

On April 28, the House Financial Resources Committee, Subcommittee on Housing and Insurance held a hearing entitled, “The Reauthorization of the National Flood Insurance Program: FEMA’s Perspective.” The hearing announcement noted, “Floods are the most common, most expensive, and most deadly natural disaster.... [A]pproximately 90 percent of all U.S. natural disasters also involve flooding from any number of sources, including inland flooding, flash floods, and flooding from seasonal storms.... [R]ecent experiences have shown that flooding has become both more frequent and severe.”

It continues: “Federal Emergency Management Agency’s (FEMA) 50+ year old National Flood Insurance Program (NFIP), which is by far the nation’s leading provider of flood insurance coverage, has experienced two of its top five, four of its top ten, and ten of its top 20 costliest flood events all in the last decade.... Previously, the NFIP dealt with only two \$1+ billion flood events prior to its most costly flood, which was Hurricane Katrina in 2005. Since then, the NFIP has experienced eight \$1+ billion flood events. The damage from flooding can be extremely costly to both human safety and property. The National Weather Service has reported an average of 98 deaths per year over the last decade due to flooding, including nearly 150 fatalities in 2021 alone.... In 2019, the average NFIP flood claim payout was over \$32,000. As a result, the overall economic cost of flood damage in the U.S. was estimated to be approximately \$17 billion per year from 2010-2018, more than quadruple from the \$4 billion per year cost in the 1980s.”

The NFIP’s last formal 5-year reauthorization expired at the end of September 2017. Since then, the NFIP has been subject to three brief lapses and 25 short-term extensions, nearly all of which have been enacted as a part of the congressional appropriations process. The hearing examined FEMA’s efforts to modernize the program. Without reauthorization in this Congress, the legal authority to renew existing or enter into new flood insurance contracts with policyholders will lapse (though the program always retains the ability to pay claims on any current insurance contract). In general, the NFIP is funded from premiums, fees, and surcharges paid by policyholders, payments from any triggered reinsurance or private sector risk transfer agreements, and borrowing from the Treasury when those resources are insufficient to pay its obligations. As of November of 2022, the NFIP had approximately \$8 billion in combined resources on hand (\$5 billion in its National Flood Insurance Fund and \$3 billion in its Reserve Fund) along with \$9.9 billion in remaining U.S. Treasury borrowing authority.

In May of 2022, FEMA formally transmitted to Congress a package of 17 legislative proposals to reform the NFIP, stating that “the NFIP requires structural change to ensure that individuals and communities have a sustainable program to provide the assistance they need when they need it for decades to come.” 12 FEMA’s package of reforms centered around four main principles: (1) ensuring greater deployment of flood insurance; (2) strengthening climate resilience; (3) reducing disaster suffering; and, (4) establishing a sound and transparent financial framework for the NFIP.

The 17 proposals include: (1) moving to a 10-year reauthorization process; (2) implementing a new means-tested affordability assistance pilot program for lower income policyholders; (3) increasing the NFIP’s maximum coverage limits; (4) prohibiting coverage for Excessive Loss Properties and new construction in high-risk areas; (5) implementing new uniform flood disclosures in real estate transactions; (6) requiring mandatory appropriations to the NFIP in years when premium collections fall below expected loss levels; and (7) canceling all of the NFIP’s outstanding debt.

The sole witness, FEMA Assistant Administrator David Maurstad, Federal Insurance Directorate, testified: “The NFIP currently carries \$20.5 billion in debt to the U.S. Treasury and anticipates paying \$619 million in interest expenses in Fiscal Year 2023 – this means we are using current premiums to pay for past claims. As currently structured, the program is unable to pay this debt back in full. Canceling the NFIP’s debt provides the program with a solid foundation that can support financial reforms around borrowing authorities, future interest, enhanced liquidity, and an ‘upper limit’ for the size of an NFIP event. These types of reforms address fundamental structural challenges and are essential to building a viable NFIP. It is critical that Congress provide urgently needed multi-year reauthorization and concurrently reform the NFIP. Comprehensive and transformative reform is necessary to transition the NFIP to a sustainable program that balances affordability and fiscal soundness, builds climate resilience, and reduces risk, loss, and disaster suffering.” <https://docs.house.gov/meetings/BA/BA04/20230428/115836/HHRG-118-BA04-20230428-SD002.pdf>