PREPARING FOR THE STORM: REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM

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PREPARING FOR THE STORM: REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM

Wednesday, March 13, 2019

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:11 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the committee] presiding.

Members present: Representatives Waters, Maloney, Velazquez, Sherman, Meeks, Clay, Scott, Green, Cleaver, Himes, Foster, Beatty, Heck, Vargas, Gottheimer, Gonzalez of Texas, Lawson, Tlaib, Porter, Axne, Casten, Pressley, Ocasio-Cortez, Wexton, Lynch, Adams, Dean, Garcia of Texas, Phillips; McHenry, Wagner, King, Lucas, Posey, Luetkemeyer, Huizenga, Duffy, Stivers, Barr, Tipton, Williams, Hill, Zeldin, Loudermilk, Davidson, Budd, Kustoff, Hollingsworth, Gonzalez of Ohio, Rose, Steil, Gooden, and Riggleman.

Chairwoman WATERS. The Financial Services Committee will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time.

Today's hearing is entitled, "Preparing for the Storm: Reauthorization of the National Flood Insurance Program." I now recognize myself for 5 minutes to give an opening statement.

We are here today to discuss the future of the National Flood Insurance Program (NFIP), which is critical to ensuring access to flood insurance coverage across the country, but the NFIP is much more than just an insurance program. The NFIP plays an important role in disaster preparedness and resiliency by providing flood maps, setting standards for flood plain management, and investing in mitigation for our homes, businesses, and infrastructure.

According to the Federal Emergency Management Agency (FEMA), everyone is at risk of flooding. That means that this is not just a coastal issue, and it means that we all have an interest in ensuring a strong National Flood Insurance Program. I have long advocated for a long-term reauthorization of the NFIP in order to provide certainty in the housing market.

Unfortunately, the NFIP has carried along through 10 short-term extensions since Fiscal Year 2017 and has even experienced brief lapses during that time. This haphazard approach to legislating puts communities at risk and undermines the health of our housing market. The NFIP's authorization is currently set to expire May 31, 2019, and I believe that we will break this cycle. I intend to work in a bipartisan manner with Ranking Member McHenry to provide a long-term reauthorization to restore stability and confidence in the market.

Mr. McHenry, I certainly look forward to working together on this issue that is so important to all of our constituents.

As a starting point, I am prioritizing a number of reforms to the program, and of course, in our latest conversation, I am asking you to please come forward with any concerns, with any advice, with any changes, with any issues that your caucus may have involved with this reauthorization so that we can move forward, recognizing each of our concerns.

First, of course, I think we must do more to address unaffordable premium costs for low-income households, and we have talked about addressing the debt many of our constitutents have, which has unfairly burdened policyholders with millions of dollars in interest and costs and fees on policyholders. One of the drafts we are discussing today would do just that by creating a demonstration program to provide targeted financial assistance, canceling the NFIP's debt, and repealing surcharges and fees that contribute to affordable challenges. We are very anxious to hear the views of your members on this issue. Canceling the debt is a big move, but it has been talked about now for quite some time. And so I am looking forward to your input on that.

Second, I think we need to invest more heavily in mapping and mitigation, which will save taxpayer dollars in the long run by helping to reduce the damage that occurs when floods hit. Two of the drafts that I would like to discuss today call for updated mapping technologies to improve accuracy and, importantly, provide authorization and funding for mapping, flood plain management, and mitigation.

Finally, there are a number of issues that arose in the aftermath of Superstorm Sandy related to claims processing, including findings of outright fraud. That is why today we also will discuss a proposal by Ms. Velazquez that seeks to ensure that we have safeguards in place and mechanisms for greater accountability and oversight to ensure that claims are handled fairly and efficiently to provide relief for policyholders.

I am very thankful for all of our witnesses here today, and for some of our colleagues who have shown up today to be a part of this bipartisan effort that we are just beginning today. And now, the Chair recognizes the ranking member of the committee, the gentleman from North Carolina, Mr. McHenry, for 5 minutes.

Mr. MCHENRY. I thank Chairwoman Waters for holding today's hearing on the National Flood Insurance Program. As you know, in January committee Republicans wrote to you to highlight the need to conduct oversight of the NFIP, and we are grateful that is underway, and we are hopeful that we can get it to a bipartisan piece of legislation that we can take to the House Floor, but much work is to be done there.

A lot has changed since the program started 51 years ago. What worked in the Lyndon Johnson era doesn't really work in 2019. It is clear from experts on the program—and in the second panel, we will hear from of a wide variety of them—that there is a great need for pragmatic changes. Reforms that include better data, increased transparency, better technology, and more innovation. Moreover, the Flood Insurance Program owes the Treasury more than $20 billion currently, even despite the fact that last year, and actually, the last Congress, a year and a half ago, we canceled $16 billion of that debt without any reforms. That continuous level of indebtedness over the past 15 years should give everyone cause for concern about the Flood Insurance Program's long-term fiscal stability.

And I would note that the current legislative proposal being circulated that we all saw, that Republicans saw for the first time when it became public, forgives $20 billion of that debt without any assurance or necessary reforms that give us some understanding that it wouldn't just pile back up again.

I hope today's hearing will address the fundamental question of what kind of flood insurance we want for the American people: an insurance program that is equipped with the tools it needs to perform its insurance functions; or should the Flood Insurance Program just require annual appropriations? Those are the effective choices and everything in between.

So how do we protect those in affected areas? How do we give them more and better options? How do we enable communities to get better maps, more effective mitigation? How do we protect the taxpayer? The time is right for reform and innovation. Private insurance, better technology, more mapping data, faster claims processing, and rethinking old underwriting models are just a few of the tools readily available for modernizing the Flood Insurance Program.

At the same time, we must also consider how we can use risk sharing to offload some of the NFIP burdens upon the taxpayer and the cost savings that come from spreading risk to other qualified, capable folks in the private sector who are willing to manage it. That is better for the taxpayer in most years and, over the long run, would dramatically assist in protecting the taxpayer from larger losses. Building a more resilient and cost-effective NFIP are goals that would benefit all consumers.

I look forward to the testimony from our colleagues. We will hear from folks who are in disproportionately affected flood areas in the first panel, and we will hear from the private sector and a variety of folks who have viewed this program intensely, and we will have bipartisan questions about the effectiveness and efficiency of this program. But one thing we are committed to is to having an effective National Flood Insurance Program, one that can weather the storm to ensure all impacted Americans and taxpayers are protected.

I yield back.

Chairwoman WATERS. Thank you very much. I am so very pleased.

We have two panels today, but first, we have a number of our colleagues who have requested time to share their perspective on the issue of National Flood Insurance and its reauthorization. To my colleagues, you are all most welcome to the committee, and each of you will have 5 minutes. We will first hear from the gentleman from Wisconsin, Mr. Duffy. You are recognized for 5 minutes, Mr. Duffy.

STATEMENT OF THE HONORABLE SEAN P. DUFFY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. DUFFY. Chairwoman Waters, thank you for inviting me today. It was a very kind invitation.

Republican Leader McHenry, thank you, too.

And to the committee as a whole, it is my first time sitting from this vantage point. You all look very good. It is a handsome, good-looking committee, I must say, if I do say so myself. I have been waiting for other witnesses to make that comment. They haven't yet, so I thought I would.

So, this program is sick. We have problems in the Flood Insurance Program, and Mr. McHenry addressed this, but we have 5.1 million policies in the program, in the NFIP, and the average premium cost is about $700. Last year, in 2018, we had revenue of $4.76 billion—$4.76 billion—but we had expenses of $11.4 billion. So we had a shortfall of $6.6 billion in the last year alone. And when we look at the debt, and I know the chairwoman wants to forgive the debt, and many of the panelists here want to forgive the debt, but we are butting up against our $30 billion borrowing threshold. And we actually as a Congress forgave $16 billion of debt last year, and the chairwoman knows that we forgave $16 billion in debt. And when you look at the program and the reforms that are being proposed, how do we actually make the program a little more solvent? I don't know that we are ever going to get to complete solvency, but how do we make the program work a little bit better?

And I would agree with the chairwoman when, in her plan, she puts out ideas that we had worked together on in the last Congress on consumer choice and on competition, on reducing risks through mitigation, increasing ICC coverage, mapping fairness, which Mr. Luetkemeyer has worked pretty aggressively on, and improving the claims and appeals process. Those are all really important parts of making the program work better for people, but I also think we have to address these repetitive loss properties. They are 2 percent of the properties, but they account for 24 percent of the costs: 2 percent of the properties account for 24 percent of the costs. We have to address that.

I want to talk about one part of this program in the reform side that I think is important, and I know the Federal bank regulators came out with a rule, but trying to bring in the private sector to write flood insurance policies is incredibly important because we know that, with some properties that are subsidized, the premiums are subsidized by the Federal Government, but there is a whole other slew of properties that are paying rates that are above the actual cost of the property. And so, if we let the private sector come in, they are going to cherry pick—and I know that Mr. Graves is going to talk about this in a second—low-risk properties and not take high-risk properties. They are not going to cherry pick that way. What they are going to do is the private insurance companies are going to come in, and they are going to cherry pick the nonsubsidized properties. They want a whole portfolio of risk, low risk, medium risk, and high risk. They make more money on the high-risk stuff. They are going to take the nonsubsidized properties, and the subsidized properties, they are not going to take. They can't compete with the government subsidy. And so, if we allow the private sector to come in, what we are actually doing is helping people. We are helping people get a flood insurance policy at a lower rate.

And why would we say no, no, no? We want to socialize this program and say: We want some people to pay more than they are required to pay based on their risk, and we want other people to pay less.

I think if you could get a lower rate in the private sector, let's let you get a lower rate. And now, some might say, well, but the problem with that is we need that money because it is going to—it helps with our debt burden.

I look at the floods that hit our communities. And listen, I am sensitive to my colleagues on this panel and the communities from which they come, and how important this program is to them, and we have to make the program work for people. But when I look at, again, the private sector coming in and often lowering prices, so that when those storms hit, it is not just on the backs of the taxpayers. We defray that risk, not just taxpayers but also the private sector, and I think that is really important as we analyze this program. How do we bring in better pricing, better maps, better services, and try to bring us a little closer to a solvent program? Madam Chairwoman, we worked a lot on this. I look forward to working with you again. I hope I will be a little more reasonable than you were with me, and I think we can come up with a 5-year route. I hope we get a 5-year reauthorization that works for people and they get certainty.

I yield back.

Chairwoman WATERS. Thank you very much, Mr. Duffy.

Mr. Graves, you are recognized for 5 minutes.

STATEMENT OF THE HONORABLE GARRET GRAVES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. GRAVES. Thank you, Madam Chairwoman. I appreciate the opportunity to be here, and I appreciate the opportunity to work with you and Ranking Member McHenry on this, and I do want to thank my friend from Wisconsin for the hours and hours that he and I spent going round and round on this over the past few years trying to come up with solutions.

Madam Chairwoman, you can look at what we have been doing with flood insurance. We have been repeatedly kicking the can down the road, and the reason for that is that we can't come to a consensus on what the right approach is. We have Democrats on one side who are saying that what we need to do is we need to make this program accessible and affordable. We have Republicans saying that the current $20 billion debt—and, as my friend just pointed out, we relieved $16 billion, so it is actually $36 billion worth of debt—is unreasonable. You know what? You are both right.

You are both right, but we need to change the narrative on this issue. So let's take a step back for just a minute. Just for 2017 hurricanes, we appropriated $120 billion. It makes $36 billion look a lot smaller, doesn't it? That was just in 2017. If you actually take a step further back, dating back to 1980, we have had 215 disasters that have cost over a billion dollars each: 215. We have spent $1.5 trillion. All of a sudden, $36 billion looks pretty small again, when we have spent $1.5 trillion on these disasters.

So, on the one hand, my friends who are to the left geographically, I agree with you on, let's be fiscal conservatives. Let's make the right approach and not sit here and spend money hand over fist. To my friends on the right, I agree with you that we need to make this program accessible and affordable. But the solution is different than I think we are pursuing myopically under flood insurance reform.

You can look at study after study. The Congressional Budget Office says you get $3 in cost savings for every $1 you invest in proactive mitigation. An updated study says $4. The Army Corps of Engineers said it is $7.90. Other studies get up to $11 or $12. My favorite, General Russel Honore who came in after Hurricane Katrina and really wrestled the Federal Government's response, came in and said, you know what—he was giving this great talk I was listening to, and he went through all these different numbers about the $3 and $4 and the $7," and he said, "And there is another study that said it is $16," but he didn't cite it. And I went up to him afterwards, and I said, "Oh, my gosh, $16 in cost savings for every $1 you invest? That is incredible. General, that is awesome. Where did you get it? I knew the number was higher."

And he looked around, and he said, "I made that shit up."

But I believe it. And you know what? He is right. If we make—can I say that? If we make the right proactive investments, we can get those types of cost savings. So we have to stop focusing myopically on just flood insurance. We have to look at the larger resilience. You know there is $100 billion, $100 billion in authorized projects at the Corps of Engineers, and we are providing about a billion to a billion and a half annually for construction? We will finish it approximately never. That is our resilience projects. It is a broken system. We have to stop just looking at flood insurance and bringing that to the table. It is defense. We have to bring an offense to the table as well, and that is proactive investments and mitigation. That is where the solution is: integrating our defense and our offense and stop the strategy of just being reactive.

Keep in mind: You then save lives. You prevent this economic disruption that happens whenever we have these massive storms and disasters.

So, Madam Chairwoman, in wrapping up this morning, I just typed up about 10 or 11 different things that I think you all should be considering as you move forward on legislating.

Number one, as I said, we can't look at just the balance or the debt of the NFIP in a vacuum. There is a larger liability issue. We are spending $1.5 trillion since 1980 on disasters.

Number two, we have to have better oversight of the costs and the fees absorbed by nonclaims. I know this is controversial, and my friend here gets mad at me when I reference this, but there is a GAO study that is a bit dated that indicates that, in some cases, up to two-thirds of the premiums have been retained by the Write Your Owns. Up to two-thirds. Again, it is not my statistic. It is the GAO's. Well, if two-thirds are being retained, no wonder the program is insolvent.

Number three, the uptick rate. Once again, I know there are controversial figures, but let me throw out some numbers. In the August 2016 flood in south Louisiana, only about 20 percent of the people had flood insurance. You know who got help? Almost all of them. So the people who are paying for flood insurance are helping to offset, but everyone got help. In Hurricane Harvey, Madam Chairwoman, in your home State, I believe it was around 15 percent of the people had flood insurance. In Hurricane Florence, I think it was 10 percent of the people had flood insurance. In Hurricane Maria, I think it was 4 percent of the people had flood insurance. But, once again, because of the generosity of this Congress—and I want to be clear; I agree with this—we are providing help to everyone.

So, Madam Chairwoman, I have some other recommendations, but I will submit those for the record, and I want to thank you very much for the opportunity to be here.

Chairwoman WATERS. Thank you very much.

I would ask unanimous consent that Mr. Pallone could go next. Mr. Luetkemeyer has a hearing that he has to conduct right now, so I would appreciate your cooperation.

Without objection, it is so ordered. Thank you.

Mr. Pallone, you have 5 minutes.

STATEMENT OF THE HONORABLE FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PALLONE. Thank you, Madam Chairwoman, and I also want to thank our ranking member and our distinguished colleagues who serve on this committee for holding this hearing.

For more than 50 years, communities and millions of individuals across the country have depended on the NFIP to help them recover from their darkest hours. And in 2012, Superstorm Sandy brought devastation to my district in New Jersey. We were the hardest hit, if you will, by Sandy of any district in the tristate area, and the NFIP provided financial protection for my Jersey Shore constituents.

However, such a large-scale and damaging event also revealed a number of program flaws that prolonged hardship for policyholders and cost taxpayers. That pattern has been repeated in the years since during other major storms, including Hurricanes Harvey, Irma, and Florence. The NFIP is nationally significant to ensuring our Nation can manage the cost of catastrophic flooding, but aspects of the program can and must be improved, and I think the time is now to advance viable solutions that will enhance this important program.

Ensuring a strong NFIP helps families quickly get back on their feet post-disaster and is of great importance. For these reasons, in the 115th Congress, Congressman Clay Higgins of Louisiana and I introduced H.R. 3285, the Sustainable, Affordable, Fair, and Efficient (SAFE) NFIP Reauthorization Act, and this bipartisan bill seeks to improve program effectiveness and reduce unnecessary costs. So I am asking you to bring it to the committee's attention briefly to support the measures contained within our SAFE NFIP Act as part of any future action you take on this program.

First, I ask that you support a long-term reauthorization for at least 6 years. The NFIP has continued through numerous short-term extensions, and of course, when you kick the can down the road, a long-term authorization seems less possible. But if you have a long-term reauthorization, I think it provides financial certainty and avoids the significant impacts on our economy that are caused by lapses in the program.

I also ask the committee to support reforms to increase the affordability of NFIP for households, and this can be done by expanding coverage and protecting ratepayers from excessive rate hikes by capping annual premium increases by 10 percent. We have seen, as you know, much larger increases than that.

The NFIP should also offer means-tested flood mitigation and affordability assistance. Additionally, the Administrator and FEMA should conduct a study on offering insurance coverage for small businesses. These changes would be welcomed by hard-working families and entrepreneurs within my district and around the country.

The committee can provide flood preparedness by proactively reinvesting in mitigation efforts. I really want to stress the mitigation efforts which would make such a difference in future storms. According to the U.S. Global Change Research Program, flood and extreme storm events are increasingly happening and also are more severe, and there are also rising sea levels because of climate change. The reality of climate change is hitting home, and changes to NFIP are necessary to ensure communities can thrive in the future.

Flood mitigation efforts have a minimum of a 4-to-1 return on investment with some projects enjoying even a 5-to-1 return on investments. The average is 4.1. Expansion and improved effectiveness of the increased cost of compliance and other mitigation provisions should be part of any legislative action.

