

Dodd Statement on National Flood Insurance Program Hearing

WASHINGTON – Today Senate Banking Committee Chairman Chris Dodd (D-CT) held a hearing entitled “Reauthorization of the National Flood Insurance Program.” The Committee explored options to strengthen the program, protect American families and businesses, and ensure the program’s future financial stability.

“The NFIP is an important program providing a range of benefits to deal with an often overlooked, but serious, threat,” said Chairman Dodd. “Floods cause more damage and create more economic losses than any other type of natural disaster. While the topic may bring Hurricane Katrina’s Gulf Coast devastation to mind, the truth is that floods can happen anywhere. Parts of my home state of Connecticut were ravaged by flooding this spring.

“Flood insurance provides critical assistance to 5.5 million families and businesses – insurance to help them recover from flood damages and mitigation assistance to help them avoid damages in the future. It also provides a framework of responsible flood plain management, requiring safer, more environmentally-sound development that limits Americans’ flood risks. Together, these measures save taxpayer money by limiting the amount of emergency disaster assistance necessary in the wake of flood events.

“In the last Congress, Senator Shelby and I worked together on flood insurance reform legislation to put the NFIP on a stronger footing for the future.

“In 2008, the Senate adopted this bipartisan legislation by an overwhelming 92 – 6 vote. Unfortunately, we did not reach agreement with the House. Since that time, the program has been operating under a series of shorter-term extensions.

“While our comprehensive reauthorization discussions continue, I have been working with my colleagues to ensure that the program remains in force. Last night, the Senate approved a one-year extension of the NFIP. A multi-year reform bill is preferable to an extension. However, such an extension will, in my view, provide necessary program and market stability to homeowners, lenders, and insurers while Congress considers the next steps for the reform of the NFIP.”

Below is Chairman Dodd’s statement as prepared for delivery:

“I welcome everyone here today for a hearing on the “Reauthorization of the National Flood Insurance Program,” or NFIP.

“The NFIP is an important program providing a range of benefits to deal with an often overlooked, but serious, threat. Floods cause more damage and create more economic losses than any other type of natural disaster. While the topic may bring Hurricane Katrina’s Gulf Coast devastation to mind, the truth is that floods can happen anywhere. Parts of my home state of Connecticut were ravaged by flooding this spring.

“Flood insurance provides critical assistance to 5.5 million families and businesses – insurance to help them recover from flood damages and mitigation assistance to help them avoid damages in the future. It also provides a framework of responsible flood plain management, requiring safer, more environmentally-sound development that limits Americans’ flood risks. Together, these measures

save taxpayer money by limiting the amount of emergency disaster assistance necessary in the wake of flood events.

“Despite these many benefits, the program faces serious challenges that threaten its ability to carry out its mission.

“Hearings before this committee in previous Congresses revealed a number of issues in need of reform. Perhaps foremost is NFIP’s financial condition, which threatens the program’s long-term viability. Due to increased borrowing to pay claims for catastrophic disasters in 2005 and 2008, the NFIP faces almost \$19 billion in debt to the Treasury, a sum it is unlikely to ever repay. Subsidized rates for nearly 25 percent of policy-holders do not reflect the actuarially-sound rates sufficient to cover expected claims.

“Another key issue is ensuring that citizens and the federal government understand their risks. Despite mandatory-purchase requirements for properties in flood hazard areas, only about half of all property owners in those areas actually participate in the program, increasing their potential exposure to devastating losses. On top of this, until recently, FEMA had been using outdated, paper-based flood maps to assess risk.

“These and other concerns caused GAO to place the program on its High-Risk List in 2006.

“In the last Congress, Senator Shelby and I worked together on flood insurance reform legislation to put the NFIP on a stronger footing for the future.

“That bipartisan, fiscally responsible legislation would have provided comprehensive NFIP reform to address these pressing issues, and would have reauthorized the program for five years. It would have relieved NFIP’s debt while requiring actuarially-sound premium rates. We worked with Senator Jack Reed on provisions to strengthen FEMA’s mapping capabilities to inform citizens of their risk and accurately set premium pricing.

“In recent years we have heard a number of proposals to improve insurance options and delivery for so-called “multi-peril” events - such as those involving both wind and water, for example, and for lowering the cost of insuring against catastrophic natural disasters. Our legislation also called for the creation of a National Commission on Natural Catastrophe Risk Management and Insurance to provide expert recommendations to the Congress on these complex topics.

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“While our comprehensive reauthorization discussions continue, I have been working with my colleagues to ensure that the program remains in force. Last night, the Senate approved a one-year extension of the NFIP. A multi-year reform bill is preferable to an extension. However, such an extension will, in my view, provide necessary program and market stability to homeowners, lenders, and insurers while Congress considers the next steps for the reform of the NFIP.

“The purpose of today’s hearing is to return to our discussion of comprehensive flood insurance reform. We will hear from distinguished colleagues and experts about the status of the NFIP and their prescriptions for reform.

“Before I introduce the panelists, I will turn to Senator Shelby to see if he would like to make any opening remarks.”