

Ranking Member Pat Toomey (R-Pa.)
Opening Statement
Full Committee Hearing
June 23, 2022 at 10:00 AM

Mr. Chairman, thank you. Acting Associate Administrator Maurstad, welcome.

The National Flood Insurance Program—or NFIP—was last reauthorized on a long-term basis in 2012. That reauthorization expired in 2017.

Congress has repeatedly reauthorized the program on a short-term basis—21 times to be exact—that’s no way to run a railroad. So, I’m ready to work with my colleagues on a long-term NFIP reauthorization that reforms this program.

Let me take a moment to remind everyone the scope of NFIP’s challenges. Since 2000, NFIP has borrowed from the Treasury in 11 out of 22 years. That means that half the time, this unsustainable “insurance” program requires additional federal taxpayer funds to subsidize policyholders.

Today, NFIP’s current debt to the Treasury stands at \$20.5 billion. The interest payments alone are between \$300 and \$400 million a year. And the \$20.5 billion in debt excludes the \$16 billion that was arbitrarily forgiven in 2017.

Some of my colleagues have argued that NFIP policyholders are incapable of repaying this debt, so even the rest should be forgiven. Before considering such drastic action, we should ask ourselves, how did we end up in this scenario in the first place?

Well, the answer is simple: this broken, subsidization program systemically underprices flood insurance. And it is the policies of Congress—not FEMA—that are the root causes of NFIP challenges.

FEMA has worked to improve NFIP by implementing a new price rating for flood insurance premiums—known as Risk Rating 2.0—that better aligns policyholders’ premiums with their actual flood risk. Risk Rating 2.0 is producing rates that are more equitable by phasing out most NFIP subsidies.

23% of policyholders, over a million families, were overpaying for flood insurance. These families will now see a decrease in their monthly premiums. Congress should work towards strengthening Risk Rating 2.0 and eliminate any subsidies that do not align price with risk.

During last week's hearing on NFIP, I discussed several of my priorities for reauthorization. First, we should encourage more private capital in the form of private policies and private reinsurance. My top priority for reauthorization is to eliminate any barriers that exist to obtaining private flood insurance.

Second, "do no harm." We should be protecting the transition to actuarially sound premiums. Any effort to slow or interrupt that progress must be rejected.

Third, if subsidies persist, they must be better targeted. FEMA is proposing a new Means-Tested Assistance Program for current and future low- and moderate-income households. I'm open to finding ways to help current low-income homeowners afford flood insurance.

However, any means-tested subsidy should replace existing cross-subsidies within NFIP. Adding another subsidy on top of existing cross-subsidies moves us further away from actuarially sound premiums.

And fourth, we should improve communication with homeowners and homebuyers so that they understand the flood risk of properties. FEMA recently submitted to Congress NFIP reauthorization proposals, including several encouraging ones.

One proposal would prohibit coverage for a new category of excessive loss properties, which are properties that have flooded multiple times. This is an inherently good policy that is worthy of consideration.

As a general principle, we should not provide flood insurance subsidies that encourage people to live in flood prone areas. While excessive loss properties are not the majority of homes in NFIP, they do constitute a highly disproportionate share of losses. And it's unfair and senseless to force taxpayers to continuously foot the bill to bailout properties in these risky areas.

Another promising FEMA proposal would prohibit coverage for commercial properties and new construction in high-risk areas. This helps to mitigate risk in NFIP by eliminating coverage in heavy flood-prone areas, and it also encourages competition in the private market for non-residential policies.

One important NFIP reform not included in FEMA's reauthorization proposals is mid-year cancellation. A barrier to more people choosing private flood insurance is the fact that FEMA offers a very short window each year to switch over from NFIP to a private provider.

Previously, FEMA had allowed policyholders to leave NFIP for private flood insurance and receive a pro-rata refund. However, FEMA changed this policy in 2019.

Now a pro-rata refund is available only in very limited circumstances. This effectively locks in all but the most diligent policyholders into their NFIP policy.

While there are improvements that can be made to FEMA's reauthorization proposals, I'm pleased to see that it has given serious thought to reforming NFIP. It's rare to see a federal agency request, as FEMA has, that Congress reduce the agency's borrowing authority. I commend FEMA for recognizing that NFIP must be financially stable to be a sustainable program.

A long-term reauthorization must continue to move NFIP in a positive direction to protect taxpayers who currently bail it out year after year. I recognize that we can't fix NFIP overnight, but we should use reauthorization as an opportunity to move it in the right direction.

I stand ready to work with the Chairman and my colleagues to achieve that goal. And I look forward to discussing FEMA's reauthorization proposals.