And, lastly, Madam Chairwoman, smart changes to the NFIP would keep more dollars in taxpayers' wallets. Under the current system, it is too easy for private companies to pad their profits with money that should flow to disaster-struck families or stay with taxpayers. During Sandy, my constituents turned to Write Your Own companies for help with property damage, only to have these egregious actors that were involved in that company knowingly undervalue their claims using falsified engineering reports. And so I urge the committee to take concrete steps to eliminate the fraud and abuse, and this can be done by capping the compensation of Write Your Own companies as well as ensuring that the private market pays its fair share for the development and use of flood insurance rate maps and other products. The committee must ensure policyholders and taxpayers are not taken advantage of, and I am sure all of you heard all of the reports in the media about the fraud and abuse in Sandy and otherwise.

So let me just thank you again. I hope you will consider the path forward that I and others have outlined because I think these changes will create the certainty and accountability and efficiency that the program needs. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you very much.

And now, we will hear from the gentleman from Missouri, Mr. Luetkemeyer.

Mr. Luetkemeyer, you will be recognized for 5 minutes.

STATEMENT OF THE HONORABLE BLAINE LUETKEMEYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. LUETKEMEYER. Thank you, Chairwoman Waters and Ranking Member McHenry.

Representing a district that touches the Mississippi River, the Missouri River, and the Lake of the Ozarks, flood insurance is a critical issue for my constituents. And I will point out, Madam Chairwoman, that the Lake of the Ozarks has 1,150 miles of shoreline. That is more miles of shoreline than in your State of California. So my flood insurance problem potentially is even bigger than your entire State.

Now, as we all know, flood insurance reauthorization is a difficult issue. The National Flood Insurance Program, NFIP, as it operates today has numerous problems that Congress and this committee must work to address. Since the end of Fiscal Year 2017, the program has received a short-term authorization 10 times. We can all agree this committee can and should come together in a bipartisan manner to support a long-term reauthorization that will solve some of the systemic issues facing NFIP.

First and foremost, I believe we must take into account the impact this program has on the American taxpayer. Despite Congress forgiving $16 billion of debt in 2017, today the debt at NFIP is over $20 billion. The future solvency of NFIP needs to be addressed in any legislation this committee considers.

As a committee with oversight of NFIP, reauthorizing this program with taxpayers still on the hook is bad policy and short-sighted. Simply forgiving a debt NFIP holds is equally irresponsible and does not solve the root causes of the NFIP's insolvency.

One thing that should help with the program solvency is reinsurance. In 2017, FEMA purchased a reinsurance policy worth over $1 billion at a premium of $150 million, saving taxpayers nearly a billion dollars. In 2018 and 2019, FEMA transferred nearly $4 billion of risk off their books. It is clear that the risk-transferring efforts of FEMA are working, which is why I introduced legislation at the beginning of this Congress to require the FEMA Administrator to annually cede a portion of NFIP's risk to the private reinsurance or capital markets in order to maintain the program's ability to pay claims and limit exposure to flood loss. The committee should examine similar visions in their discussion on flood insurance to protect the taxpayers and ensure the solvency of NFIP for generations to come.

Another issue the committee should consider is replacement cost. Currently, FEMA does not consider the replacement cost of a structure when it determines NFIP premiums. Instead, the NFIP uses a fixed national average for replacement costs used in its calculations for premiums. This means lower-income policyholders are subsidizing wealthier homeowners within NFIP.

In response to this, I have introduced legislation to require the NFIP to incorporate replacement cost of a structure in the calculation for premiums. Low-income Americans should not be required to foot the bill for the flood insurance premiums of wealthier individuals.

Third, I would like to discuss continuous coverage. In 2012, Congress passed the Biggert-Waters Flood Insurance Reform Act. It authorized NFIP to include a provision to allow private flood insurance to fulfill the NFIP requirement. However, if a policyholder wishes to try to buy a private flood policy, they must sacrifice their status in the NFIP. Just this week, Representative Castor from Florida and myself introduced legislation that would allow policyholders to maintain continuous coverage in NFIP even if they test out the private market. This provision will give policyholders the freedom to choose the best flood policy insurance option for themselves and protect them if they decide NFIP is their best option.

And lastly, mapping. I have introduced the Community Mapping bill, which is, unfortunately, necessary because FEMA is notorious for the lack of timeliness in updating their maps. What my bill will allow them to do is the local community, the local subdivision will be able to have their own third-party mapping under certain standards be done and approved by FEMA within 30 days to allow local folks to take advantage of any sort of change in the demography of and topography of whatever is going on with regards to their area to either minimize—what they have done to minimize some of the flood damage that is possible.

In closing, I would like to thank the chairwoman and ranking member for holding this important hearing. I believe this committee can and should make some of the commonsense changes that I have presented here today. These provisions will improve NFIP in getting taxpayers off the hook and provide for choices for policyholders. I think it is imperative we do this. Kicking the can down the road without change is totally irresponsible. I look forward to having a healthy debate on this issue in the weeks to come, and I yield back the balance of my time.

Chairwoman WATERS. Thank you, Mr. Luetkemeyer.

Next, we will hear from the gentleman from New Jersey, Mr. Pascrell.

Mr. Pascrell, you are recognized for 5 minutes.

STATEMENT OF THE HONORABLE BILL PASCRELL, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. PASCRELL. Thank you, Chairwoman Maxine Waters, and Ranking Member Patrick McHenry, for holding today's hearing on the importance of reauthorizing the National Flood Insurance Program.

We have not made major changes to the NFIP since Hurricane Sandy deeply affected many in my district and my State. I remember touring the devastation like it was yesterday: homes damaged; businesses destroyed; the mold; the sand; the debris. More than the physical destruction, I was struck by the storm's human toll. I spoke with my constituents who saw their entire lives swept away in an instant. I vowed never to stop fighting for them.

Now, I have been here with Congressman Pallone and Senator Menendez for the long run. We introduced bipartisan, bicameral legislation this last Congress to build on our commitment. The SAFE NFIP Act, H.R. 3285, proposed changes to the NFIP based on lessons we learned in Sandy. Our bill helps people prepare prior to a storm with accurate maps, flood-prevention investments, updates to claims process so survivors get what they need to rebuild, and holds bad actors accountable.

Today, I would like to highlight a few sections of the bill. A constituent of mine, Mabel Richardson, brought my attention to the fact that my hometown of Paterson, New Jersey, did not have accurate maps, causing her home to be in a flood zone. She was forced into the Flood Insurance Program, and forced to pay thousands each year in premiums. But her home was not actually in a flood-prone area. So I worked with Mabel and FEMA to learn that decades-old, hand-drawn maps were used to design the maps in the first place.

While I worked with FEMA to change the maps, this is wrong. They should have been accurate from day one. Section 204 of our bill invests $800 million per year for 6 years in state-of-the-art technology to map the entire country.

Meanwhile, the claims process was screwed up from the very start. One example is that people fled their homes for several days, if not weeks, in Sandy's aftermath. They lived in hotels, cars, and motels. Family was elsewhere at times, wherever they could find shelter. During this time, mold grew, because several feet of water lingered in the homes they left behind. These individuals filed damage claims, but adjusters told them they were responsible for failing to maintain the property after a flood. Figure that out. It is offensive to tell someone worried about their immediate safety that they should have gone back to their home to prevent some damage. Section 403 of our bill clarifies this mold damage issue for survivors in the aftermath of a storm.

Worse, my constituents were told they could appeal any decision 90 days after submitting a claim, but the median response time for FEMA was 88 days. Section 404, Section 405 of our bill extends the appeal deadline, and creates a deadline for FEMA to respond.

These are just some of the many claims process reforms we made in Title IV of the legislation. We know bad actors cause headaches and waste taxpayers' funds. I heard stories about survivors being lowballed by insurance companies and paid just pennies on the dollar. Congress investigated and FEMA reopened the claims process in 2015. This investigation uncovered vast systemic fraud and abuse. FEMA was forced to grant Sandy victims an additional $260 million they were entitled to. If done right initially, it would have saved taxpayers millions from defending lawsuits and reopening the programs. Write Your Own companies that intentionally underpaid policyholder claims were particularly egregious. Currently, there is a perverse incentive to underpay claims, which they did, to no one's surprise. Section 407 of the bill makes these companies financially responsible for this event, and Section 302 caps their compensation to hold them accountable.

As the committee considers reforms to NFIP and expanding the private flood market, please consider the lessons that we experienced. The financial incentive favors profit, not people. We cannot let this happen. I understand several of these issues are addressed in the legislation being considered. I thank you for the hearing, and I thank both of you for putting us together today.

Thank you, Madam Chairwoman.

[The prepared statement of Representative Pascrell can be found on page 115 of the appendix.]

Chairwoman WATERS. Thank you very much.

Finally, we will hear from the gentleman from Louisiana, Mr. Scalise.

The distinguished and honorable Mr. Scalise, you will be recognized for 5 minutes.

STATEMENT OF THE HONORABLE STEVE SCALISE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. SCALISE. Thank you, Chairwoman Waters, Ranking Member McHenry, and other members of the committee for the opportunity to talk about the reauthorization of the National Flood Insurance Program. With over 5 million policies nationwide, NFIP is the sole provider of flood insurance for the vast majority of families and small businesses across our country. I applaud the committee for moving early in this Congress on legislation to provide a long-term reauthorization of the program, and I really hope we can all work together toward a strong bipartisan bill that gives homeowners certainty instead of continuing on the path of short-term extensions that the program has experienced since October of 2017.

As we have seen time and time again, wherever there is the possibility of rain, there is the possibility of flooding. While the most catastrophic floods are the ones that get the most media attention, it is not just coastal areas like mine in southeast Louisiana that are vulnerable to flooding. Just in the past 5 years, every one of our 50 States has experienced a flood event. As a matter of fact, 38 States had a flood event large enough that they warranted a Federal disaster declaration. Since 1956, there have been 15 States that experienced more than 50 federally declared disasters including Missouri, Kentucky, and Oklahoma, all States that are very far from the coast.

I have long believed that NFIP is not and should not be a partisan issue. While there are many parts of NFIP that are in need of reform, one of the biggest challenges we face is how to ensure the program remains affordable and stable into the future while also limiting the financial exposure to taxpayers.

On affordability, it is important to keep in mind that if NFIP is unaffordable, some people will simply drop their flood insurance altogether, which further straps the program and leaves taxpayers more exposed after major storms. We must protect the grandfathering that currently exists in the program so that homeowners don't see unfair and massive rate spikes that destroy housing markets in whole communities.

Also, we have to ensure that everyone who is required to have flood insurance actually has the ability to get it. I have always believed that we should incentivize more people to carry flood insurance, not create a system where people drop their insurance because they can no longer afford it.

There is a certain irony about the way the Federal Government handles flood disasters. When you look at past disasters, whether it is Hurricane Katrina, Superstorm Sandy, the 2015 South Carolina floods, or Hurricane Harvey, Congress has passed supplemental appropriations bills totaling billions of dollars for recovery, and a lot of those recovery dollars go to rebuilding uninsured properties. In the 2015 South Carolina floods, for example, the average NFIP coverage rate in counties with a Federal disaster declaration was 5 percent. For Hurricane Harvey, the percentage of people who carried flood insurance was only 10 percent. Of course, we came in, the Federal Government, and passed supplemental appropriations bills to make sure that everybody was made whole. So, if only 10 percent of the people had flood insurance, the NFIP paid those policies, but the taxpayer paid the other 90 percent.

And so, when we talk about the debt of the program, let's keep in mind: In the major disasters that have been declared that I talked about, whether it is Harvey or Katrina or Superstorm Sandy, the Federal taxpayers came in and ultimately paid for the people who had no flood insurance, and the only side that is talked about is the side on NFIP, the people who actually paid into a program.

While some people call for the dismantling of NFIP, from a taxpayer perspective, what makes more sense is to work on policies that will encourage the creation of a private marketplace for families to buy flood insurance. Currently, there are no other options outside of NFIP, and dismantling NFIP will only serve to increase the rate of uninsured properties and, therefore, increase the exposure to taxpayers in the event of a federally declared flood disaster.

I was very pleased to see the banking regulators earlier this year clarify that private insurance coverage must be accepted by financial institutions to meet flood insurance requirements. In doing this, hopefully we will start to see a private marketplace develop for flood insurance. This has been something that many of us have been deeply committed to, and I hope that the bill that the committee will ultimately pass strengthens the ability for the private marketplace to start offering flood insurance across the country while also protecting policyholders.

Finally, while this point was one of the most contentious last Congress, I hope the committee considers addressing extreme repetitive loss properties that experience very regular flooding events. While any changes to rates and participation in the NFIP must be fair and transparent for the homeowner, I would encourage the committee to look at responsible and realistic changes to how the program deals with those properties that experience very regular flooding and rack up multiple claims that far exceed the value of the property, whether that is through additional mitigation or offers for buyouts or other changes.

Again, I want to thank the committee for the opportunity to testify and talk about the importance of a long-term reauthorization of the Flood Insurance Program, and I look forward to working with you all as we achieve what I think we all are setting out to do, and that is a program that is fair for ratepayers and for taxpayers with long-term certainty.

Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you all for being here. I appreciate the time that you have spent and your critical perspective. Thank you very much.

We will now move to set up our second panel. Those participants on the second panel, if you will come forward as soon as our Members exit.

I want to welcome today's distinguished panel: Maria Cox Lamm, South Carolina Department of Natural Resources, on behalf of the Association of State Floodplain Managers; Mr. Christopher Heidrick, Heidrick & Company Insurance and Risk Management Services, LLC, on behalf of the Independent Insurance Agents and Brokers of America; Velma Smith, senior officer with Pew Charitable Trusts; Ms. Mabel Guzman, broker, @properties on behalf of the National Association of REALTORS; Collin O'Mara, president and CEO, National Wildlife Federation, on behalf of the SmarterSafer Coalition; and Mr. Raymond J. Lehmann, director of finance, insurance and trade policy at the R Street Institute.

Each of you will have 5 minutes to summarize your testimony. When you have 1 minute remaining, a yellow light will appear. At that time, I would ask you to wrap up your testimony, so we can be respectful of both the witnesses' and the committee members' time.

So Ms. Lamm, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF MARIA COX LAMM, SOUTH CAROLINA NFIP STATE COORDINATOR, AND CHAIR, ASSOCIATION OF STATE FLOODPLAIN MANAGERS

Ms. LAMM. Thank you, Chairwoman Waters, Ranking Member McHenry, and members of the committee for holding this important hearing, and inviting the Association of State Floodplain Managers (ASFPM) to testify. I am Maria Cox Lamm, South Carolina State NFIP coordinator, and Chair of ASFPM.

As we all know, floods are costly natural disasters. In fact, they are the nation's most costly natural disaster, and unfortunately, the trends are worsening. The NFIP takes a comprehensive approach to managing the nation's flood losses by balancing flood plain management, mapping, mitigation, and insurance.

At the end of 2018, the NFIP had paid over $69 billion in claims. Half of that has come in the past 10 years. Also, the NFIP has mapped 1.2 million miles of streams, rivers, and coastlines. It has invested more than $1.3 billion in flood hazard mitigation for older, at-risk structures. Because of the program, over 22,000 communities have adopted local flood risk-reduction standards, which have resulted in $1.9 billion of flood losses reduced every year. However, there is more to be done to prepare us for the future.

While improvements can always be of benefit to the NFIP, it is important to ensure the strength of all four of the programs. Our written testimony offers 20 recommendations for strengthening the

NFIP. For the balance of my testimony, I want to highlight four of the areas outlined by ASFPM.

First, to reaffirm your commitment to enhance the flood mapping program. Today, about one-third of the country has flood risk maps available. The problem is that the priorities of the mapping program to date have been to map at-risk areas. As a result, mapping never gets ahead of development. I have personally seen the impact of this policy. I have heard from many local flood plain managers, citizens, developers, and elected officials that they wish they had known the true flood risk of an area before making decisions and huge investments. Many residual risk areas are just simply not mapped, and some mapping information is not publicly available. We must do better, and we need your help.

Second, to strengthen the community assistance program by officially authorizing that program. The program provides funding to States to provide subject-matter experts for NFIP- participating communities through the State coordinating office. For the past 4 years, South Carolina has experienced devastating flooding. My staff and I, through the CAP program, are helping impacted communities through the long process of recovery. The level of assistance we have been able to provide is a direct result of the funding provided by the CAP program.

Third, reducing risk through mitigation. One of FEMA's built-in mitigation programs is increased cost of compliance. As I have seen in South Carolina, ICC funding is extremely valuable to the recovery process. However, the maximum funding limit of $30,000 does not come close to the average cost to mitigate a structure from flooding. ICC should be expanded in application and scope, including raising the maximum ICC amount to $60,000 and clarifying that it is available in addition to the maximum claim amount.

Finally, reforms are needed related to private flood insurance and that they should be focused on ensuring that other elements of the NFIP are not weakened.

First, all private flood policies sold that meet the mandatory purchase requirement must include an equivalency fee which is equal to the Federal policy fee on NFIP policies. Currently, this fee pays for 100 percent of flood plain management and roughly 40 percent of mapping. If the NFIP ultimately loses policies due to private sector competition, then there will be fewer resources to help communities and States with flood plain management and mapping efforts.

Second is a requirement that private flood insurance policies meeting the mandatory purchase requirement only be sold in NFIP-participating communities. Currently, most communities in the country participate in NFIP. Because our members have enrolled nearly all of the 22,000 communities in the NFIP, we uniquely understand the reason for joining is accessibility to flood insurance. ASFPM fears that if the private flood insurance is available with no requirement to join the NFIP and subsequently adopt local codes, small communities and those with low policy counts in particular will begin to drop out of the program.

We are very pleased the committee has developed four discussion draft bills. ASFPM is supportive of many provisions in these bills, and we continue to review and analyze them. Our initial comments are included towards the end of our written testimony. Thank you for listening to our concerns, and we are happy to answer any questions.

[The prepared statement of Ms. Lamm can be found on page 81 of the appendix.]

Chairwoman WATERS. Thank you very much, Ms. Lamm.

Mr. Heidrick, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF CHRISTOPHER HEIDRICK, HEIDRICK & COMPANY INSURANCE AND RISK MANAGEMENT SERVICES, LLC, ON BEHALF OF THE INDEPENDENT INSURANCE AGENTS AND BROKERS OF AMERICA

Mr. HEIDRICK. Good morning, Chairwoman Waters, Ranking Member McHenry, and members of the committee. My name is Chris Heidrick, and I am pleased to be here today on behalf of the Independent Insurance Agency Brokers of America, or the Big "I", to present the association's perspectives on flood insurance and the NFIP.

