

Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing: Reauthorization of the National Flood Insurance
Program, Part II
June 17, 2021 at 10:00 AM

Thank you, Mr. Chairman. Thank you, Administrator Maurstad.

Today we hold our second NFIP reauthorization hearing. As I mentioned at our last hearing, finding a consensus on reauthorization will be challenging, and time is tight. Nevertheless, I am ready to work and hope we can reach agreement on a long-term reauthorization that improves the program.

First, let me take a moment to remind everyone of the scope of NFIP's challenges. In the last 16 years, NFIP has had to borrow nearly \$40 billion to pay claims. In other words, NFIP has lost an average of about \$2.25 billion per year over the last 16 years. Those losses are particularly shocking in the context of NFIP's annual premiums collected: \$4.6 billion. Clearly, NFIP systemically underprices flood insurance. Frustratingly, the policies of Congress—not FEMA—are the root causes of NFIP challenges.

During our last hearing, I discussed several of my priorities in reauthorization. First, do no harm. Right now under existing law, NFIP is moving toward actuarially sound premiums. We should not interrupt that progress. Second, we should encourage more private capital in the form of private policies and private reinsurance. Third, if subsidies persist, they must be better targeted. Fourth, we should improve communication with homeowners and homebuyers so that they understand the flood risk of properties. I'd like to take a few moments to discuss some of these priorities in more detail.

First, "do no harm." As our understanding of flood risks change, we must allow NFIP to keep up. For instance, I have long heard complaints about mapping. I agree. We need better flood maps, and I support taking steps to improve maps. But better mapping is a means to an end—not an end unto itself.

Mapping is the easy part. The hard part is using those improved maps to better plan development, mitigate risk, and price flood insurance premiums

appropriately. Fortunately, FEMA is moving in the right direction with its development of Risk Rating 2.0.

FEMA has worked for years to build a better risk rating model. It incorporates far more granular data in setting premiums, including geography, flooding frequency, flooding types—that is, rivers versus oceans—and building characteristics.

When Risk Rating 2.0 is implemented, we'll have not only a fairer NFIP but also a more fiscally sound NFIP. Reauthorization must not interrupt the implementation of Risk Rating 2.0. Of course, implementation of Risk Rating 2.0 will be a challenge. After all, NFIP has been using more-or-less the same old system for the last half-century.

Administrator Maurstad, I urge you to work hand-in-glove with the Write Your Own insurers who sell and service NFIP policies. I fear that a turbulent roll-out will be used as an excuse to kill this important improvement by defenders of the status quo.

While successful implementation of Risk Rating 2.0 will make NFIP a better program, NFIP still will not be perfect. That is why we must continue to facilitate expansion of the private flood insurance market. My home state of Pennsylvania has been a leader on this front. As of January 2021, there were nearly 13,000 private flood policies in Pennsylvania. That means almost 20 percent of Pennsylvania flood policies are now private.

Private uptake should come as no surprise. NFIP data on Risk Rating 2.0 implementation reveals that millions of policyholders are overpaying for flood insurance. Over 200,000 NFIP policyholders are overpaying by at least \$100 per month. That's \$1,200 per year.

Besides competing on price, private flood may bring better products, such as All Peril Coverage, which would mean no more debating whether a claim resulted from water on wind damage. Further, private flood insurance brings more capacity to the market. That means more uptake by more homeowners, which is undoubtedly a good thing. It also means more resources to process claims after a major flooding like Super Storm Sandy, an event that—as my colleagues know all too well—overwhelmed FEMA.

Finally, I'd like to briefly touch on subsidies within NFIP. As a general principle, I do not think we should be encouraging people to live in flood

prone areas by providing flood insurance subsidies. I acknowledge that over the past 50 years, NFIP has acclimated homeowners to a world in which these subsidies exist. And therefore, it would be unfair to suddenly and completely remove them. However, in the interest of fairness and program solvency, property based subsidies must be phased out over time.

Today, properties with subsidized NFIP premiums are overwhelmingly located in our wealthiest communities, and subsidized NFIP premiums are rare in lower-income communities. I am open to finding ways to help current, low-income homeowners afford flood insurance. But such help should not interrupt a long-term trend towards true, risk-based NFIP premiums.

In conclusion, NFIP is broken. It's bad for the taxpayers who must bail it out year after year, and it's bad for homeowners and future homebuyers from whom NFIP obscures true flood risk. I recognize that we cannot fix NFIP overnight, but I hope that we use reauthorization as an opportunity to move it in the right direction.