not surprisingly, FEMA's map updating effort has been met with some controversy. Some homeowners now face dramatic increases to their premiums, and others are now required to purchase insurance that was not mandated in the past, despite the fact that their home hasn't moved. However, as noted above, risk levels and understanding of risk can change.

Some have suggested that FEMA delay updating maps or waive building standards. But what may make good politics generally makes horrible insurance policy – and by extension with federal flood insurance – bad public policy. People deserve to know the cost and risks of where they live, and should be responsible for insuring against those risks. The Smarter Safer coalition

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<sup>1</sup> Testimony of Craig Fugate, Administrator, Federal Emergency Management Agency, Department of Homeland Security before the Subcommittee on Housing and Community Opportunity, Committee on Financial Services, House of Representatives. April 21, 2010. P 4. Available at [http://www.house.gov/apps/list/hearing/financialsvcs\\_dem/fugate\\_\\_4-21-10.pdf](http://www.house.gov/apps/list/hearing/financialsvcs_dem/fugate__4-21-10.pdf)

strongly opposes any effort to delay map changes or mandatory purchase requirements. We believe this is not only bad policy, but it is irresponsible. If people are in harm's way, they must be informed of their risk, and they should have insurance protection. While many people believe that the federal government will write blank checks after a natural disaster, in general, the federal government pays little for the uninsured losses of individuals. Federal disaster payments focus principally on debris clean-up and rebuilding of public structures and infrastructure, and are only available in presidentially-declared disasters. Homeowners who suffer losses can access temporary assistance through FEMA and may be allowed to apply for an SBA disaster assistance loan. However, if people are not covered by flood insurance, they will often have limited resources to rebuild after a flood. If they are not required to purchase flood insurance, many fail to purchase it and they will be unable to rebuild after a flood.

To ensure that maps are accurate and fair, the Smarter Safer coalition proposes that Congress create a Technical Advisory Mapping Council. Much like the one this Committee included in its 2008 reform legislation, this council would develop new standards for flood insurance rate maps that would incorporate true risk, be graduated, and reflect both realities on the ground – both man-made and natural. Such a council should include a broad membership including representatives from all impacted federal agencies, as well as experts with technical expertise in mapping natural and beneficial floodplain functions. This will ensure that maps are accurate and comprehensively designed to assist communities and FEMA with high quality flood hazard identification, insurance rating, and effective floodplain management.

We propose that the standards they create ensure that maps accurately detail risk, requiring that rate maps be graduated to include not only the 100-year floodplain, but also the 10, 50, 200, 250 and 500-year floodplain areas (for example) and residual risk areas and associated depths of flooding, along with other flood-related hazards and important habitat and key natural ecosystem functions areas and be graduated further to include additional risk areas. While it has been expedient to list whether a property is located in or out of a floodplain (“special flood hazard area”), that does not reflect real risk. We believe maps should be as graduated as possible, so that a homeowner knows if they are in a 10-year floodplain or a 70-year floodplain. The council should ensure that maps meet current topographic conditions, account for altered hydrology from fill, and reflect natural features that mitigate risk like wetlands and riparian buffers.

These standards also must address the issue of levee decertification. Like the 100 year floodplain, FEMA's rate maps are currently based on an in-out model. When a levee is no longer accredited to provide protection from a 100-year flood, FEMA's maps are re-drawn as if the levee is not in existence. Again, while this may have been expedient in the past, it does not reflect real-life conditions. Our proposal will require FEMA to take into account each levee based on the level of protection each confers.

