

Ranking Member Pat Toomey (R-Pa.)  
Opening Statement  
Full Committee Hearing: Reauthorization of the National Flood Insurance  
Program, Part I  
May 18, 2021 at 10:00 AM

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Thank you, Mr. Chairman.

The last long-term reauthorization of the National Flood Insurance Program (NFIP) occurred in 2012. That five year reauthorization expired in 2017. Since then, we have had 16 short-term NFIP reauthorizations.

I am hopeful we can find the common ground necessary to avoid a 17th short-term reauthorization. However, our deadline, September 30, is closer than it may seem. I am ready to work quickly and cooperatively to find a path forward.

Before discussing what ought to be in an NFIP reauthorization, I would like to remind everyone of the scope of NFIP's challenges. Put simply, NFIP is broken.

Since 2005, the year Hurricane Katrina devastated the Gulf Coast, NFIP has had to borrow nearly \$40 billion from the Treasury in order to pay claims. In other words, NFIP has lost about \$2.25 billion per year over the last 16 years. Consider that \$2.25 billion per year loss in the context of NFIP's total annual revenue last year of approximately \$4.6 billion.

For the last decade and a half, NFIP has averaged an annual loss representing about half its total annual revenue. In the real world, a private insurer that had this magnitude of losses year after year would cease to exist.

This brings me to an important point: the NFIP really should not be considered an insurance program at all. Rather, it is a subsidization program. Specifically, NFIP subsidizes the cost of living and building in flood prone areas. Usually, we subsidize activities because we want to encourage them. Perversely, in the case of NFIP, subsidies lead to more building and rebuilding in areas at extreme risk of flooding.

Exacerbating the problem, development itself within these flood-prone areas further increases flood risk and flood damage by covering absorbent green space with impermeable surfaces. And to whom do these subsidies accrue? The rich of course.

Properties with subsidized NFIP premiums are overwhelmingly located in our wealthiest communities. Likewise, subsidized NFIP premiums are rare in our lower-income communities.

Lately, this committee has spent a great deal of time discussing climate risk and equity. I cannot think of a better opportunity to demonstrate a commitment to addressing both than in the reauthorization of NFIP.

The good news, if there is any, is that NFIP is on a slow but positive path towards actuarially sound premiums. This brings me to the key principle of reauthorization: do no harm. Reauthorization must not interrupt this important positive progress.

Next, we should continue to explore opportunities to bring more private capital into the flood insurance business. NFIP should continue to pursue opportunities to layoff risk to the private sector through reinsurance and other creative capital market structures. To the extent NFIP needs additional authority to do so, we should give it to them.

Additionally, we should continue to encourage private flood insurance as an alternative to NFIP. Increasing the availability of private flood insurance is a great way to get more homeowners insured against flood damage—a worthwhile goal that is good for the homeowner and the taxpayer. Further, if the private sector can offer better coverage, better service, and a better price, who are we to stand in the way of that for our constituents?

Additionally, to the extent subsidies continue to exist within NFIP, we should explore opportunities to target them towards those most in need. However, I would remind my colleagues of the perverse incentives involved in flood insurance subsidies and urge great caution.

Finally, I hope we take this opportunity to find a way to better explain flood risk to policyholders and, perhaps more importantly, future homebuyers. Those who choose to live in flood prone areas should do so with eyes wide open.

Flood insurance provides some financial security, but flood insurance is not the National Guard or Coast Guard. It cannot rescue those stranded by rising floodwaters.

Flood insurance is not a time machine. It cannot give back the days, weeks, months, and—in some cases—years it takes to rebuild and recover from a major flood.

In conclusion, a long-term reauthorization must continue to move NFIP in a positive direction. I stand ready to work with my colleagues to achieve that goal.

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