We commend the committee for looking at this very important issue, and we look forward to working—we appreciate the work you have done so far on the draft bill as early as last week. I am the owner of an independent insurance agency located in Sanibel, Florida. I regularly counsel homeowners and small businesses regarding flood insurance. I also hold the designation of associate in National Flood Insurance and currently serve as the chairman of the Big "I" Flood Insurance Task Force, and I am chairman of the Flood Insurance Producers National Committee, which is an organization that provides technical assistance and advice on NFIP operations.

The Big "I" is the nation's oldest and largest trade association of independent insurance agents and brokers, representing more than 25,000 agency locations across the country. Working with Write Your Own companies, many of these agents serve as the sales force of the NFIP. It is from this vantage point that Big "I" members understand the capabilities and challenges of the insurance market when it comes to ensuring against flood risks.

My written and oral testimony today focuses on three points: one, the need to reauthorize the NFIP on a long-term basis before the program expires on May 31st; two, the need to increase takeup rates for flood insurance, whether through the NFIP or the private market, to better ensure Americans can get back on their feet as quickly as possible after a disaster strikes; and three, the need to modernize and simplify the NFIP to make the program more transparent and understandable for consumers.

While there are several other important issues impacting the NFIP, such as increasing support for mitigation and ensuring strong flood plain management standards, my colleagues on this panel hold expertise in this area. As I am the only witness on the panel from the insurance sector, I will focus my statements today on insurance-specific issues.

Most recently, on December 21st, Congress acted to extend the NFIP through May 31st of this year so the program could continue to operate during the recent partial government shutdown. In doing so, Congress recognized the critical role the NFIP plays in the U.S. housing market and the overall economy. As such, the Big "I" urges Congress to yet again extend the program as soon as possible but before it expires on May 31st to avoid any unnecessary economic disruption.

While it is important that the NFIP does not lapse, the Big "I" also encourages Congress to work together to pass a true long-term reauthorization of the program as quickly as possible. The public instability and uncertainty created by continual short-term extensions causes economic damages and hinders the ability of the NFIP to help policyholders, while also undermining consumer confidence in the program.

Flooding is the most common and costly natural disaster, and yet most property owners do not have flood insurance. As such, the Big "I" encourages Congress to consider policies that would help Americans to obtain flood insurance coverage, and this includes not only flooding caused by hurricanes and coastal events but also inland flooding. A significant portion of flooding occurs outside of perceived high-risk areas, and put simply, where it rains, it can flood.

While the NFIP has its faults, it is a vital program and is the primary source of flood insurance for U.S. property owners. Historically, flooding has been a difficult risk to underwrite in the private market. However, advances in modeling and underwriting technology have contributed to some market growth in recent years. Yet, to date, the private insurance market still only covers a small portion of flood risk nationally. Therefore, it is important that we continue along with the NFIP and we also have an expanded private market to increase flood coverage for the country because an insured survivor recovers more quickly and fully.

Specifically, the Big "I" urges Congress to consider modest policy changes that would help protect consumers and give them from more choices, such as clarifying that private flood insurance can satisfy the continuous coverage requirements. This is an important consumer protection and an affordability measure to ensure that homeowners are not unfairly penalized with increased insurance rates. And earlier this week, Representative Castor and Representative Luetkemeyer introduced legislation on continuous coverage, and I thank them for that. The Big "I" also offers additional policy suggestions in our written testimony.

Finally, the Big "I" encourages Congress to work constructively with FEMA on innovative approaches to modernizing the program, including ongoing efforts to change how the NFIP underwrites policies.

In conclusion, the Big "I" supports the long-term reauthorization of a modernized and transparent NFIP that would increase takeup rates for flood insurance, and calls on Congress to extend the NFIP before it expires. I thank the committee for holding this hearing and I look forward to any questions.

[The prepared statement of Mr. Heidrick can be found on page 74 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. Smith, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF VELMA SMITH, SENIOR OFFICER, THE PEW CHARITABLE TRUSTS

Ms. SMITH. Good morning, Madam Chairwoman, and members of the committee. My name is Velma Smith. On behalf of The Pew Charitable Trusts' flood-prepared communities initiative, I thank you. A special thanks for getting the ball rolling for an on-time, full reauthorization of the NFIP, an essential component of our nation's flood-risk management. We support your effort to find the right balance for the NFIP's dual objectives of insurance and flood-plagued management.

First, flood maps are central to the NFIP, helping all Americans, not just policyholders. We believe Congress must help the many communities that still lack modern maps. Investment in new technologies is a worthy goal, but even more importantly, we need good maps everywhere, not perfect maps here and there.

Ultimately, flood maps, however, cannot tell us all we need to know. Thus, we support a national framework for flood-risk disclosure, a CARFAX for flooding, if you will. Lack of awareness can have devastating consequences, but upfront disclosures about flood risk made before financial commitments can help consumers make smart decisions. We were delighted to find broad agreement on this issue with the National Association of REALTORS, and I look forward to working with the committee on this issue.

On the difficult issues of rates and affordability, to the extent that Congress offers new relief to policyholders yet leaves the structure of the program alone, it may unintentionally increase the current financial shortfall and eventually threaten the program's ability to pay claims.

Yet we know also that, to the extent that rates are perceived as too high, lower-risk policyholders may drop coverage, thereby increasing the pressure to raise rates on others. Our recommendation, then, is to carefully target any affordability program. An overly generous program without changes will simply hasten the date by which Congress will be asked to forgive additional loans.

Also, any rate relief must compensate for the price signals that new discounts convey. Congress should be certain to provide clear risk information. An affordability program should not feed flood complacency. We recommend beginning the difficult but important triage of the program's financial ailments starting, perhaps, by addressing repeatedly-flooded properties, not just one house at a time, but as broader areas in need of mitigation assistance.

The subset of properties that flood over and over again has strained the program's finances, but with the new mitigation investment in the Chair's bill, we are hopeful that a repeatedly-flooded area program could be linked to technical assistance and ample resources for participating communities. In the long run, an area-wide approach could accomplish much more than might be done by taking on the nation's flood problems one house and one flood at a time.

We celebrate the Chair's support of a mitigation State-revolving fund program, loan fund program, for we believe that pre-flood preparation has been the missing piece in the NFIP puzzle. Existing mitigation programs are small and cannot of themselves make the dramatic change we need in the trajectory of the program's finances. A revolving loan fund program could be the game changer. As the experts tell us, pre-flood mitigation can save, on average, $6 for every dollar spent.

In closing, let me say that our organization looks forward to working with all the members of the committee to support a good, on-time reauthorization to keep flood insurance available to those who need it without asking taxpayers to subsidize risky development, to help drive new development away from flood-prone areas, to foster fixes or buyout of problem areas, to promote careful consideration of future risk, and ultimately, to make the nation better prepared for tomorrow's severe storms.

I look forward to the committee's questions. Thank you.

[The prepared statement of Ms. Smith can be found on page 118 of the appendix.]

Chairwoman WATERS. Thank you very much, Ms. Smith.

Ms. Guzman, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF MABEL GUZMAN, BROKER, @PROPERTIES, ON BEHALF OF THE NATIONAL ASSOCIATION OF REALTORS

Ms. GUZMAN. Thank you.

Good morning, Chairwoman Waters, Ranking Member McHenry, and members of the committee. On behalf of the 1.3 million members of the National Association of REALTORS (NAR), thank you for the invitation to testify regarding draft legislation to reauthorize and reform the National Flood Insurance Program. My name is Mabel Guzman. I am a REALTOR for @properties in the City of Chicago, and I have been a REALTOR for 21 years.

REALTORS thank this committee for its continued leadership on long-term reauthorization and reform. Many provisions of the draft legislation will provide critical reforms to flood mapping and mitigation. NAR urges the committee to work together and build on these provisions and remove barriers to private flood insurance and develop bipartisan reauthorization package.

Floods are getting worse. Recently, the United States has experienced several record-breaking hurricane seasons in a row and witnessed the total destruction of places like Mexico Beach and most of Puerto Rico. I personally have family in Houston, in Florida, and in Puerto Rico who recently went through those hurricanes. What they had to experience, we would not wish on anyone, like my cousin's daughter who lived without water. Luckily, the neighbor who had collected water in his pool allowed her to draw from that pool so they could boil water to drink, to bathe, and to flush toilets.

This is not a coastal issue. We saw this in Houston last year—and roughly half of the declarations for flood occurred in landlocked States. In the past year alone, disasters were declared in Kentucky, Indiana, Michigan, Wisconsin, Minnesota, and Montana. And in my hometown of Chicago, for instance, we have struggled with flooding due to heavy rainfall. According to the Illinois Department of Natural Resources, 90 percent of the damage claims were for locations outside the mapped 100-year flood plain, highlighting the degree to which flood plain maps have become out of date and no longer accurately reflect the risk communities face.

REALTORS are encouraging people to buy flood insurance even when it is not required. I recently told clients interested in purchasing foreclosed properties to purchase flood insurance, because banks are excluded from disclosure laws that REALTORS are required to follow. Additionally, we recommend mitigation, because every dollar spent in mitigation saves $6 and you never know when it is going to happen.

While REALTORS are not risk experts, we are trying to do our part to close the insurance gap, so we have signed a memorandum of agreement with FEMA, and we are working together to educate consumers about the importance of considering flood insurance no matter where they live.

The National Flood Insurance Program is central to U.S. disaster preparedness efforts and essential to completing half a million homeowner sales per year. As essential as the program is, this 50-year-old program was cutting edge 50 years ago. Today, it has borrowed $40 billion and is not working for policyholders or taxpayers. We need to modernize the program to work in today's realities.

NAR supports extending the NFIP, and we also must have meaningful reforms. To reauthorize and do nothing will not help with inaccurate maps, unfair insurance rates, or the lack of resources for property owners to reduce the risk. We support these provisions in the bill: reauthorize NFIP through 2024; include bipartisan mapping and mitigation; modernize mapping for better risk assessment; and low-interest mitigation loans. We also encourage opening doors for private flood insurance, to ensure consumers are charged fair rates and enhanced affordability through mitigation. And please, clarify that FHA is subject to mandatory acceptance of private flood insurance.

Having a competitive environment gives consumers good options. Yes to reauthorize, and yes to reform. Because to do nothing, we already can see the consequences. It is not only a loss of property; it is a loss of life.

Thank you very much for the opportunity to testify today, and I look forward to answering your questions.

[The prepared statement of Ms. Guzman can be found on page 68 of the appendix.]

Chairwoman WATERS. Thank you, Ms. Guzman.

Mr. O'Mara, you are now recognized for 5 minutes to present your testimony.

STATEMENT OF COLLIN O'MARA, PRESIDENT AND CEO, NATIONAL WILDLIFE FEDERATION (NWF), ON BEHALF OF NWF AND THE SMARTERSAFER COALITION

Mr. O'MARA. Chairwoman Waters, Mr. McHenry, thank you for the opportunity to be with all of you today. My name is Collin O'Mara. I am the head of the National Wildlife Federation and a member of the SmarterSafer Coalition.

The National Wildlife Federation is America's largest wildlife conservation organization with 6 million members, including in all of your States and districts. But we are also a member of the SmarterSafer Coalition, which, for more than a decade, has advocated for reform of the National Flood Insurance Program to ensure the program is smarter and safer for those in harm's way, for the environment, as well as for taxpayers.

I had an old mentor who used to talk about how flooding is natural, but disasters are manmade. And, you know, he was mostly right. And we have to be honest about the conversation we are having today, which is that the perverse incentives created through this program through the subsidized rates have put people in harm's way and made some of the disasters you have seen in the last 2 years more extreme because communities have kind of encroached in more and more risky areas.

What I think my old mentor didn't anticipate was that the acceleration of risk would get so much worse. And whether it is Hurricane Irene, Hurricane Sandy, Hurricane Maria, Hurricane Harvey, Hurricane Florence, or Hurricane Michael, in just the past 3 years, we have had $450 billion worth of damage. And you have all been asked to vote on supplementals for billions of dollars, which are dramatically more money than we spent on mitigation over the past 50 years.

Our failure to act is only accelerating and exacerbating these problems, and it is a double whammy. So we are encouraging folks to move into harm's way, because we are subsidizing the true cost. And at the same time, we are destroying the natural resources, the wetlands, the dunes, and the forests, in some cases, that act as natural barriers to protect those communities.

In my State of Delaware, for example, if you develop on a wetland, you are going to destroy between 300,000 and a million gallons of storage capacity for water that all of a sudden there is asphalt. That water is going to go somewhere else, into the neighbor's yard. And by not having that capacity, as you saw in Houston and other places, all of a sudden, these disasters become much worse.

So given this new reality, this conversation that the chairwoman is leading is incredibly important. And this can't just be one of those kind of typical reauthorization conversations like we have, because a vote for short-term extension is really a vote to exacerbate the tragedies that we are facing.

So we really want to make sure that we are not—we can't afford to perpetuate the status quo through just a short-term extension without meaningful reforms or only modest reforms. And we need to make sure we are protecting these vulnerable frontline communities that are facing unacceptable levels of risk.

So to better protect people and natural systems, I want to highlight four priority reforms as part of reauthorization. First, we have to invest in more accurate maps, and this includes property level data. And we are supportive of a lot of the measures, and we think we can even go further within the draft bill. But the property level data is incredibly important because that is where we are seeing a lot of the debates take place for whether folks are in or out of requirements.

Second, we must provide people in communities more choice in insurance options, and we have to make sure the risks are more transparent. People need to fully understand the risks they face so they can take steps to actually protect themselves against potential flooding or hurricane damage. Access to information and full transparency is absolutely essential. And, frankly, there is no State that is doing this better in the country right now than Mr. McHenry's State of North Carolina, where folks can go online and get a whole range of information and steps they can take to save actuarial costs and really have that information to make good decisions for themselves and their family.

Third, for those who can afford it, we need to ensure that rates do reflect the full risk over time. And at the same time, we need to make sure that affordability concerns, particularly for vulnerable frontline communities, is an absolute priority and that we target incentives for those communities that absolutely need the assistance to make sure we are not creating additional victimization of communities that for too long have been forgotten.

And then most importantly, we need to invest a much greater commitment in resilience, especially for disadvantaged communities. We need to invest in mitigation. As all of the panelists have said, every dollar we spend is going to save between $6 and $10 of avoided damage later. We are being incredibly pennywise and pound foolish in this debate, because we are seeing the damage that we are paying for with the supplements you are all asking to vote on.

So let me just close with one quick story. I was the secretary of natural resources in Delaware during Hurricane Sandy. And it was absolutely heartbreaking to see communities that had done the right thing, in some cases. They had their insurance policy. In some places we were able to invest in wetlands; in some places, we had been able to build dune systems. Those places that had those investments fared incredibly well. Those places that didn't were devastated.

And although much of the talk today is about the economic consequences of different rate structures, we need to figure out how to protect these communities. Because at the end of the day, the work that we do now is going to be the difference between whether these communities thrive in the future or they are absolutely wiped out as you have seen in recent storms.

So thank you for having this conversation. Thank you for focusing on vulnerable communities. Thank you for trying to have a more responsible program. And we believe we can work together with all of you to make sure we have reforms that really modernize this program for the 21st Century.

[The prepared statement of Mr. O'Mara can be found on page 105 of the appendix.]

Chairwoman WATERS. Thank you, Mr. O'Mara.

Mr. Lehmann, you are now recognized for 5 minutes to present your oral testimony.

STATEMENT OF RAYMOND J. LEHMANN, DIRECTOR OF FINANCE, INSURANCE AND TRADE POLICY, R STREET INSTITUTE

Mr. LEHMANN. Chairwoman Waters, Ranking Member McHenry, and members of the committee, my name is R.J. Lehmann. I am director of finance, insurance and trade policy at the R Street Institute. R Street is a think tank whose mission is to identify pragmatic, market-oriented solutions to public policy challenges. I appreciate the opportunity to testify and share our views on reforms of the National Flood Insurance Program.

Like the National Wildlife Federation, R Street is a member of the SmarterSafer Coalition. This broad and ideologically diverse group has forged consensus on NFIP reforms that would make the program more fiscally sustainable, remove incentives for development in environmentally sensitive regions, to invest in mitigation and more accurate mapping, and to ensure the public has clear information about flood risks. The draft bill the committee will consider makes significant progress to address several of these priorities. I also hope to highlight a few areas where further reform would be appropriate.

The most significant new element introduced in the discussion draft is a proposed demonstration project for means-tested discounted rates. We have long advocated for affordability provisions to help low-income policyholders. For too long, the NFIP subsidies have been regressive. We are flowing disproportionally to wealthier counties.

Ensuring that lower-income policyholders are not burdened with unreasonably high rates is crucial to the goal of phasing out subsidizing grandfather policies. With the addition of an effective means-tested affordability program, this committee should move forward with a plan to place the pre-2014 grandfathered policies on a glide path toward actuarial rates, because these are the only policies currently currently scheduled to remain at below full risk rates.

The draft would also forgive the entirety of the NFIP's $20.5 billion debt, coming in addition to the $16 billion of debt that Congress voted to forgive in 2017. It is not feasible that the NFIP will ever be able to repay its debt in full. But if Congress is going to once again forgive the program's debt, it must retain the borrowing authority cap which forces Congress to revisit the NFIP's structure should it once again prove unsustainable. The current cap of more than $30 billion is so large as to provide no meaningful restriction on spending. The cap should be lowered, I would suggest to about 1 percent of total insurance in force, which right now would be a cap of about $13.1 billion.

The discussion draft also raises NFIP coverage limits. The current limit is more than adequate for most homeowners. And I am not aware of any availability problems for policyholders in the excess flood coverage market, which is typically purchased by businesses and high net worth homeowners to the extent that there is a concern with residential multifamily policies. That could be something that could be addressed more targeted.

The NFIP is and will likely remain the primary source of flood insurance coverage. The recent growth of the private market should be seen as a complement to the program, one that could help close the protection gap that currently leaves more than 85 percent of Americans without any coverage for floods.