Finally, the Technical Mapping Advisory Council must address the impacts of sea level rise and likelihood of increasing storm surges and precipitation events as it pertains to increased risk to policy-holders. While members of Smarter Safer may disagree on the causes of these phenomena, we all agree that in recent years we've experienced heavier rainfall, changing



patterns of snowfall, more severe hurricanes, and increasing sea-levels, all of which will increase flooding risk. Across the nation, precipitation is already more likely to fall in heavy downpours than in light sprinkles, a trend a large number of scientists expected to continue.<sup>2</sup>

<sup>3</sup>

The trends are troubling:

- In the Midwest and Northeast, big storms that historically would only be seen once every twenty years are projected to happen as often as every four to six years by the end of the 21st century.<sup>4</sup>
- Winter precipitation is beginning to shift toward more rain instead of snow. The fraction of wintertime precipitation falling as snow declined by nine percent since 1949 in the Western United States and twenty-three percent in the Northeast. The biggest shifts from snow to rain are in March for all regions studied, December in New England, and January along the Pacific coast.<sup>5</sup>
- Rain-on-snow events may become more common in some locations.<sup>6</sup> Recent events in the Pacific Northwest have caused extensive and notable flooding. In January 2009, tens of thousands were evacuated and major transportation routes were closed when ten inches of rain fell over two days, causing major snow melt and flooding in western Washington State.<sup>7</sup> At the same time, scientists have been gaining confidence in projections for more intense hurricanes and tropical storms in the future, even as they continue to debate whether they can detect the signal of climate change in the records of past storms. The latest studies indicate that hurricanes will have stronger winds and more rainfall, but will become somewhat less frequent.<sup>8</sup>
- The mean maximum wind speed of tropical cyclones is likely to increase by two to eleven percent globally by the end of the century. The biggest changes may occur for the most intense storms, with the wind speeds of these storms increasing by a significantly

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<sup>2</sup> CCSP, 2008a. *Weather and Climate Extremes in a Changing Climate, Regions of Focus: North America, Hawaii, Caribbean, and U.S. Pacific Islands*, A Report by the U.S. Climate Change Science Program and the Subcommittee on Global Change Research, [Thomas R. Karl, Gerald A. Meehl, Christopher D. Miller, Susan J. Hassol, Anne M. Waple, and William L. Murray (eds.)]. Department of Commerce, NOAA's National Climatic Data Center.

<sup>3</sup> CCSP, 2008a. *Weather and Climate Extremes in a Changing Climate, Regions of Focus: North America, Hawaii, Caribbean, and U.S. Pacific Islands*, A Report by the U.S. Climate Change Science Program and the Subcommittee on Global Change Research, [Thomas R. Karl, Gerald A. Meehl, Christopher D. Miller, Susan J. Hassol, Anne M. Waple, and William L. Murray (eds.)]. Department of Commerce, NOAA's National Climatic Data Center.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> Hamlet, A.F., and D.P. Lettenmaier, 2007. *Effects of 20th Century Warming and Climate Variability on Flood Risk in the Western U.S.*, Water Resources Research 43:W06427.

<sup>7</sup> Mapes, L.V., January 1, 2010, *2009 Was a Year of Weather Extremes*. The Seattle Times.

<sup>8</sup> Knutson, T.R., et al., 2010. *Tropical cyclones and climate change*. Nature Geosciences Advance Online Publication on February 21, 2010, DOI: 10.1038/NGEO779.

larger percentage.<sup>9</sup> While these changes in wind speed may seem small, they can translate into large increases in damages. For example, a ten percent increase in wind speed of a category four hurricane can increase damages by about fifty percent.<sup>10</sup>

- All climate models project more rainfall from tropical cyclones in a warmer climate. The latest projections are that rainfall from hurricanes may increase from three to thirty-seven percent.<sup>11</sup> The average increase projected by the late 21st century is about twenty percent within sixty-two miles of the storm center.<sup>12</sup>

Sea-level rise will further increase the vulnerability of states along the Gulf and Atlantic coasts to storm-surge flooding. When a tropical storm hits, higher sea-level translates into bigger storm surges that can cause flooding further inland. Sea-level rise will also endanger coastal wetlands and barrier islands that form a first line of defense and help buffer coastal areas against hurricanes and storm surges. Even in the unlikely circumstance that the characteristics of tropical cyclones do not change, scientists are highly confident that sea level is rising and that coastal areas will have a greater risk of damaging storm surge. Globally, sea level has already increased by about seven inches over the past century due to thermal expansion of water and the melting of land-based glaciers and ice.<sup>13</sup> Additional increases in sea level are considered inevitable; the question only remains is how much and how fast.