One step Congress could take to protect consumers as the private market continues to grow is to stipulate that those who move to private flood coverage can return to the NFIP at the previous rates. This protects consumers if, for example, a private insurer raises rates, changes its underwriting approach, or leaves the market.

Finally, I wanted to offer for the committee's consideration a proposed reform intended to ease the process of adaptation to increased coastal flooding and tropical storms that we face as a result of sea level rise and climate change. In short, the NFIP should cease writing coverage for any new construction in 100-year flood plains. This approach would be modeled on the success of the Coastal Barrier Resources System (CBRS), a 37-year-old program that protects 3.5 million acres of sensitive coastal ecosystems. The model of promoting conservation by removing Federal subsidy has been adopted elsewhere successfully, including by public insurance programs run by the USDA and the State of Florida.

As with the CBRS, barring new construction in 100-year flood plains from NFIP eligibility would not foreclose the possibility that developers could find private coverage. It also would not relieve the challenges we will likely face in the years ahead with the stock of existing structures already in those flood plains. It would, however, apply the ancient wisdom of the Hippocratic oath: First, do no harm. Where we can cease encouraging development of flood-prone land without laying any new burden on any current resident, it is an opportunity we simply must take.

And with that, I would be happy to answer any questions.

[The prepared statement of Mr. Lehmann can be found on page 98 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Lehmann.

I now recognize myself for 5 minutes for questions.

Ms. Guzman, I have long advocated for long-term reauthorization of the National Flood Insurance Program well in advance of expiration in order to ensure stability in the housing market. Unfortunately, we have now passed 10 short-term reauthorizations of the National Flood Insurance Program since Fiscal Year 2017 and have even seen lapses of the program in between these extensions.

Can you talk about the impact that short-term reauthorizations and temporary lapses in the NFIP program have on the housing market?

Ms. GUZMAN. Thank you for the question, Chairwoman Waters. Yes, the impact is—40,000 transactions were impacted in the last lapse. And it could be as many as 1,300 a day, but we know that 40,000 were impacted in the last lapse. What happens is people are not able to close on their transactions. And in many cases, when they are told to purchase insurance, they are purchasing it maybe 5 days prior to closing, maybe 3 days prior to closing, because it is not a very complicated process.

With that, they find out, sorry, there is no flood insurance, and there is a requirement for you to have flood insurance to close. That upends the transaction. Now they have to scurry with their attorneys, and also with the seller, and explain to them that they cannot close. And luckily, they were able to get a week extension, some of them. Some of them were forced to close, and had to borrow money and make that transaction happen at that time.

Lenders can do it and say, we will continue, because we know this will be reauthorized. But they are risk-adverse, and they are not willing to take that risk and let the people close and continue with the transaction and move into their new home.

Chairwoman WATERS. Thank you very much.

Ms. Lamm, many people know that the National Flood Insurance Program provides flood insurance coverage, but not as many people understand the role that the program plays in flood plain management, mapping, and mitigation. I have long advocated for robust funding for these activities because I know how important they are in strengthening our resiliency in the face of future storms.

Can you talk about this important part of the National Flood Insurance Program and why it is so critical that these activities are adequately funded?

Ms. LAMM. Yes, ma'am. Great question, and thank you. When it comes to flood plain management, flood plain mapping, and mitigation, all three of those tie in together quite nicely. You can't really run one without the other. So, especially at the State and local level, these are very important.

I happen to run the Cooperating Technical Partners Program for South Carolina, so the mapping programs run through the State. You have to identify mapping, flood areas. Flood plains change over time. The maps have to be updated. In order to do sound flood plain management, you have to have great mapping. In order to know the best places to mitigate, you have to know where the floods are going to occur.

We do have an issue where a lot of people do not realize that what we map is a regulated flood plain, but that it is not everywhere that can possibly flood, so it is really important that we have sound flood plain management, and that individuals understand the mapping and what it actually entails. And also, when it comes to mitigation, making sure we can properly identify who needs to be mitigated.

Thank you.

Chairwoman WATERS. Thank you very much.

And I am going to now call on the ranking member, Mr. McHenry, for 5 minutes for questions.

Mr. MCHENRY. I thank the Chair.

So I want to talk about data. Because we have within counties, we have within parts of our government precise data. We have climate data that is collected.

Mr. O'Mara, we already have this massive amount of data used by—with taxpayer dollars collected, right? So what kind of data would be helpful to make public for us to have really good governance, but also have a better understanding of the risks that we are facing? And from your footprint as a former regulator, if you could speak to that?

Mr. O'MARA. Look, this is one of those areas where I think just full transparency is important. And I think having as much property level data as possible, not just the generalizations across the watershed or subwatershed or, you know, at a higher topographic level, you want data a couple meters. You want data really down, and you want equal amounts of financial information.

And, frankly, your State of North Carolina does this better than anybody. You go on the website, you look up your parcel, you see where you are in the flood plain, and you see what the risks are. You see what the options are for financial coverage. You see what the options are for—

Mr. MCHENRY. Sir, our county GIS systems actually incorporate the flood plain into that county level, property level data. So, the county level, we actually have where that physical premise is that will be the cost driver of a flood. Is that not readily available in other jurisdictions?

Mr. O'MARA. It is completely uneven across the country. And most of it is coming from local jurisdictions more than from the Federal level.

Mr. MCHENRY. So tell me what that should be, then? As a policy-maker, what should I be driving for?

Mr. O'MARA. You should be driving for property level data that is publicly accessible that lays out a combination of the geotechnical information about elevation and kind of risk for the flood plain, but then also financial information, and link it all together so there is a one-stop shop. You can go to one location and get all the information you need to make a wise decision for your family.

Mr. MCHENRY. Ms. Guzman, as a practicing REALTOR, is that data helpful to you and your customers?

Ms. GUZMAN. Absolutely. I would have to say that right now, there is a lack of due diligence for the buyer. When they want to make a purchase, they really don't have complete information. Even though there are State disclosures, those disclosures are just basically check the box. Is it in a flood plain? Yes. Has it flooded? Yes or no? But it doesn't say how many times it has flooded. If they mitigated, what was the cost of the flood, which based on your graph, it says 1 inch of water would cost $25,000 in a 25,000 square foot home.

Mr. MCHENRY. But you are held accountable for these disclosures as well?

Ms. GUZMAN. Absolutely. And we make them. The thing is you check the box, yes, it is in a flood plain. Yes, the home flooded. It doesn't account for how many times. They don't have to disclose that. They don't have to disclose the cost if they mitigated or not.

The thing is that the buyer—

Mr. MCHENRY. Actually, I just—

Ms. GUZMAN. And the buyer lacks due diligence because if the math—

Mr. MCHENRY. This is helpful.

Ms. Smith, do you want to comment on this on behalf of Pew?

Ms. SMITH. Sure. And we were happy to reach accommodation with the National Association of REALTORS, because we also believe there has to be transparency, and people have to have the information they need to make good financial decisions to know whether a property has flooded, whether it is a repeat loss property, how often it has flooded, to know that information before. And not just for home buyers but for renters also.

Mr. MCHENRY. So what you are saying is that is currently not available in one place?

Ms. GUZMAN. Can I follow up? The information should be available—

Mr. MCHENRY. If you would vocalize that for the record, Ms. Smith.

Ms. SMITH. I would say the answer is no. And in many cases, it is not available in any place.

Mr. MCHENRY. Okay. But this is data that should be available. And our technological capacity is far greater than it was 50 years ago or even 10 years ago, for that matter, because of where we are with GIS systems.

I want to talk about risk transfer just for a moment.

Mr. Lehmann, we have seen reinsurance having a positive effect on the National Flood Insurance Program over the last handful of years. How effective has that been, and how can we make it more effective?

Mr. LEHMANN. Certainly, for the first year, the return was immediate, because in 2017, we had such significant floods from Hurricane Harvey, primarily, that you maxed out the coverage. So that was a major return to taxpayers on what they spent on premiums.

Mr. MCHENRY. So reinsurance has actually been beneficial to the taxpayer since we have done that? Is that correct?

Mr. LEHMANN. Yes, that is correct.

Mr. MCHENRY. Same way, Mr. O'Mara?

Mr. O'MARA. Correct.

Mr. MCHENRY. Okay. Likewise, given the severity of storms, given the nature of our climate right now, Mr. O'Mara, this type of climate data should also be a part of this conversation, should it not?

Mr. O'MARA. Absolutely. We want to show the true risk rate, right? So we want to show every potential risk. And we should be including in the modeling things like sea level rise and subsidence and other things so people can make informed decisions about the risk they are facing.

Mr. MCHENRY. Thank you.

And thank you, Chairwoman Waters.

Chairwoman WATERS. Thank you very much.

The gentlewoman from New York, Mrs. Maloney, Chair of our Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets, is recognized for 5 minutes.

Mrs. MALONEY. Thank you, Madam Chairwoman. And thank you for your discussion draft. I would like to publicly thank you for including language that I presented in the last Congress to take into concern the special mitigation credit needs of New York City from lessons that we learned in Hurricane Sandy.

I would like to ask Ms. Guzman, as you are well aware, New York faces very unique issues when it comes to flood insurance. In particular, the mitigation techniques that the rest of the country uses such as elevating properties on stilts or elevating them in some way doesn't work in New York. Most of our people live vertically, not horizontally, and it is hard to put on stilts a 50-story building. So this makes it very hard for families in New York to get their flood insurance premiums lowered, because they currently don't get mitigation credit for the types of mitigation that we use in New York, such as moving a boiler from the basement to the top floor or moving electrical equipment.

So my question to you is, do you think it is a good idea to allow mitigation credit for different kinds of mitigation that are used, for example, in cities like New York, which the chairwoman's discussion draft includes, and can you expand on this?

Ms. GUZMAN. Yes, absolutely. We believe in a mitigation-centered approach. And that would include flood vents also in basements as well as moving the utilities. Currently, right now, that is not included in the current NFIP rates as it exists. Giving people more options and other ways of mitigating could reduce costs and risk. Again, every dollar spent saves $6. That is from the National Institute of Building Science. Modernization is key here.

I do want to go back to the previous question with regards to disclosure, which is check the box. The thing is that we need "Flood Facts." I was talking to a friend of mine, Rita, over lunch and telling her that I would be here testifying with regards to flood insurance. I told her that in many cases, people don't know whether their home flooded because there is no information. And she said, "That is so weird. I just bought a car, spent $30,000, and I found out whether that car flooded or not, but if I am going to make a purchase of $200,000 or half a million dollars, there is no way for me to find out if that property flooded or not?"

So just like a CARFAX, we really need a "FLOODFAX" where the buyer can do all the due diligence necessary to make a sound decision, because this is going to be the largest investment most are going to make.

Thank you.

Mrs. MALONEY. Thank you, Ms. Guzman.

And can you talk a little bit about the State revolving loan funds that are included in the chairlady's discussion draft? How do you think these loans will affect low-income households? And is the possibility of forgiveness of the principal on the loan enough relief to make sure that these loans don't unnecessarily burden low-income families?

Ms. GUZMAN. I believe that low-interest mitigation loans are a good idea. Right now, people are coming out of pocket to make repairs and adjustments to their property. And in many cases, because the maps—which I will probably say a thousand times today—do not reflect accurately the risk to these properties. Additionally, they don't account for heavy rainfall. I live in a metro market, and that is exactly what happened.

So the draft bill would give people low-interest loans that give them an opportunity to do mitigation projects that reduce the cost to the taxpayer as well as reduces the risk to the homeowner as well.

Mrs. MALONEY. Thank you.

And, Ms. Lamm, as you know, over 20,000 communities across the country participate in the NFIP, and over 5 million policyholders rely on it for flood insurance coverage. Can you explain what would happen when those communities and families no longer have access to Federal flood insurance during a lapse? How would it affect them if there was such a lapse?

Ms. LAMM. Thank you. The citizens and families—when there is a lapse in the ability to have Federal flood insurance, there are a couple of things that actually happen. One very specific thing is if it is tied to their mortgage and there is a lapse, and they are unable to renew or purchase flood insurance, their note is called in.

Most people cannot afford to pay off their mortgage in 30 days. And that is currently the way it is done.

The other thing is, they can't protect themselves. And that is the one thing that is most important is that when someone does understand their true level of flood risk, that they are able to protect themselves, and flood insurance is the one way, as we have all spoken about, that someone can actually be able to make themselves whole much faster than any disaster assistance we could ever provide.

Mrs. MALONEY. Thank you.

Chairwoman WATERS. Mrs. Wagner, the vice ranking member, the gentlewoman from Missouri, is recognized for 5 minutes.

Mrs. WAGNER. I thank the chairwoman for yielding. And I thank all of our witnesses for appearing today to discuss the reauthorization of the National Flood Insurance Program, which, as we all know and has been said multiple times, is set to expire yet again in May.

I spoke on the House Floor in November expressing my profound dismay with the eighth—eighth—short-term extension vote since Fiscal Year 2017. With the NFIP being $20.5 billion in debt, we must reform the program to keep it solvent to provide coverage for those who truly need it and to protect the taxpayers from additional and future bailouts. It is estimated that only 3.5 to 4.5 percent of current flood insurance policies are covered by the private sector.

Mr. O'Mara, do you believe that there should be greater private market participation in those policies that cover threats from floods?

Mr. O'MARA. Absolutely. And we see the opportunity of the Federal program focused more on vulnerable communities and the private market take care of more folks who can afford it.

Mrs. WAGNER. The flood insurance market is dominated by NFIP, Mr. O'Mara. Do consumers benefit from this near monopoly?

Mr. O'MARA. I think more data and more competition is good. And I think the concerns that have been raised in the past have been discounted by the real-life experiences of States like Florida, that have shown that you can actually have competitive marketplaces—

Mrs. WAGNER. And how does it work in Florida? How does it work in Arkansas and places like that in a private market?

Mr. O'MARA. The places that it is working best are places where the policies are at a good level. There are good standards around them. And they are making sure that banks and others are kind of accepting those as fully viable alternatives to the Federal program.

Mrs. WAGNER. Mr. Lehmann, when the NFIP was created in 1968, the belief was that the private insurance market lacked the data and ability to assess flood losses.

With our little conversation about data here, which has been very important, especially relating to mapping, tell me what has changed in terms of data technology and the market's ability to assess risk since 1968?

Mr. LEHMANN. There are a few things that have changed. Among other things, the insurance industry used to be much more local.

It is a global industry now. Reinsurers, in particular, operate internationally, take large risks from different parts of the world, balance them against each other, and that is how they are able to cover very large events.

The depth of the global reinsurance markets, the ability of catastrophe modeling, the emergence of the catastrophe modeling industry, and just general changes in how insurance is underwritten has made it possible for a private market to emerge. It is not prepared to take over for the NFIP. The NFIP remains the primary source. But it is emerging, and it will continue to grow.

What we need is both. We have 85 percent of the country without any flood insurance. And there is a significant need for the marketing juggernaut of the insurance industry to start having an incentive to sell this coverage to people who don't currently have it.

Mrs. WAGNER. And in that same vein, which barriers within NFIP prevent private insurers from entering the market? And how do some of these legislative drafts today help solve some of those problems?

Mr. LEHMANN. It seems like a good number of the issues with the banking requirements may be resolved by the rule that is currently open from the FDIC and the other banking regulators. I understand that the FHA remains an open question, and I know some of the other panelists have discussed that.

The biggest disincentive right now to the program is if you are going to move from the Flood Insurance Program to a private policy and then want to move back into the Flood Insurance Program later, you are not currently considered to have continuous coverage. And so if you had a subsidized or grandfathered policy, you would be stuck with the full risk rate. I want policies to generally move towards full risk rate, but that could be punitive in the short term.

Mrs. WAGNER. In the short term. In the long term, though, we could see real movement, I think, into the private sector. And some of the tools that we talked about, like reinsurance and additional data dealing with mapping and other things, these fact checkers ought to be able to allow underwriters to move this into the private sector more. Would you agree?

Mr. LEHMANN. I agree.

Mrs. WAGNER. Mr. O'Mara?

Mr. O'MARA. Yes.

Mrs. WAGNER. Ms. Guzman?

Ms. GUZMAN. Absolutely. And may I add that on that lapse of 40,000 people who were purchasing, a lot of those were FHA loans. And they were not given an option to go and seek private flood insurance so that they could close that transaction.

Mrs. WAGNER. I appreciate that.

I thank the Chair.

Chairwoman WATERS. Thank you.

The gentleman from Georgia, Mr. Scott, is recognized for 5 minutes.

Mr. SCOTT. Thank you very much, Chairwoman Waters.

Ms. Waters' bill here is so timely, and so necessary. And I certainly want to commend her for providing leadership and making sure we get a 5-year plan, because we need to bring some stability and responsibility to this for our people. Because, ladies and gentlemen, all of the scientists, all of the scientific evidence that we can get from the experts, says that we are moving into a climate pattern now that is going to be more flooding, more rain. Whatever is causing this, the scientists are there.

We have had back-to-back hurricanes. Now, this is important for me, because Georgia and the area I represent is right in the valley of this. Many of you may remember we had a big flood down there, and we were able to get the Vice President to get a plane, Joe Biden, and we flew down. And the press took these great pictures that showed Six Flags Over Georgia down, flooded, to the point that we had to refer to it as Six Flags Underwater in Georgia.

And in that area, we had to bring over $35 million for hazard flood mitigation to Cobb County, Douglas County, and Fulton County in Georgia where all of that happened. I bring that up because it may be possible that we need to do some bold things here.

And first I want to follow up on the line of discussion on the private flood insurance industry expansion, Mr. Heidrick—is that "Heidrick" or "Heidrick?"

Mr. HEIDRICK. "Heidrick."

Mr. SCOTT. "Heidrick."

Mr. HEIDRICK. Thank you.

Mr. SCOTT. Wonderful.

As you know, there has been testimony and discussion today on how the NFIP is not just an insurance program, but also has other important functions related to flood plain management. Do you think that if the private flood insurance industry expands, that it will increase risk because the NFIP will not be able to support those other functions? Would you expound on that for us, please?

Mr. HEIDRICK. Sure. I thank you for the question. No, I don't believe that that would be a long-term problem. Private insurance companies need data in order to select and underwrite and properly price risks, just like the NFIP. And to some extent, those private companies use the government-created data. But to a large extent, they don't. They rely on private vendors. The NFIP is also in the process of going through its risk rating 2.0 revision, which is going to change the way that they establish rates and the data that they use.

So if the question is, would a private company pay to access the data that the government provides, I would say—I don't know this firsthand, because I am not an insurance company, but intuitively, I would say if it adds value and it is effective and provided efficiently, then intuitively, I would say yes.

Mr. SCOTT. So how would you describe the current relationship between your private insurance and the Flood Insurance Program, which is Federal?

Mr. HEIDRICK. There are multiple choices, and that is what customers really appreciate. In my own agency, there have been hundreds of customers that I have rewritten from the NFIP to private insurance companies at lower premiums and better coverage.

Mr. SCOTT. Now, let me ask you this, because we worked hard, Ms. Waters, myself, and I must say Mr. Duffy, were able to work and get an amendment passed for monthly installments, that people could pay their flood insurance in monthly installments. And that was a big contribution that we made, because before that, they had to pay one lump sum, and so people went without it.

How would that relate with private insurers?

Mr. HEIDRICK. May I answer, Madam Chairwoman?

Chairwoman WATERS. Please go ahead.

Mr. SCOTT. Thank you.

Mr. HEIDRICK. The challenge that we have with monthly installments is, to a large extent, solved by escrowing within your mortgage payments. If you don't have a mortgage, that is where the installments come into play. And it is valuable because it helps take up rate, which is something that we are all trying to accomplish. But the challenge that we face is that flood risk is often seasonal. Snow melt happens at a certain time of year. Hurricanes happen at a certain time of year. We need to make sure that people can't buy a policy, pay a couple of installments for the dangerous part of the year, and then drop it.

Mr. SCOTT. Thank you. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you.

The gentleman from Florida, Mr. Posey, is recognized for 5 minutes.

Mr. POSEY. Thank you, Madam Chairwoman.

I have hesitated to weigh in on this issue too deeply over the years for a number of reasons. It is one of those cases where it seems like everybody in the room knows how to make a baby stop crying except the person holding it. You know, this flood insurance issue is not rocket science. It is not a really difficult proposition to understand.

The national participation rate, as we heard earlier, is 31 percent. You have 31 percent of the people paying for 100 percent of the losses, so do the math. If it is a good actuarial, you are going to do—be taking to shorts every single year. And that is what we have been doing with NFIP.

In Florida, the participation rate is 46.2 percent. And just compare—for example, in my county where I live, the average premium for private flood insurance is $209. NFIP is $501. The median is $100 a year. The poorest of the poor who own a home can afford that. For flood insurance, it is $388.

And there are a number of ways they make that affordable. And Madam Chairwoman, if we could have a hearing on that sometime or a discussion, I would like to bring some experts up here to explain how they do it in Florida, not that you should do everything like Florida does.

But there are a number of reasons that people don't participate in the system: they don't know they are not covered by their homeowners' insurance policy; they don't think that they have a risk; they don't understand the necessity of it. There are a lot of good reasons for that.

Mr. Heidrick, your agency is located on a barrier island, and so you know the importance of your customers understanding what the risk is. In your experience, how has increasing the availability of private flood options affected things?

Mr. HEIDRICK. I would say most significantly and what stands out in my mind is, immediately after Hurricane Irma, if you recall, the weather predictions or the storm surge predictions for southwest Florida were dire: a 15-foot storm surge as far as 10 miles inland. I had a number of calls, many, many, calls in the 2 months following Hurricane Irma from clients who told me that they remember the conversation that we had about flood insurance, primarily excess flood insurance. Most of these customers did have a primary flood insurance policy, and many of them through the NFIP.

But they realized how much exposure they had and how real that felt, and came to the conclusion that they may have overestimated their tolerance for risk at the time that we were initially discussing the coverage and then went on to buy either an excess policy or a private policy that would offer them the ability to fully insure the value of their home in a single coverage.

Mr. POSEY. The standard joke around here is that NFIP reform every time means we cut the sales commission for the people who brokered the stuff, who have to service it when times get bad.

How do you think that affects the market?

Mr. HEIDRICK. A reduction to compensation in any application is going to reduce availability. And so a reduction in agent commissions is probably going to drive a number of agents out of the program.

The NFIP is incredibly complex. It is way more complex.

Mr. POSEY. That is good.

Ms. Lamm, you talked about the problem of getting good maps. Have you ever asked to use the Department of Defense maps? They have every inch of this country mapped. They know every nook and cranny, every swale, every everything, the National Geodetic Survey probably the same, Homeland Security probably the same.

Ms. LAMM. We have pulled some information from multiple resources. Those maps have been made available to us. We have made some requests. But the complexity of a flood insurance rate map and the modeling is a little different than what some of the others do.

Mr. POSEY. Yes. Most of the people selling private flood insurance or brokering private flood insurance or insuring private flood insurance in Florida don't use those bogus maps anyway. The NFIP arbitrarily puts people in, and puts them out. They all have the same rate. There is no weighted for risk. I mean, it is ridiculous. It is not how we are going to solve the problem.

You know, about the only risk to NFIP that going more to the private market would give is it would stop NFIP from going further in the hole and being a burden on the taxpayers. The coverage would really be more affordable for more people if we would do that.

And I want to share with you, while the insurance companies are used for standard homeowners' insurance policies in storms to use a 100- or 150-year term in their forecast, they have to use a 400-year catastrophe for flood insurance when they go to their reserves. So it is not a bait-and-switch.

And, Mr. O'Mara, you indicate we should have all our rates based on the future effects of climate change and ocean rise. That is kind of like making me be rated as a driver 20 years ago from now when I am 90. I mean, that is ridiculous.

Thank you, Madam Chairwoman. I yield back.

Chairwoman WATERS. Thank you.

The gentleman from California, Mr. Sherman, is recognized for 5 minutes.

Mr. SHERMAN. The Chair and I both represent a city which is the greatest city in the world built in a desert experiencing a drought. But even we realize the importance of flood insurance to this country. I see when it rains, it pours. And my region of the country has gotten 5 percent more rain. Unfortunately, Los Angeles, to my knowledge, has not gotten any, so if we can bring some of that rain from the Northeast, that would be helpful.

There is, in automobile manufacturing, a concept known as just-in-time parts delivery, or inventory delivery, where they bring the parts to the factory just hours before they will be put on a car. Unfortunately, Congress is copying that with just-in-time legislating, that if we can extend the Flood Insurance Program just minutes before it is going to expire, that somehow we have reduced inventory.

Ms. Guzman, are there examples where people can't sell their homes, worry about whether their escrow is going to close because Congress has waited till the last minute or a minute before the last minute or a minute after the last minute to reauthorize this program?

Ms. GUZMAN. Yes, sir. There are 40,000 examples of that happening each month of an NFIP lapse. And without many of those folks having the option of seeking private flood insurance, they end up not closing.

That is the impact of each lapse. So it is irresponsible, because consumers, our citizens are counting on you to actually reauthorize. And they are also actually asking for you to reform it.

Mr. SHERMAN. So we could be helping home buyers, homeowners, people who want peace of mind, people who would like to think that, gee whiz, if our kid doesn't get into that magnet school, we might want to move. Will we be able to sell? We can make all those people better off without spending an additional nickel if we just do our job sooner and not wait to the last minute.

Mr. Heidrick, do you support a 10-year authorization of the NFIP?

Mr. HEIDRICK. Absolutely.

Mr. SHERMAN. Back to Ms. Guzman, your testimony suggests that providing more resources for property owners to mitigate flood risk makes sense. What aspects of the discussion draft do you think efficiently do that?

Ms. GUZMAN. Well, it is the low-interest loans for mitigation. Currently, if someone has to do—I had a client who actually had to mitigate their property, and they spent close to $12,000 to retrofit to make it happen. That was out-of-pocket. By the way, they were selling their home in 3 months. So it wasn't like we are going to live with this pain, we are going to take care of it, and we want to give confidence to that next purchaser who buys our home that they did everything possible. The sellers not only disclosed the risk, but also mitigated so that they are not buying a problem.

Low-interest loans give them the opportunity to not go $12,000 out-of-pocket, and at least finance part of it and then be able to payment-over-time resolve this issue. But $12,000, I think for any family upfront, is a lot of money.

Mr. SHERMAN. Mr. Heidrick, what is the number one complaint or concern you hear from flood insurance consumers?

Mr. HEIDRICK. Most of the complaints come from uncertainty and complexity. The uncertainty with the very short-term reauthorizations, as you have described, can keep a customer from knowing whether or not they are going to be able to renew their policy on time, or if they are going to be able to purchase a policy. They are about to purchase a home, and will the NFIP be reauthorized or not by the magic hour that you discussed? And then the complexity of the program creates an awful lot of confusion. And both of those things damage consumer confidence in the program.

So overall, I just hear general dissatisfaction for those reasons.

Mr. SHERMAN. I don't want to hit too partisan an issue, but climate change is real. We are going to have it rain in different places. We are going to have rivers overflow their banks. We are going to have to have a system to mitigate loss before it occurs. We are going to have to have a system to ensure against loss that does occur. And I commend the Chair for the discussion draft.

I yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from Missouri, Mr. Luetkemeyer, is recognized for 5 minutes.

Mr. LUETKEMEYER. Thank you, Madam Chairwoman.

I want to talk about two things here today. One is reinsurance and one is private insurance policies, because, to me, these are the two things that, if we do nothing else, we are changing the Flood Insurance Program. This will protect my constituents and the taxpayers. And number two, you shift the risk also to the private sector with new policies. And I think when we hold this hearing 5 years from now, we will have a completely different set of issues we will be talking about, and we will be tickled pink about how this has all turned out, if we just do those two things.

So my first question is to Mr. Lehmann. In your testimony, you mentioned that reinsurance is a fiscally responsible alternative to taxpayer borrowing. In recent years, FEMA has purchased over $1 billion a year in reinsurance. Do you think the FEMA portfolio should look to expand the reinsurance portfolio?

Mr. LEHMANN. Right now, yes. The reinsurance market has been in what is called a soft market for quite a while, which means reinsurance is pretty cheap. So you can do pretty well in leveraging reinsurance.

At any given point in time, that can change. Reinsurance rates can go up, and it might not be as cost-advantageous. But right now, it is a great opportunity.

Mr. LUETKEMEYER. It is interesting, because I chaired the Housing and Insurance Subcommittee two sessions ago and spent a lot of time on this issue. And I did a lot of—I took 20 years' worth of income expenses from NFIP, and I could prove—and I am a banker so I can actually can add and subtract, use an adding machine, a calculator. And so I quickly found out that if NFIP had been using reinsurance and purchasing over the last 20 years, that, number one, they could afford it, and, number two, we wouldn't have had to borrow a penny until these last two hurricanes last year.

It is very frustrating to me to see the incompetence that has been there with regards to NFIP Directors in the past not utilizing a tool that every other insurance company in this country uses.

Can anybody name an insurance company that does not use reinsurance? I don't think there are any other than, guess what, NFIP. So why is this not done? I have no idea other than total incompetence because, number one, they can afford it, and number two, my constituents, my citizens would no longer have to be on the hook for these borrowings that continue year after year when you have a disaster. So thank you for that, Mr. Lehmann.

Mr. Heidrick, you were talking today with regards to the insurance agent's perspective. One of the things that we talked a little bit about today is the ability for an insured to be able to go back to their NFIP policy. Can you tell me how important that is?

Mr. HEIDRICK. It is critical because currently, there are consumers who are trapped in the NFIP. I can give you an example. A customer who has had mandatory 25-percent rate increases over the last 5 years compounded, their policy premium is now triple what it was in 2014. There are private market solutions for these people that would offer them an option at lower premiums and better coverage. But it is irresponsible for me, in my opinion, to offer that alternative because I can't quantify the risk that they are taking by leaving the NFIP and not being able to return under the same terms that they are leaving.

Mr. LUETKEMEYER. Ms. Castor, who is a Democrat, and I, as a Republican, have offered a bill to do that very thing: allow an individual who goes to a private sector insurance company to be able to come back to the NFIP. I believe it is vitally important to be able to do that.

Mr. Hill, from Arkansas, sits directly in front of me here. He has two companies in his State that write private flood insurance. Both of them will take every single risk. You know, a problem a lot of folks see is cherry picking. They don't cherry pick because they are smart enough to understand how to underwrite every single risk, and every single risk is insured, and they went from 20 to 80 percent, I said 20 to 80 percent, of what NFIP charges. So why would we not allow our citizens, my constituents, your insureds to be able to go to the private sector and find better coverage at a cheaper rate? To me, this is vitally important. And a key part of this, as you just said, apparently, is allowing them then to be able to go back in case these companies raise rates beyond what NFIP is if for some reason they get canceled or they pull out completely. So I appreciate your perspectives.

Thank you.

Mr. HEIDRICK. Thank you.

Mr. LUETKEMEYER. Ms. Guzman, in your testimony, you were talking about private insurance as well. Would you like to give us an example, perhaps, of somebody that you have talked to or of somebody who bought a home who was able to get a private policy and was able to save some money and protect themselves?

Ms. GUZMAN. Well, the client who did the mitigation for $12,000 didn't have flood insurance because they were not considered to be in a flood plain area. Again, inaccurate mapping. Also, they were out of pocket $12,000. Now, the buyer who bought it was very happy that they did the mitigation, but still, when they signed the disclosure, did your home flood, they checked yes. Is your home in a flood plain, they checked no.

Mr. LUETKEMEYER. Thank you very much. I yield back.

Chairwoman WATERS. Thank you.

The gentleman from New York, Mr. Meeks, the Chair of our Subcommittee on Consumer Protection and Financial Institutions, is recognized for 5 minutes.

Mr. MEEKS. Thank you. Thank you very much, Chairwoman Waters, for hosting this hearing and for your leadership on this issue. As most people know, certainty in the flood insurance market is critical, especially for a district like mine, which is a coastal district including the entire Rockaway Peninsula, Broad Channel, and Inwood. For far too long, Congress has kicked the can down the road, paying down on NFIP's debt, providing long-term reauthorization, and ensuring the program's sustainability. We can't continue to kick it down the road, but I think that we should be able to get something done in this Congress. Considering the leadership of Chairwoman Waters and the working relationship with Ranking Member McHenry, we should be able to do something in a bipartisan way, and I think that their working together helps us get down the road.

For me, central to any reform effort is investments in mitigation. We saw firsthand how mitigation investments can produce resilient communities that can withstand what are increasingly severe storms. Take the community of Arverne By the Sea on the Rockaway Peninsula in my district, as an example. When Superstorm Sandy devastated most of the Rockaway Peninsula, Arverne emerged with minimal water and wind damage, and no fire damage, largely because of resiliency measures. To be honest, I believe that we need more Arvernes in Queens and more Arvernes in other coastal communities nationwide. And that can only be yielded through greater investments in mitigation coupled with robust policies to address our climate change crisis because climate change is real.

With all that being said, I do want to understand proposals to remove en masse properties from special flood hazard areas. I believe one of the discussion drafts has such language in it. That caught my eye since the Rockaway Peninsula is entirely in a special flood hazard area.

So I will start with Mr. O'Mara. You identified potential concerns with this idea. Could you elaborate on potential problems here?

Mr. O'MARA. Thank you, Mr. Meeks, and we really liked working with you after Hurricane Sandy to restore some of the areas on Jamaica Bay in particular, that had huge resilience benefits. And I think you are exactly right. The natural defenses are incredibly important.

Our concern about that provision is it is very unclear in the draft, and we want to work with the staff in trying to figure out what exactly was intended. We need to have property level data. And so, if you start en masse taking out units that are in harm's way, you are sending a signal that they don't have to worry about potential flood abatement. And if anything, we should be looking more at a greater level of stringency so folks know very clearly if they are in harm's way from a hurricane or inland flooding. And we are just very concerned that with the way that it is written right now, you could have folks taken out of the program and being told they are safe when you and I both know they are not.

Mr. MEEKS. Ms. Guzman, do you have anything to add to that?

Ms. GUZMAN. No, sir.

Mr. MEEKS. Let me move on. You know, again, I get flooded in my office in Rockaway. A number of my constituents recently came in to discuss issues with elevation certificates, raising their homes. Elevation certificates. They have secured the elevation certificates, yet they see no adjustment in their premium despite submitting those certificates to the carriers. Now, this is admittedly largely anecdotal evidence, but the National Association of Professional Insurance Agents—I don't think anybody is here on this panel—submitted testimony for the record noting that the elevation certificate process is both bureaucratic and lengthy. Has anyone else on this panel experienced issues with the current elevation certificate process and have ideas on how we can improve the system? Maybe I will go to Mr. Heidrick.

Mr. HEIDRICK. Thank you for the question. Yes. I have experienced issues with elevation certificates. For one, the cost of an elevation certificate could range from $200 to $1,500 depending on where you are in the country. And with the National Flood Insurance Program, that certificate is required in order to obtain a quote. So that expense to the applicant is incurred before they even know what the premium is going to be for that policy.

We do see error rates on elevation certificates. They are done by hand. They are done location by location, and not always are they done by a surveyor that has a lot of experience with them. So there are times that you get something that creates an error. When those errors occur, it is not something that is always transparent to the agent. So now the agent submits that document to the Write Your Own insurance company, and they come back with a premium that is significantly higher that what was originally anticipated.

Mr. MEEKS. Thank you. I am out of time. I yield back.

Chairwoman WATERS. Thank you. The gentleman from Georgia, Mr. Loudermilk, is recognized for 5 minutes.

Mr. LOUDERMILK. Thank you, Madam Chairwoman.

Thank you to the panel for being here. It is a mess. That seems to be status quo for a lot of things we do here. It has long been known that NFIP is unsustainable fiscally. I mean, I have been reading over the draft of the legislation that we are going to forgive $20 billion in debt, and that is after Congress has already forgiven $16 billion in debt.

One thing that I hear from people back home is frustration with the Federal Government, that the government doesn't live by the same rules that we put on the people. I mean, how many businesses or how many individuals would we just go and forgive their debt? Occasionally, creditors will do that, but then the IRS is going to send you a bill for the tax portion of the debt you were forgiven. So I think we need to be a little more fiscally responsible as we move forward. And I am quite perplexed that we are not going to address any major reforms regarding the fiscal problems that we have with flood insurance on this. And unless you make reforms, you will never change behavior. In a few years, we will be back in this position again.