For these reasons, the NFIP must find a way to account for these changes to accurately assess and underwrite increased risks of flooding throughout the country. Smarter Safer strongly believes that mapping underlies the whole flood program and if maps are not accurate the program will be constantly undermined.

### **Rates Must Reflect Risk**

Currently, NFIP insurance rates do not reflect actual risk of flood damage. The NFIP does not charge market-based or risk-based rates, or increase rates based on previous loss experience. The program's goal of fiscal solvency is defined as charging premiums that will generate enough revenue to cover a historical average loss year. That means catastrophic loss years are largely left out of the equation. The program covers any fiscal shortfalls by borrowing from the U.S. Treasury, which is a significant subsidy in itself, especially since the loans are virtually interest-free.

Perhaps the best example of the program's failure regarding rates can be demonstrated by the alarming number of repetitive loss properties that account for payouts. In 1998, NWF completed and released a landmark report, *Higher Ground*, on the NFIP repetitive flood loss properties –

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<sup>9</sup> Knutson et al., 2010.

<sup>10</sup> CCSP, 2008a.

<sup>11</sup> Knutson et al., 2010.

<sup>12</sup> *Id.*

<sup>13</sup> Intergovernmental Panel on Climate Change (IPCC), 2007. *Climate Change 2007: The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* [Solomon, S., D. Qin, M. Manning, Z. Chen, M. Marquis, K.B. Averyt, M. Tignor and H.L. Miller (eds.)].

those that have two or more paid claims of at least \$1,000 each over a rolling ten-year period. At that time our report showed there were 74,501 repetitive loss properties in the NFIP. While only approximately two percent of insured properties, but with 200,182 paid claims from 1978-1995, which had cost the NFIP \$2.581 billion, they represented approximately forty percent of all claims paid. More recently, despite Congress' efforts in the 1994 and 2004 Flood Insurance Reform Acts, the total number of repetitive loss properties has grown to 153,000 repetitive loss properties with 447,700 claims that have cost the NFIP \$10.692 billion. Within these properties, 9129 properties are "severe repetitive losses" with 50,607 total losses that have cost the NFIP over \$1.5 billion. These types of losses cannot be sustained.

NFIP's fiscal solvency is further challenged because properties that pre-date a community's involvement in the NFIP or the applicable flood insurance rate map (whichever is later) enjoy significantly subsidized rates, paying only thirty-five to forty percent of their actual full-risk level premium. While the initial thought may be that because of their vulnerability these pre-FIRM (Flood Insurance Rate Map) properties wouldn't be long for this world, according to GAO in 2008, over 1.1 million properties, or 25%-30% of the program, was subsidized. FEMA puts the percentage of properties in the NFIP receiving explicitly subsidized rates at more than twenty percent<sup>14</sup>.

As the Committee begins to draft a reauthorization bill, we urge you to address this issue by moving all rates towards risk-based over a five year period. We believe that this Committee made a good start with the Flood Insurance Reform and Modernization Act of 2007 by requiring that certain properties (including non-primary residences; severe repetitive loss properties; commercial properties; properties damaged over 50 percent of the home's value; and properties improved by over 30 percent of the home's value) phase up to actuarial rates over four years, and by raising the limit of annual policy increase from ten to fifteen percent. These are great steps, but in light of recent conditions and a growing deficit, we urge the Committee to go further.