But, with that, I do appreciate the focus we have on mitigation. There seems to be interest in making the program more fiscally—that portion at least reformed in that area, but it is unfortunate we are not doing anything to make it more fiscally stable and sustainable. One of the ways I think we can make it more sustainable is to bring more capital investment into the NFIP program, and it is something that has been unanimously supported on this committee in the past. And I am pleased that banking agencies have recently decided to move ahead with clarifying that private sector flood insurance policies can be used to meet mandatory purchase requirements.

So, Mr. Heidrick, I know the growth of the private flood insurance market is not going to happen overnight. It is going to take a while, but are there insurers interested in underwriting more flood policies?

Mr. HEIDRICK. Thank you, Congressman. The answer is yes, and as unnecessary barriers are removed, for example, the continuous coverage discussion that we had earlier, more and more private insurers will come into the market responsibly as long as they have access to the data and know they can underwrite and know they can create a set of rates that are predictable and accurately reflect the risk.

Mr. LOUDERMILK. So, in the previous panel, Mr. Duffy laid out a scenario of private insurers coming in and taking a multitude of risk, but it wouldn't be necessarily going for the subsidized market. Do you agree with his analysis on how the private insurance insurers would come into the market?

Mr. HEIDRICK. I think the best way to characterize how private insurers will work is look at any other aspect of the industry. If you watch television, you will see several commercials from auto insurance companies over the course of your hour or whatever it, is all claiming to save their customers on average $400, $500, $600 a year. The reason why that happens is that every private insurance company is going to have its own methods for selecting and pricing risk, including the NFIP, and they can all coexist and make a profit having their own proprietary methods of selecting and pricing risk.

Mr. LOUDERMILK. Okay. Thank you. One of the things that we have addressed before is just how complex the NFIP program is, and I think we can agree across the board that it needs to be simplified. In fact, when we had the reform package in the last Congress, I submitted an amendment that was unanimously supported by the committee that would require GAO to study the NFIP program and how it could be simplified in statue, regulation, and administration for policyholders and private sector providers. Mr. Heidrick, again, do you agree that it is quite complicated and difficult for policyholders to understand?

Mr. HEIDRICK. It is complicated for agents to understand as well. I mean, it is a 400-page manual. It is complicated and complex. Consumers don't understand it, and that simplification should be to increasing takeup rates just like adding private insurance companies. And the more options that we give to consumers that make sense, the more people you would think would buy flood insurance, and the more Americans we would have or more households we would have insured for this peril.

Mr. LOUDERMILK. Thank you. I have several other questions. I can submit them for the record since I see I am running out of time.

And, Madam Chairwoman, I will yield back.

Chairwoman WATERS. Thank you very much.

The gentleman from Missouri, Mr. Clay, Chair of our Subcommittee on Housing, Community Development and Insurance, is recognized for 5 minutes.

Mr. CLAY. Thank you, Madam Chairwoman, and thank you, Mr. McHenry, for calling this hearing.

Let me start with Ms. Smith. Ms. Smith, in your testimony, you indicate that the problem of rate setting has been challenging for a number of reasons. Some view the Flood Insurance Program backed by the government as a subsidy, and it actually provides an incentive for many to build or rebuild or develop in areas that have shown a propensity for flooding and other storm-related damage. Time has shown that, while some of the assumptions about flood management and prevention are true, it is not an exact science. Can you touch on some of the Pew's recommendations in the area of the rate structure of the NFIP?

Ms. SMITH. Yes. Thank you for the question. We understand that, on the one hand, if people see rates as too high, they won't buy flood insurance, and that is a problem. On the other hand, if we do affordability and lower rates, we potentially run into more need to borrow. So what we are saying is that we would anticipate the solution is very targeted to the very most needy folks who need that insurance and need some help with that insurance. At the same time that we try to address some of those persistent problems that the program has, we would like to see—we are very pleased to see a big investment in mitigation. As Mr. Scott said, this is an area where we need to do something bold, and we need to really help some of those communities that have the greatest risk.

We also need to learn from the mistakes we have made in the past. We have created a lot of risk. We put people in harm's way, and we need to do a better job looking at the future about where we should be building, where we should be investing, where a community wants to extend sewer and do new development. It needs to be away from where they are going to be at flood risk.

Mr. CLAY. How about the area of rebuilding? Should we allow that, or should we have some strict controls over that?

Ms. SMITH. I think we have to look hard ahead of time and have consideration that if you are going to rebuild in certain areas, you are either going to have to rebuild higher, you are going to have to rebuild stronger, and in some places, it is only sensible to move out of the area. So it is a little of all of the above.

Mr. CLAY. Thank you for those responses.

Mr. Heidrick, do you find that the high costs are always risk-related, or do you find that low-risk policyholders are cost-burdened by the numerous fees, surcharges, and assessments that are paid on top of the premiums?

Mr. HEIDRICK. The nonrisk portions, the taxes, the fees, the surcharges affect all policyholders, and as a percentage basis, some of the least expensive policies would have the highest percentage of nonrisk premium portions. So, for example, if you have a $500 premium, and it has a $225 surcharge or a $250 surcharge, on a percentage basis, that seems extreme, and it does cause people to drop their coverage.

Mr. CLAY. So what should we do about those who should have flood insurance but cannot afford it?

Mr. HEIDRICK. Affordability is incredibly important to making sure that as many people as possible are protected against this peril. What I would urge is that any affordability solution that we come up with should be outside of the rate structure of the NFIP because the best indicator of what one's risk is, is the premium that they are charged to transfer that risk.

Mr. CLAY. Thank you for that.

And, Mr. O'Mara, currently the Federal Government regularly pays out billions of dollars for disaster relief in the aftermath of a major flooding event, and research shows that we can significantly reduce the amount of costs incurred by damage as a result of flooding by investing in mitigation. Can you talk about what we could do about mitigation?

Mr. O'MARA. Absolutely. And I thank you, Mr. Clay. The best investments we can make are in the hot spots where we have seen repeated flooding and repeated losses. And so, as the other committees are talking about infrastructure, having this committee weigh in and say, "We want to make sure that resilience is a part of it"—I am very partial to the natural solutions, rebuilding the wetlands, the dunes, repairing corridors that can absorb a ton of water so they don't flood out people—that is a great solution.

Mr. CLAY. Thank you, and I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Colorado, Mr. Tipton, is recognized for 5 minutes.

Mr. TIPTON. Thank you, Madam Chairwoman.

And I appreciate the panel taking the time to be here today. I am from Colorado, and my home happens to be at 6,200 feet. The nearest river is probably about 10 miles away, and you guys might call it a creek. But believe it or not, in Colorado, we do have flood issues to deal with.

One of the greatest challenges that we have really had has been wildfires that we have been going through: Durango, Colorado, 45 miles away from my home; Basalt, just outside of Aspen. We have these burn scars literally burn everything to the ground, and we do have flooding. Right now, good news. We have abundant snowfall. It is snowing right now in Colorado. But that snow will melt, and if it comes out of the hills quick and fast, we are going to see some real impacts.

And I would like really to have something that there has been a fair amount of conversation today on. I have taken a real interest in terms of some of the mapping. That is what we are hearing back locally, and I would like—maybe we can just start with you, Ms.

Lamm. And how quickly does or does not FEMA's flood map respond to rapidly changing terrain?

Ms. LAMM. It doesn't.

Mr. TIPTON. Mr. Heidrick?

Mr. HEIDRICK. I don't have experience with mapping.

Mr. TIPTON. Okay.

Ms. Smith?

Ms. SMITH. Mapping is a slow process, and communities need to be able to stay on top of changing risks.

Mr. TIPTON. So it is slow.

Ms. Guzman?

Ms. GUZMAN. It is horrible. It is not up-to-date.

Mr. TIPTON. Mr. O'Mara?

Mr. O'MARA. It is horrible, and it doesn't use the latest technology like LIDAR that would actually have pinpoint precision so folks would know exactly what the risks are in real time.

Mr. TIPTON. Okay. Mr. Lehmann?

Mr. LEHMANN. Indeed, LIDAR would also help with having actual property level mapping as opposed to these really not at all bespoke maps that we use now.

Mr. TIPTON. So I am gathering from Mr. O'Mara and Mr. Lehmann's comments, and the rest of you could maybe chime in on this: Are we using the best technology available right now in the mapping?

Ms. GUZMAN. No. Absolutely not. I mean, what you are looking at, it is really interesting, on FEMA's fact sheet for building on higher flood zones, it states: "One way flood risk is communicated is through maps."

Yet, their maps are completely inaccurate. They do not reflect building elevations, especially in areas that are considered flood zones. The home may be already in higher elevation so it is considered low risk, but that homeowner is paying a larger rate even though they are not at risk at all based on the elevations. These maps are 100-year flood plain maps in a 50-year-old program that is trying to solve today's realities, so it has to be modernized.

Mr. TIPTON. Great. So it would be a sensible assumption that if we want to be able to protect people from flooding, to be able to reduce some of the costs, maybe we ought to use good technology, and actually get the mapping up to date? Is that a fair statement to make?

Ms. GUZMAN. Yes, and may I add, it would save some homeowners $500. They would not have to get a Letter of Map Amendment (LOMA) to show that they are on higher elevations because now the mapping is accurate at the property level.

Mr. TIPTON. Great. And I appreciate you bringing up that point in terms of being able to reduce some of the cost that we have. And just kind of looking over some of the bios here, maybe this is a good question for Mr. O'Mara and Mr. Lehmann. Could a more robust private market for flood insurance help combat the challenges that we have of insuring flood risk?

Mr. O'MARA. Absolutely. We think that having more private options and more consumer choice and more transparency would allow two things: We would have more private capital in the market, which would reduce the risk to taxpayers, and simultaneously, you could focus the program more on vulnerable frontline communities that frankly need the help more than some folks who can afford other alternatives.

Mr. TIPTON. Great. So, just to follow up, and then, Mr. Lehmann, you might want to be able to speak to these as well.

Mr. LEHMANN. Right.

Mr. TIPTON. Would a more competitive flood insurance market actually lower the cost, as Ms. Guzman was saying is important for consumers?

Mr. LEHMANN. For many consumers, yes. Not for everyone. There are some people who are heavily subsidized in the NFIP, and the private market would be more expensive for them. But for the vast majority of consumers, they are paying too much.

Mr. TIPTON. Great. So, opening up some competition, having better mapping, maybe we can actually achieve a goal that everybody agrees needs to be achieved?

Ms. GUZMAN. Agreed.

Mr. TIPTON. Thank you all.

I have no more questions.

Madam Chairwoman, I yield back.

Chairwoman WATERS. Thank you.

The gentleman from Texas, Mr. Green, the Chair of our Subcommittee on Oversight and Investigations, is recognized for 5 minutes.

Mr. GREEN. Thank you, Madam Chairwoman. And I thank the witnesses for appearing as well.

Flooding is something that we experience almost routinely in Houston, Texas. We have had a tax day flood. We have had a Memorial Day flood. And, of course, we have had what I hope is a once-in-a-lifetime flood, Harvey. We know what flooding is all about. I want to assure the chairlady that I support this legislation. I believe that it is going to be beneficial to the people that I represent, and I want to make sure that when they suffer these great tragedies, there will be help for them.

No private market can provide an affordable policy for flood insurance victims. The private market has not stepped up to provide an affordable policy—of course, unless you have a Federal backstop. Well, if the Federal Government is going to provide the backstop, we ought to have a lot to say about the amount that will come off of the top. It is not enough for us to take the lion's share of the liability and allow the assets to be enjoyed by someone else.

So I support the chairlady's legislation, and I do so because it would benefit my constituents, many of whom are still in recovery.

I yield back the balance of my time.

Chairwoman WATERS. Thank you.

The gentleman from Texas, Mr. Williams, is recognized for 5 minutes.

Mr. WILLIAMS. Thank you, Madam Chairwoman.

Thank you all for being here today. I start off every hearing with a simple yes-or-no answer from all of the witnesses, and I will start with you, Ms. Lamm. Yes or no. Are you a socialist or a capitalist?

Ms. LAMM. I defer to the next one in line.

Mr. WILLIAMS. Do what?

Chairwoman WATERS. Ms. Lamm, thank you very much. You don't have to answer that.

Mr. WILLIAMS. Are you a socialist—

Ms. LAMM. Am I socialist or a—

Mr. WILLIAMS. Capitalist.

Ms. LAMM. Capitalist. I thought it was a yes or no.

Mr. WILLIAMS. Yes, ma'am.

Ms. LAMM. Yes.

Mr. WILLIAMS. Okay. Thank you.

Sir?

Mr. HEIDRICK. Capitalist, sir.

Mr. WILLIAMS. Thank you.

Socialist or capitalist?

Ms. SMITH. Capitalist.

Mr. WILLIAMS. Thank you.

Yes, ma'am?

Ms. GUZMAN. I thought this was a yes-or-no question, correct? Yes.

Mr. WILLIAMS. Are you a socialist or are you a capitalist?

Ms. GUZMAN. I am just following directions, yes or no, so yes.

Mr. WILLIAMS. Next?

Mr. LEHMANN. Yes, sir. I am a capitalist.

Mr. WILLIAMS. Thank you. Thank you for that. I, too, am a capitalist and a small business owner who knows the value that competition brings to the marketplace. When the Flood Insurance Program was created in 1968, the government believed that we did not have sufficient data or technology to accurately assess risk for this product to exist in the private sector.

Mr. Lehmann, what has changed since 1968 in terms of data, technology, and the market's ability to assess risk?

Mr. LEHMANN. There has been an emergence of a technology called catastrophe risk modeling which does provide significantly more clarity to insurance companies on the landscape of risk that they face. The nature of the insurance market itself has changed. It is much more global. Insurance companies and reinsurers are able to spread risk around the globe. In the old days where you had a County Mutual somewhere in the Mississippi River Valley, if there was a flood, all the policyholders would be hit at the same time. That is not the case today. And so these things have made insurers more able to write private flood insurance at a time when they were not able to in the sixties.

It should be clear, though, that we do still need the NFIP, and when we talk about things like cherry picking, the 5 million people who have NFIP policies right now are not the entire universe of people who need insurance. There are many more people who need flood insurance. There was a University of Bristol study early last year that said something like 41 million Americans are actually at risk of riverine flooding. The current maps that we have from FEMA only show about 13 million, so we need to about triple the number of people who have flood insurance.

Mr. WILLIAMS. Mr. O'Mara and Mr. Heidrick, I would like to hear from you on that, also.

Mr. HEIDRICK. Sure. As insurance companies are creating their rate structure, they are modeling with technology, running through thousands and thousands and thousands of simulations, different possible weather events and what would the outcomes be. That computing power didn't exist 10 years ago, let alone 50 years ago, and that is what is allowing the insurance companies to actually run these models, prepare and run these models to come up with a set of rates that they feel they can rely on.

Mr. WILLIAMS. Okay. Good. Mr. O'Mara?

Mr. O'MARA. The only thing I would add to that is the computing power is also in the surveying work, and having LIDAR technology, we could figure out exact elevations and understanding the systems and overlay climate data and actually understand the intersection of what the likely outcomes are for some of these communities that we didn't have access to. We were drawing topo maps with lines 50 years ago.

Mr. WILLIAMS. Okay. I think that a great way to help solve the issue would be to have better flood mitigation programs in place, and I cosponsored a bill with Representative Charlie Crist of Florida to set up a revolving loan fund in other words for community homeowners and businesses to take the necessary steps to prevent serious flooding problems before they occur. This is just one example of a mitigation program that will ultimately save taxpayer dollars.

Ms. Smith, can you give us your opinion on using the revolving loan fund as a mitigation technique?

Ms. SMITH. Yes. Thank you for the question. We think that this has great potential. States have experience using State revolving loan funds for clean water, for drinking water, in some places for energy efficiency. We can pay a little to save a lot. We have been being very much pennywise and pound foolish, and if we put the money upfront toward helping communities mitigate now, there will be a payoff in the future.

Mr. WILLIAMS. Okay. Thank you.

I yield my time back. Thank you for being here.

Chairwoman WATERS. Thank you.

The gentleman from Florida, Mr. Lawson, is recognized for 5 minutes.

Mr. LAWSON. Thank you, Madam Chairwoman, and witnesses, welcome to the committee.

One question I have, Mr. Heidrick, as someone I know who is in the insurance business, and earlier you heard Congressman Posey talk about the private insurance industry, and I looked at some of those results yesterday where the rates was much cheaper. And what do you think contributed to those rates being less than what it is with the NFIP program?

Mr. HEIDRICK. In my experience, the rates in the private market are not always cheaper. In many cases, they are. The difference usually comes from either better data in order to price and select risks. Some of it comes from the fact that the premiums that private companies are charging are not inflated for some policyholders to offset subsidies for other policyholders.

Mr. LAWSON. Okay. And how would you explain it like in Florida where we have a large percentage of people that—I think maybe 40-some percent who have flood insurance compared to other areas around the country?

Mr. HEIDRICK. There is certainly more awareness of the risk of flooding in the State of Florida than in many other places. Usually, a community that has experienced a devastating flood is aware. But what I find is, I have a lot of clients who have primary homes in other parts of the country, and they come down to my area of southwest Florida and have vacation homes, and the risk of flooding is not lost on them. In fact, many of them are paying cash for their homes and still buying flood insurance because they understand that risk. When you can stand on a barrier island and look at the water on one side and then turn around and look at the water on the other side, it is pretty clear that you are going to have a risk of flooding.

And throughout the State, we get so much rainfall and we have had, of course, Hurricane Irma that has come through recently. I think that there are a lot of things that have increased the awareness of Floridians, but I would say at the same time, the State legislature in Florida has done a number of things to encourage the growth of a private market, and that has created more choices for consumers.

Mr. LAWSON. And as you know, we created Citizen in Florida, and then, as time went on, we wanted to depopulate Citizens so it could go to the private market, and we have seen it happen. And the private market is saying that they still can take a lot more risk in policies from Citizens that we have in the State of Florida.

Ms. Lamm, currently the Federal Government regularly pays out billions of dollars for disaster relief in the aftermath of major flooding events. Research shows that we can significantly reduce the amount of costs incurred by the damage as a result of flooding by investing in more mitigation. In the Jacksonville and Duval area, a year ago, where we had a lot of flooding, it cost a lot of businesses and a lot of homeowners who didn't have insurance, and it took months and months to get it up and going again. And at one time, I proposed money for the Army Corps of Engineers to invest in mitigation that could help solve a lot of the flooding problem. So can you talk about what we know about cost-benefit of investing in mitigation and specific example of mitigation projects that have helped prevent flooding and damage in other areas?

Ms. LAMM. Thank you. Mitigation is a huge benefit when it comes to flooding. Many would agree that the water is supposed to be there; the people are not. But they are there. So what are we going to do about it? We need to mitigate. We need to find ways to assist them with either elevating their homes, buying them out, or doing some other form of mitigation.

An example that I have from South Carolina is that in 2016, Hurricane Matthew devastated the Pee Dee Region of South Carolina, specifically Marion County, and many homeowners in Marion County were able to elevate their homes, and they used the high-water marks as their goal of how high to get their home to. When Hurricane Florence came through again, some of those homes were high enough. And while the citizens had to leave their homes, their homes stayed high and dry, and thus, making the recovery process easier by mitigation.

Mr. LAWSON. I yield back.

Mr. HECK. [presiding]. The gentleman from North Carolina, Congressman Budd, is recognized for 5 minutes.

Mr. BUDD. Thank you, Mr. Chairman, for hosting this hearing, and thank you to our witnesses on this second panel for your time today.

Mr. Heidrick, I would like to start with you. In your testimony, you describe the Write Your Own Program as necessary and outline that the Big "I" would oppose policies that harm the Write Your Own Program. I certainly believe that we should always encourage more private-sector participation in the flood insurance market ideally through private policies. And while there is a gradual uptick in private-sector offerings, I am concerned that the number of Write Your Own companies has dropped from about 117 down to about 60, the last I understand. So, looking at the past couple of storm seasons and how they have impacted my home State, North Carolina, I think we can all agree that more property owners need to purchase flood insurance. I have heard that this morning.

So, in your opinion, Mr. Heidrick, how much do policyholders benefit from the Write Your Own Program, and what do you think the impact would be if the trend of companies leaving that program without a corresponding increase in private-sector options continues?

Mr. HEIDRICK. Thank you for your question, Congressman. Probably the best way that I can do this is to contrast it with the direct servicing program that the NFIP operates. Over 80 percent of the NFIP policies are written through the Write Your Own Program. And that is because the support that the Write Your Own Program provides to agents is much, much more effective than the direct servicing agency. It takes much longer for me to get problems solved and respond to clients, and those are the things that get clients to buy and retain their coverage.

The Write Your Own companies do a lot more training, and they have an incentive to see their book of business grow to have more customers insured for the peril of flood which is the reason why we are all here, is to try to ensure that has many people as possible have insurance and have the ability to recover after a storm as a result.

Mr. BUDD. Understood. So I strongly assume you would agree with me that the committee should be looking for ways to strengthen the Write Your Own partnership and to provide additional consumer choice via private insurance coverage?

Mr. HEIDRICK. Yes, sir.

Mr. BUDD. Thank you. Despite protecting more than 5 million Americans from the risk of flooding, the NFIP is in horrible fiscal shape due to mismanagement here in Washington, and the bottom line is that we know the NFIP has inadequate rates, which do not reflect the actual cost of living in a high-risk flood zone, and are the source of many of the program's problems. Yet, the discussion drafts before us in no way, shape, or form even address this issue of rate inadequacy that is fundamentally plaguing the program, which has ultimately caused policyholders to be strung along from one short-term extension to the next. While the drafts before us today fail to do so, Mr. Heidrick, in your testimony, you mention the Administration's efforts to modernize NFIP underwriting via risk rating 2.0, and it seems like a good first step. But in your opinion, will it go far enough? From my perspective, it seems that until my constituents stop funding subsidies for folks who live on the coast in high-risk areas, then we are going to have a program that continues on a fiscally unsustainable path.

Mr. Lehmann, I would also be curious to get your thoughts on this as well.

Mr. LEHMANN. As I mentioned in my testimony, my proposal is to cease writing new construction. I mean, if you are not making the problem any worse by encouraging, actively encouraging people, making it easier for them to build in flood-prone areas, then over time, you will see those rewards in the program becoming more sustainable.

The program itself is still not going to be sustainable. Part of the problem is the fact that, whenever we have wanted to assist people, whether it be for affordability reasons or the other subsidies, we have done it by discounting rates. So you are not bringing in enough premium to ever be sustainable, and you will forgive this debt today, but it will come back for sure. There is no question about that.

Mr. BUDD. Thank you all again for your time.

And I yield back to the Chair.

Mr. HECK. The gentleman from New Jersey, Congressman Gottheimer, is recognized for 5 minutes.

Mr. GOTTHEIMER. Thank you, Mr. Chairman, and thank you all for coming in today to testify on this critical issue.

Getting a long-term bipartisan reauthorization of the National Flood Insurance Program is not just vital to the country, but it is incredibly important to the people of New Jersey, my State. More than 225,000 homeowners in New Jersey rely on the National Flood Insurance Program to protect their families. Towns in the Fifth District, like West Milford and Lodi, are flood-prone. When their homes have been damaged or destroyed due to flood damage, they have been able to repair or rebuild them thanks to the National Flood Insurance Program. I have seen firsthand how essential this program is to the people of New Jersey's Fifth Congressional District. They cannot continue to live in uncertainty when it comes to flood insurance. They need more commonsense reforms, and we need to deliver them through a long-term reauthorization that provides responsible governance and doesn't have policyholders drowning in premiums. We must utilize innovative technologies to improve mapping, modernize flood insurance, and save taxpayers' hard-earned dollars.

I look forward to your answers on how to improve the National Flood Insurance Program, and I appreciate you taking the time today so far to tell us how we can work with our colleagues here on both sides of the aisle to get this reauthorization done.

If I can ask a specific question about Hurricane Sandy, because in late October 2012, as many of you probably know, Superstorm Sandy made landfall in the United States. The storm, which is the second costliest hurricane in United States history, resulted in more than $65 billion in damages and destroyed or damaged 346,000 homes in New Jersey. New Jersey felt the destructive power like no other State. Economic losses were estimated to be approximately $30 billion. Businesses were destroyed. People lost their jobs and homes, and most regrettably, 37 people lost their lives. Yet in the aftermath of Sandy, numerous policyholders have claimed that they may have been underpaid. There have been findings of fraud, altered engineering reports, and inadequacy of FEMA's oversight and control. This is beyond unacceptable.

Can you all discuss some of the steps that FEMA has taken to address these problems and explain what more needs to be done to prevent this from ever happening again? And I will defer to any one of you who wants to take this. Mr. Heidrick? Thank you.

Mr. HEIDRICK. Sure. I will be happy to answer. Thank you.

Mr. GOTTHEIMER. Thank you.

Mr. HEIDRICK. What happened in Superstorm Sandy is unacceptable, and everybody in the industry would agree with that. However, since then, we have had 4 storms in the last—actually, 6 storms in the last 2 years. For Harvey and Maria in particular, the NFIP received 120,000 claims, settled 92 percent of them within the first 90 days, and paid over $10 billion in claims with less than 1 percent of those claims going to litigation. I think that result shows a lot of progress that the NFIP has made. It is a different management team that is there. It is not the same people that are there. They have better technology that gives them better data that allows them to provide better oversight of the Write Your Own Program and provide better solutions to consumers.

Mr. GOTTHEIMER. So you can get ahead of fraud? I mean, some of the things we found in Sandy, we figured out what was causing some of those issues?

Mr. HEIDRICK. Every insurance company has to deal with fraud in every industry.

Mr. GOTTHEIMER. Right.

Mr. HEIDRICK. But having better technology provides FEMA management with better data and more timely data. During Sandy, I believe they were looking at information that was 6 months old to try to manage their day-to-day operations.

Mr. GOTTHEIMER. If I can turn to flood mapping in the time that I have left, I have heard from a number of my constituents when they believe their property is being improperly mapped by FEMA. I know we addressed this a bit because typically the only recourse for these constituents is costly and very time-consuming, as you know. In the 21st Century, there is no reason why we can't utilize 2019 technology like GPS mapping to improve the way FEMA maps property in New Jersey's Fifth District and across the country. Obviously, in our phones, we can do incredible mapping. There is no reason why we can't actually figure this out for the insurance program. Do you think NFIP's map revision process can be improved, and do you support the reforms that improve the NFIP's map revision process? Mr. O'Mara?

Mr. O'MARA. Thank you. So, in my previous life, I was secretary of natural resources in Delaware. And one of the things we did is we used LIDAR data to have kind of 2-meter data for the entire State for a couple million dollars. If you had property level data across the entire country, you would lose all those fights over appeals. Folks wouldn't have to provide their own maps. Folks wouldn't have to spend hundreds of dollars to get surveyors to do the additional work. If you had that level of data with transparency, you would transform the ability of folks to understand the risk they are facing.

Mr. GOTTHEIMER. It is there, right? This data is there.

Mr. O'MARA. Yes. There are some places that you have places to fill in the gaps.

Mr. GOTTHEIMER. All right. Ms. Guzman, do you want to add to that?

Ms. GUZMAN. Absolutely. The buyer could do their due diligence. People could actually make an informed decision before they purchase because they could actually see what the risks are up-front. Without that data right now, they are actually kind of flying blind.

Mr. GOTTHEIMER. Right. It is a guessing game.

Ms. GUZMAN. Yes.

Mr. GOTTHEIMER. Right. Ms. Smith?

Ms. SMITH. I would add just a caution that I think we now know that where it rains, it can flood, and I think one of the problems that we have is that people assume that the maps are a prediction. And the maps can give you a relative sense of risk, but they truly can't predict precisely. So we need improved maps, and I do believe FEMA is moving on using new technologies. But we need to stay on top of the risk.

Mr. GOTTHEIMER. Thank you. I yield back.

Mr. HECK. Thank you. The gentleman from Ohio, Congressman Davidson, is recognized for 5 minutes.

Mr. DAVIDSON. I thank the chairman, and I thank our witnesses for extended testimony, interactive Q&A, and really good expertise in offering ways to improve the current National Flood Insurance Program.

I think it is safe to say this is one of many federally crafted programs that if you looked at it as a clean slate, no one would design it to work the way that it works today. Maybe someone, but I don't think very many people. And so, as we look at how to go forward, it always strikes me as odd that there is so much resistance to change Federal programs that everyone acknowledges don't work exactly the way they should. And I have I listened to a number of you talk about the expected future impact and a number of my colleagues talk about the expected future impact of climate change. And as is generally agreed upon by people who embrace the most extreme impacts of climate models, flooding becomes an increasing concern. And so I am particularly interested in how we would want to remain static with the reauthorization of an admittedly broken program in light of its admittedly broken current results, its current debt, and the idea that we will just forgive that; we will keep operating it, maybe even subsidize things more than we already have, but we won't accrue the debt because we just are going to spend the money. Why would the government keep operating a program in that manner?

And, Mr. Lehmann, I just wonder, if you had to be actuarially sound, what sort of changes might you make in view of the most alarmist positions on climate models or in the result of just actuarial soundness?

Mr. LEHMANN. The program as it currently is structured, the subsidies and grandfathering are not based on need. They are largely based on the age of the home and how old your map is, and neither of those provides any good public policy justification for it. So moving everyone who can afford it to risk-based rates has to be a priority. There will be people who need help. There will be people who need assistance, so we don't oppose creating a targeted means-tested affordability program to help those people. It should be outside the rate structure. It should not just be a discount. It should be a voucher. Ideally, it should be a voucher that you could go and buy private insurance with as well and not just the NFIP because lower-income people should have that option of choice as well.

Mr. DAVIDSON. So, if I take it correctly, you are saying, let's let the market function where it can, and we will use actuarially sound underwriting principles?

Mr. LEHMANN. Yes.

Mr. DAVIDSON. It is almost like you are advocating for something akin to the housing market, though that too is distorted by numerous Federal programs where we might actually have actuarially sound mortgages for lots of Americans, and then we do believe in a social safety net, so we have a fairly large Federal housing program.

Mr. LEHMANN. We want people to respond to the price signals. We want people to build where it is appropriate to build and not build where it is not appropriate to build. And we can provide some assistance to people who need that assistance. But nonetheless, both the market and the climate models are telling us the same thing. They are telling us that risk is increasing; flood risk is increasing. We need to be prepared for that, and some of that preparation is going to be painful.

Mr. DAVIDSON. And so it is painful when someone would have to move out of a home, whether it is just for repairs or for remediation, not just rebuild the house, rebuild it on stilts or with tiles that drain the area better. We will rebuild it a second time. Then we will rebuild it a third time. Does anyone find it unreasonable that we would put a cap on the number of times we would rebuild a property? And I will just go down the line.

Ms. Lamm, is that unreasonable?

Ms. LAMM. No.

Mr. DAVIDSON. Mr. Heidrick?

Mr. HEIDRICK. No. The private insurance company is not going to continue to insure repetitive loss properties either.

Mr. DAVIDSON. Ms. Smith?

Ms. SMITH. No.

Mr. DAVIDSON. Ms. Guzman?

Ms. GUZMAN. No.

Mr. DAVIDSON. Mr. O'Mara?

Mr. O'MARA. No.

Mr. DAVIDSON. Mr. Lehmann?

Mr. LEHMANN. No.

Mr. DAVIDSON. So there's uniform consensus that at some point, we have to say, you know what, this place is going to flood, and we should just quit rebuilding it.

Unfortunately, that has been one of the more controversial provisions to be able to move past this body. So thank you for your expertise, and I yield back.

Mr. HECK. The gentlewoman from Michigan, Congresswoman Tlaib, is recognized for 5 minutes.

Ms. TLAIB. Thank you all so much for coming.

This is such a really important issue in my district. Since 1978, more than I think $75 million in damage payouts have been made to Michigan homeowners. And FEMA has bought out, I think, 226 machine properties in a flood zone including Ecorse Creek in my district, in the 13th Congressional District.

Many of us have heard from constituents, and I am sure you as well from your customers, where they believe that their property is being improperly mapped by FEMA. One of my constituents in Dearborn Heights got a notice to purchase flood insurance, even though he lives half a mile from the creek, and his property has never flooded. So he paid hundreds of dollars to hire a surveyor, to contest it, and he was very successful, but that is not going to be the case for a lot of my residents.

Typically, the only recourse is very time-consuming and costly, as a lot of my colleagues have mentioned. And so, in regards to how complaints are put forward and how they are addressed, if you were to pick kind of a process to be able to contest or to make a complaint in that they don't, you know, shouldn't hire it or maybe it is around affordability or the process in itself? And Mr. Heidrick or Ms. Smith, anybody who is able to answer that, and I apologize if it was asked before.

Mr. HEIDRICK. Thank you for the question. I think what you are asking about is letter of map revision, letter of map amendment processes.

Ms. TLAIB. Yes.

Mr. HEIDRICK. Okay. Thank you. On Sanibel, it is even more pronounced because a letter of map amendment is simply filing an elevation certificate, and you are basically showing FEMA that, "You said that I am below the base line elevation, I am likely to flood, but I have this document from a surveyor that says I am actually elevated high enough." A letter of map revision is much more complicated and requires engineering work and costs thousands and thousands of dollars.

But I can tell you that in the community of Sanibel, my home, in the last 3 years there have been 30 letters of map revisions that have been created, and every single one has been approved. The total cost, I don't have the exact number, but back of the envelope, I could probably say it is between $500,000 and a million dollars that policyholders and small businesses and condominium associations have paid to get that done. It is an expensive appeal.

Ms. TLAIB. Yes. And, you know, Ms. Lamm, you probably saw, as many of you have, in 2017, the Inspector General reported they found, like, 58 percent of all FEMA flood maps to be inaccurate and out of date. What are some of the hindrances? What are some of the challenges in FEMA fulfilling this requirement? Have you heard about any? Have they talked about pilot programs, anything like that to address this issue around inaccuracy with mapping?

Ms. LAMM. Inaccuracy with mapping comes from multiple avenues. For example, in my State of South Carolina, we have LIDAR. We have LIDAR for the entire State. However, it is out of date now, so it is time to fly it again, and the funding is limited from multiple resources including FEMA and the State.

The other thing is gauges. Gauges are really important because gauges increase the precision of your mapping. My State is very limited in the number of USGS stream gauges or really, any stream gauge, very limited, so it is very much needed.

Ms. TLAIB. But FEMA knows that?

Ms. LAMM. FEMA knows that.

Ms. TLAIB. Is there anything other than maybe beyond what the legislation is providing? What can we—as a new Member, I want to be able to push this forward and almost require it as a must before they proceed. You know, mapping is key. That is the basis of—

Ms. LAMM. I think one thing that can be pushed forward as well that we have seen is pushing for changes in technology. 2D mapping is something that we personally have seen that—we produced a 2D model in Horry County, South Carolina, where Myrtle Beach is, and when Hurricane Florence came through, it matched almost perfectly. So we have been able to—there are some new technologies out there. I think as a new Member, pushing forward new technology and making it easier for FEMA through statutory requirements and some of the policies encouraging them to move in that direction.

Ms. TLAIB. I am short on time. Just really quick, it was troubling, very troubling for many of us as Michigan laws require these disclosures, but then many folks are not really—the law does not require the seller to disclose whether the property is mandated to have flood insurance. Do any of you believe that we should try to standardize disclosure requirements to protect consumers and homeowners alike?

Ms. SMITH. Yes. Absolutely. We think it would be helpful across the board so that people would know about past flood risks, past flood damages, and about whether the property is going to be a repeat loss property and what the flood rates would be.

Ms. TLAIB. Thank you. I yield back.

Mr. HECK. The gentleman from Illinois, Congressman Casten, is recognized for 5 minutes.

Mr. CASTEN. Thank you, Mr. Chairman, and thank you to the panel. I am glad we have taken so much time talking about mitigation today, and I appreciate the inclusion of language within the legislation that would make property acquisitions an eligible activity for ICC coverage. I think this could—I emphasize "could"—help to jumpstart efforts to help lower- and middle-income folks relocate away from vulnerable areas.