We believe that to prevent further taxpayer bailouts, and to ensure the program does not incentivize building in harmful and environmentally sensitive areas, all rates must be based on risk. The coalition believes that properties should begin paying risk-based rates, through a phase in over a period of no longer than 5 years. We understand that there may be some homeowners who are unable to pay risk-based rates; however, that population is limited. For that limited population, we recommend establishing a subsidy system; however, any subsidies should be fully divorced from the insurance rates. Subsidies could be limited to those only with true affordability issues, and could be paid for through surcharges on higher end properties. Currently, million dollar homes receive the same subsidies as homes valued at \$100,000. We believe that in this current fiscal environment, we should not be providing subsidies to people who do not need federal assistance.

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<sup>14</sup> United States Government Accountability Office. GAO-08-437. Report to the Ranking Member, Committee on Banking, Housing, and Urban Affairs, U.S. Senate. National Flood Insurance Program. Financial Challenges Underscore Need for Improved Oversight of Mitigation Programs and Key Contracts. P. 18.



I want to stress that it is imperative that any subsidy mechanism be separate from the rate structure of the NFIP. Tying these two issues together masks and exacerbates risk. Once rates are risk-based, the program will be better positioned to encourage mitigation and the private sector will be in a position to compete with the federal government, helping to lower risk to the US taxpayer. Until rates are risk-based, the NFIP cannot fully incentivize mitigation. Once rates are based on risk, NFIP could provide discounts if homeowners undertake mitigation that lowers their risk.

### **NFIP Community Eligibility Criteria Must Reduce Flood Risk To People And Protect And Restore Natural Resources**

We urge the Committee to consider addressing the community participation eligibility criteria in the NFIP to require adequate protection or restoration of natural resources and the functions of floodplains that benefit communities and species. This current oversight misses an important opportunity to better protect the public and beneficial natural resources.

Eligibility criteria must be enhanced so that participation in the NFIP requires communities to maintain or improve the habitat and flood management values of floodplains. NWF believes that this can be addressed by taking the following principles into account. First, the program should restrict or prohibit development in floodplains in high hazard and environmentally sensitive areas unless it is shown to have no adverse effect on natural resources or can be fully and sustainably mitigated. Second, repairs or improvements to existing structures should include mitigation for damage to natural resources. Third, all mitigation should prefer non-structural means and must account for the impacts of climate change. Fourth, voluntary buyouts of homes and businesses in high flood risk areas should be promoted with appropriate lands dedicated to open space uses. Fifth, communities participating in the NFIP should be required to strengthen land-use and building code standards and provide increased incentives to encourage communities to use higher standards. This should include requiring higher building freeboard; limiting use of floodplain fill to exempt areas from flood insurance purchase requirements; eliminating the 1-foot rise for determining floodways; greater use of open-space and low density zoning; protection of natural shorelines; identifying additional no-build zones for public safety and protecting natural floodplain functions; establishing building setbacks for maintaining flood conveyance, shoreline erosion zones, and natural channel migration; and employing low-impact development methods to prevent and/or minimize the degradation of floodplain habitat. Finally, Congress must encourage or require FEMA to bring the NFIP into compliance with the Endangered Species Act (ESA) and other conservation laws to prevent harm to ESA listed species affected by floodplain development.

### **FEMA's Community Rating System Must be Improved**

FEMA's Community Rating System is a voluntary incentive program designed to encourage communities to go beyond the minimum standards of the NFIP. If a community takes mitigation

steps, the premiums of individual policy holders are reduced. However, individuals only have so much sway over the mitigation decisions of their local governments. Local government officials must have an incentive to make smart mitigation decisions. FEMA must take steps to address this shortcoming and bolster incentives for participation in the program.

One way to do this is for FEMA to offer this incentive through a voluntary, community-based flood insurance policy in which a local government holds a policy that covers homes and buildings in their jurisdiction. A local government will be more likely to undertake mitigation steps that will reduce their risk and the cost of flood insurance if they are also responsible for paying the flood insurance bill. This idea holds great potential to improve floodplain management decision making on a local level. We recommend that the Senate authorize the GAO and FEMA to study the feasibility and implementation of community-based flood insurance, including authorization for a pilot program with volunteering communities.

### **The NFIP Must Encourage Mitigation of Natural Features to Protect Against Flooding**

We strongly support measures that would encourage and assist homeowners in taking steps to mitigate damage to protect their homes against natural disasters. As claims to the program increase, the need to implement techniques and activities to mitigate flood damage is reinforced. The NFIP has already encouraged this through NFIP-funded hazard mitigation grant programs, created with bipartisan support, which have successfully reduced property damage, protected flood plains and reduced the financial burden on the program. In light of these benefits, Smarter Safer has urged Congress to streamline, consolidate and permanently extend the NFIP-funded grant programs under the Flood Mitigation Assistance (FMA) Program.

Currently, FEMA administers three separate programs to help property owners and communities mitigate against flood damage: the Flood Mitigation Assistance (FMA) Program provides funds to assist States and communities to implement measures that reduce or eliminate the long-term risk of flood damage to buildings, manufactured homes, and other structures insured under the National Flood Insurance Program; the Severe Repetitive Loss (SRL) program provides funding to mitigate SRL structures insured under the NFIP to reduce or eliminate the long-term risk of flood damage; and the Repetitive Flood Claims (RFC) grant program provides similar direct assistance to reduce flood damages to insured properties in communities that don't have the capacity to undertake mitigation activities. Given that every one dollar spent on mitigation yields a return of four dollars in avoided losses, these programs have helped slow the growth of the program's enormous \$18 billion deficit. Furthermore, in its review of H.R. 5114, the Flood Insurance Reform Act of 2010, CBO noted that “[o]ver the next 10 years, some or all of the costs of the mitigation program may be offset by lower claim payments, depending on the effectiveness of the mitigation efforts.”<sup>i</sup>

Yet as effective as these programs have been, they can be made more effective and efficient by consolidating the RFC and SRL Grant Programs into the Flood Mitigation Assistance Program as subsets. Doing so would allow the SRL program to reach its full potential, by reducing the

burden that SRL properties have on the NFIP, and improving participation in RFC grant program by allowing FEMA or states to work directly with property owners if communities decline to participate.

This solution does not change the net authorization levels for the combined programs, funding for which comes from the transfer of funds from the National Flood Insurance Fund rather than the general treasury. It would, however, reduce bureaucracy and cost and allow FEMA to continue to help communities and property owners reduce flood damage and claims to the NFIP. These cost savings would reduce the program's burden to taxpayers, safeguard communities, help restore the fiscal soundness of the NFIP and better manage our nation's floodplains. We urge the committee to consider this important fix as you begin to draft an NFIP bill.

### **FEMA Should Consider Reinsurance to Ensure Risk and Protect Taxpayers**

We were pleased to see that the House included in its bill authority for FEMA to purchase private reinsurance. This is one of the few means available to FEMA to reduce the risk on federal taxpayers and move the program to safe and sound financial practices. Like a 'real' insurance company, the NFIP would retain some risk and buy protection in the private market for catastrophic exposures. This is a prudent step and one we hope the Senate will emulate.

### **Conclusion: A New Approach to the Nation's Flooding Problems**

As we begin to assess the damage from some of the most severe flooding since 1927, it is critical that Congress not miss this opportunity to substantially reform the NFIP to better protect people, property and the environment. We urge the Committee to pass a strong, comprehensive reform bill that improves flood risk mapping, ensures risk-based rates and incentivizes mitigation by individuals and communities. Reforming the NFIP can lead to less development and re-development in some of the most high risk sensitive areas, better land use planning, and significant savings for U.S. taxpayers.

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<sup>i</sup> Congressional Budget Office. Review of H.R. 5114, Flood Insurance Reform Act of 2010. May 17, 2010.