I think that people asking whether you believe in climate change is sort of like asking whether you believe in gravity. We have the reality of the world we live in right now, that insurance is designed to cover something that is expensive, rare, and unpredictable, and flooding continues to be expensive, but it is no longer rare, and it is no longer unpredictable. And any actuarial product to solve that is going to be increasingly insolvent. We just have to deal with that. I am guessing from the nods of the panel that I don't need to ask anybody to confirm that. If anybody disagrees, please interrupt me.

I want to direct my first question to Mr. O'Mara. Specifically on mitigation, it seems like we have a lot of agreement that we should do this. The SmarterSafer Coalition has specifically stressed the importance of nature-based approaches to resiliency. Can you provide a little color on exactly what that is for us?

Mr. O'MARA. Sure. I will use an example of my home State of Delaware. We are sinking. We are facing sea level rise. We have more coastal storms. Places that have healthy wetlands that can absorb millions of gallons of water are less likely to get—the communities behind them are less likely to get flooded out than places that paved over everything with nowhere for the water to go. And if you use an example from Texas, places that had some prairie, places that had some level of natural infrastructure where you could basically absorb and slow down both the volume and the velocity of water did much better during the storms. And a lot of us have said this today: Every dollar we spend on that is $6 of savings, and we would like to see this be a huge part of any infrastructure conversation across all the different committees of jurisdiction.

Mr. CASTEN. Can you speak to how ICC funds could be used for property acquisitions to facilitate those kinds of outcomes?

Mr. O'MARA. Yes. There have been examples at the State level in different places where folks have done buyouts or different things. Again, compensating folks so they can relocate and have a different community, but making investments in those natural solutions, headwaters of watersheds, in some cases, reforestation, in some cases it might be more dune systems, but using those dollars to actually invest in those kinds of solutions. And then all of a sudden, you create a solution at a regional level, instead of just property by property, because you have to use stuff in addition to raising elevation. But if I can make one investment that helps 500 houses, that is a better investment than 500 individual solutions.

Mr. CASTEN. All of that, I think, sounds to me like a fairly permanent solution. Can you talk about what we need to do to make sure that if we make those changes, we don't end up with people basically rebuilding on the same land in the next cycle?

Mr. O'MARA. Yes. I think there are just questions about if government is going to play that role of intervening, making sure there are covenants put on those properties to make sure there isn't construction in the future. In some States, they are using things like the Land and Water Conservation Fund and being creative, trying to have different resources and turning these areas into parks in some cases. There have been ideas before about not having some of these be eligible for some government programs if you are rebuilding in these areas. But we would love to work with you to make sure that we don't do the same idiotic things over and over again.

Mr. CASTEN. Okay. With the bit of time I have left, I want to talk about equity, because obviously once you talk about relocating people, there is an inherent equity issue that is there. There was an NPR report recently that said that the current property acquisition programs are not equitable and that money is not necessarily doled out to those who need it the most but to those whose property is worth more.

A question for Ms. Smith, what do we do to better structure those programs to increase the accessibility to everyone who needs that preflood mitigation, but it is done in a more equitable fashion? And maybe just to tie the second part on, does the ICC coverage for property acquisition facilitate that expansion in an equitable way, or how might we need to adjust it to make sure it does?

Ms. SMITH. Well, for the folks who are low-income folks, I think you start behind when we start with the NFIP because, as the affordability studies that FEMA has produced show, people who have low incomes tend to not to buy the insurance. So, if you have mitigation programs that are only addressing the problems of insured properties, they are going to not help the low-income people.

There are a variety of things, so that is why we think that the community level kind of mitigation—the protecting or restoring of wetlands that will stop the water from flowing over a large area—the kind of preservation and kind of storm water drainage improvements that can help a variety of people are some of the best things that can be done for a larger community.

Actually, as I think of it, Mr. Scott, I just found out the Falcons new stadium in Atlanta has a cistern, was built with a cistern as part of the stadium that will take 80 percent of a 100-year flood, so there can be solutions for everyone.

Mr. CASTEN. Thank you. I yield back.

Mr. HECK. The gentlewoman from New York, Congresswoman Ocasio-Cortez, is recognized for 5 minutes.

Ms. OCASIO-CORTEZ. Thank you, Mr. Chairman. I just have to—I can't resist commenting on the earlier question which does, I can confirm, happen at every hearing: socialism or capitalism. And I am just thrilled at the adaptation today that the follow-up was yes or no because I do think that the yes is a great answer because mixed economies are a thing. And I would also like to note the irony of the fact that we are gathered here today in bipartisan support of a socialized insurance program that is designed to help people when the private market fails to protect homeowners. So I just can't go on without noting that because I love it. It is just—I love it. Anyway, I will move on.

The National Flood Insurance Program was solvent for a long time. It paid for itself. It was able to help people without—it was able to help people on a not-for-profit basis, and while in some years, it was under, in other years, it was over. And overall, it leveled until 2005, which is when Hurricane Katrina hit in Louisiana, which added a $19 billion cost. And at the time, many folks thought that Hurricane Katrina was a once-in-a-generation event. We had never seen this before, and it will probably never happen again at the same level of catastrophe. But then came Hurricane Sandy in New York, and we were told again that this was a once-in-a-generation event. And then came Hurricane Harvey in Texas, Hurricane Irma in Florida, Hurricane Maria in Puerto Rico, 3,000 dead and outages for 11 months, Hurricane Florence in North Carolina, and Hurricane Michael impacting large swaths of the southeastern United States.

So my question here, and I will start with Ms. Smith, I am interested in the role of the NFIP in the broader constellation of preparedness because we know that, in this larger trend of hurricanes, this is not an accident, and that these are not once-in-a-generation events. This is not a once-in-a-generation event. This is what climate change looks like now in the present day. So are there any other programs designed to work with the NFIP to prepare for the damages to come ahead of time and not after a storm?

Ms. SMITH. I would say there are, but they aren't big enough. They have been small. FEMA has administered a small predisaster program, but it has just not been enough and we have to get ahead of the game. I think we can also change the way we have land use regulations in the NFIP to help communities make smarter future decisions.

Ms. OCASIO-CORTEZ. And I would like to go down the line. In each of your professional opinions, is the NFIP currently structured to foresee and accommodate and prepare for the damage that will come to people's homes and communities due to climate change? I will start with Ms. Lamm, and that is an actual yes-or-no question.

Ms. LAMM. So, yes or no. I would say, not exactly.

Ms. OCASIO-CORTEZ. It is not.

Ms. LAMM. There are some areas, yes; some areas, no.

Ms. OCASIO-CORTEZ. Mr. Heidrick?

Mr. HEIDRICK. I would agree with that.

Ms. SMITH. No.

Ms. GUZMAN. No.

Mr. O'MARA. Yes, not even close.

Mr. LEHMANN. No. And if I can just expand a little bit, it is because all ratemaking is based on the past, right? So we don't—and this is what insurance companies do as well. They might do a catastrophe model to see how the world is changing in the future, but rates are based on the past, and they are an extrapolation to the future. If the future changes, then the rates don't reflect that.

Ms. OCASIO-CORTEZ. Right.

Ms. GUZMAN. We are also not addressing urban flooding, which we may say thousand-year storms now are the new normal.

Ms. OCASIO-CORTEZ. So it seems like there is kind of this fundamental paradox where this area of insurance cannot operate the same way as other areas because the future is virtually guaranteed, with broad scientific consensus, to change.

So, in my brief time left, I have here from New York City a 2018 flood plain map. These are the flood plains predicted from last year. They also provide a 2050 flood plain map and a 2100 flood plain map. So I can buy a home and see that if I want to pass it on to my kids, it will be underwater. Ms. Smith, is this available in all parts of the country?

Ms. SMITH. No, it is not. And I think there are some other places that have started to do similar, but the more we do of that, the better.

Ms. OCASIO-CORTEZ. And when people buy a home, do you think that they should have this information printed out right there and handed to them?

Ms. GUZMAN. Are you asking me? Yes. Absolutely. First of all, it is about due diligence and making a—

Mr. HECK. The gentlewoman's time has expired.

Ms. OCASIO-CORTEZ. Thank you.

Mr. HECK. The gentlewoman from North Carolina, Congresswoman Adams, is recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chairman.

And thank you all for being here today.

I want to ask Ms. Lamm, the NFIP is currently $20.5 billion in debt. Every year policyholders pay approximately $400 million in interest to service the debt.

Do you believe that Congress must address the NFIP's debt? And do you think that it makes good sense for policyholders who may be already suffering from affordability challenges in a cash-strapped program to pay $4 billion just in interest payments on a debt that NFIP will never pay?

Ms. LAMM. Thank you. I believe that a forgiveness of the debt is important. We have to forgive the previous debt because you are 100 percent correct. We are never going to get ahead. But getting rid of the current debt and then processes and policies to move forward to make the program more solvent would be of great benefit.

Ms. ADAMS. Okay. Thank you.

Congress has been grappling with the issue of affordability of flood insurance for a long time. So do you think the discussion draft that we are considering today, which would stand up a pilot program to offer means-tested assistance for low- and moderate-income households to help them afford flood insurance is a step in the right direction?

Ms. LAMM. Yes, ma'am.

Ms. ADAMS. Are there other potential solutions that you think should be under consideration?

Ms. LAMM. I think that we just need to keep in mind that any time we are doing a better approach that helps low- to moderate-income people be able to either obtain insurance or community-based is a good way to keep going. And building the capacity at a State level, I think is also important.

We mentioned earlier the community assistance program which funds flood plain management. That is where the rubber meets the road at a local level because that assistance provided to a community can help them better prepare their citizens for the floods that come in the future.

Ms. ADAMS. Okay. You mentioned local. Last year, Hurricane Florence came into my district of 850,000 residents there in Charlotte. One thing we had in our favor is it sits in Mecklenburg County, which is one of the few places in the country that has begun emptying out its flood plain, reducing risk by helping to move people at home from the most vulnerable neighborhoods. And I would like to commend my good friends on the city council and our mayor, Mayor Lyles, for their foresight and thoughtfulness in tackling the issue.

Ms. Smith, could you speak about the importance of local communities having access to programs like FEMA's buyout program which can help to reduce burden on the NFIP?

Ms. SMITH. Absolutely. There have been many communities like Charlotte and the Mecklenburg area, who realized a long while ago that they needed to change where people were living, change where new development was going. For example, the City of Birmingham, Alabama, has had buyout programs for over 20 years. They think 20 years of buyouts has avoided $60 million in losses over that time period.

In Florida, the money that has come from FEMA, the State is tracking how many losses are avoided. And after Matthew, they think the projects they had done previously meant that they had saved probably more than $80 million in losses in that one storm.

So if communities can leverage a bit of money from the Federal Government, it will be money well spent.

Ms. ADAMS. Okay. What about some of the limitations to the current program?

Ms. SMITH. Largely funds, and the difficulty is that, again, right now, the money flows to people who have the flood insurance if it is to individuals. But trying to get communities money ahead of time so that they can think through and plan for what they will do rather than if you wait until after the storm when everyone needs to get back in their home, and you just are in a rush as opposed to making smart decisions about where and how to build again.

Ms. ADAMS. Okay. Being proactive, I think, is the best way.

Thank you very much. I appreciate your responses and I thank all of you for being here.

I yield back, Mr. Chairman.

Mr. HECK. The gentlewoman from Texas, Congresswoman Garcia, is recognized for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Mr. Chairman.

And thank you all for sticking it out with us. It looks like we are coming toward the end.

First, let me just kind of underscore some of the points that my colleague from Houston, Mr. Green, made earlier.

I think Houston is beginning to feel like a pinata. We have been beaten up by one flood after another after another. And I know for me, in my district, we are still recovering, and we still have some families who have not been able to return to their homes. And regrettably, many of those are the folks that we really need to help because the median income in my district is about $42,000.

When you look at the homes in Harris County that were flooded, there were 154,170 homes flooded in the county. Many of those were in my district. Only about 55,570 had insurance. And I don't know how much was FEMA, through the National Flood Insurance Program, and how much was private.

But the bottom line is that is only 36 percent, about one out of three. So that means that the other two out of three have no coverage and have to go somewhere.

I am not one of those to suggest that, well, they have to figure it out themselves. They have to eat cake. They have to do it on their own. I do think we need to do something to make our insurance more affordable, not only private insurance but, more importantly, our national program.

And I am sure that many of you all are aware of the Affordability Framework document that has been prepared. And when I reviewed it and looked at the options—it looked at four—it seems to me that the chairwoman is correct, that we probably do need an income means insurance program so that we can assist those who are having trouble getting insurance. We already have so many people trying to decide whether they get their prescriptions or they pay their electricity or get groceries.

At a time like this, you have an additional burden of, do I now make a choice of trying to get some flood insurance so I can be covered next time? Because many of these decisions are made after the fact.

So my question starts with that. Do you all agree with this framework, and which one of the four choices—programs would you do? Or are you happy with the chairwoman's 5-year demonstration for a means-funded program? And I will start with you, Ms. Smith.

Ms. SMITH. I would say that the chairwoman's approach is a good place to start, because she is trying to sort of thread a needle that we are going to try to help low-income folks. I think clearly, we need FEMA to run the numbers against what will happen.

The difficulty is that the program is so deeply underwater in debt right now that there is not much money to work with. So I think we want to try to help the low-income people but also make some changes so that we don't face the shortfall.

Ms. GARCIA OF TEXAS. Okay. If I can ask the rest of the panel, and this time yes or no in the interest of time, because I have one more question and very little time left.

Ms. Guzman?

Ms. GUZMAN. Yes. We support the provision. First of all, we want to make sure that when the rates go up, they go up gradually. We don't want people getting sticker shock and then being faced where they are now—

Ms. GARCIA OF TEXAS. So, yes, you support the program.

Ms. GUZMAN. Yes.

Ms. GARCIA OF TEXAS. Great.

Mr. O'Mara?

Mr. O'MARA. There wasn't enough focus on mitigation. We want to see more to reduce risk on the front end.

Ms. GARCIA OF TEXAS. Okay. So you are a yes or a no?

Mr. O'MARA. I mean, yes, but—

Ms. GARCIA OF TEXAS. Okay. That is fine.

Next?

Mr. LEHMANN. In my written testimony, I do have some comments on the program as it is proposed. I support the idea but not necessarily the structure.

Ms. GARCIA OF TEXAS. Okay. Ms. Lamm?

Ms. LAMM. Yes, with means-tested—

Ms. GARCIA OF TEXAS. Mr. Heidrick?

Mr. HEIDRICK. The Big "I" hasn't formulated a specific support for any one specific proposal but looks forward to working with the committee to develop one.

Ms. GARCIA OF TEXAS. Okay. And then I wanted to follow up with you, Ms. Guzman. One of my colleagues asked about disclosure. And I believe you answered about full disclosure, but, Ms. Guzman, I think you represent the REALTORS?

Ms. GUZMAN. In review, every State has disclosure but disclosure is merely check-the-box. What we want are more accurate mappings. We would like to have access to FEMA's database where people can actually see if those claims on that property were made—

Ms. GARCIA OF TEXAS. So your organization does favor disclosure of, yes, the house was damaged, and it was this much in these areas?

Ms. GUZMAN. The only way that is going to be available is through modernization of the mapping program. That is the only way it is going to be available.

Ms. GARCIA OF TEXAS. Okay. Does anybody else want to jump in on this one?

No?

Well, there it is.

I yield back the rest of my time.

Mr. HECK. The gentleman from Virginia, Congressman Riggleman, is recognized for 5 minutes.

Mr. RIGGLEMAN. Thank you very much. It looks like I am last, I think, maybe, looking around. Is that possible?

Mr. HECK. Not quite.

Mr. RIGGLEMAN. I don't know if this is a fun question but I have been reading some of these provisions, and I just want to let you know that I live in a very rural district, the Fifth District of Virginia. It starts about an hour south of here and goes all the way to the North Carolina border.

When we talk about rural, you are talking about by-right structures. For instance, I have a by-right farm structure zoned A1 in Virginia—and this is a question; if it is not answerable, it is okay, because it is actually curiosity as I was reading this section—that holds special items. So I own a distillery. It has about 400 barrels of bourbon and whiskey in it.

But there are a lot of structures like that in the Fifth District that are allowed to be built for special use that it is really not defined exactly what it is as far as residential or commercial. So if you have these facilities, which are neither residential or commercial structures, and they serve a specific unique function, based on what I see in the Fifth District, which has a lot of special and unique functions with special-use buildings that are built by-right—and we can start left to right. I don't want to take really long, because I know you are tired. But this is actually a curiosity question. I think this is in Section 9, agricultural structures and special flood hazard zones. By the way, I have an intelligence background in GIS, so this gets really exciting for me. And I know I just nerded out on that a little bit.

But can you provide some insight, from left to right on this issue because, in your opinion, does this legislation properly address all those concerns or any concerns about by-right structures with special use that are neither residential or commercial?

I know that is a very specific question in Section 9, but it is near and dear to my heart in our rural district, in the Fifth District of Virginia. We can start right to left with Mr. Lehmann or Ms. Lamm, go right to left, Mr. Lehmann. And I know we have 3 minutes left, so you don't have to take a whole lot of time.

But do you see that—does this address those concerns for by-right structures outside of the residential or commercial area?

Mr. LEHMANN. I will humbly submit that I do not know.

Mr. RIGGLEMAN. Thank you, sir. I knew this was specific, so—

Mr. O'MARA. Yes. I think we will get back to you. But I do think that if you have good mapping and kind of good data, the case-by-case mitigation measures to make sure that that individual study is resilient, it should be rewarded with a price structure that matches. And if it is not resilient, then it should be priced accordingly.

Mr. RIGGLEMAN. No. That is excellent.

The last flood we had in our area—the reason I am asking some of this—was in 1969, in that specific area. But with GIS mapping, it said it actually wasn't a flood plain. So I didn't build anything there. But there are some other areas that we did not think would flood. I don't know if you guys know, but in our district, we have seven or eight counties under FEMA. Michael put a punch to it on flooding there destroying one whole town.

So I don't know if they knew that was specifically—some of those structures were in the flood plain. So that is why I am asking the question. I know it is specific. And I promise, this isn't "stump the dummy," which I got when I was an intelligence officer, I promise. It is actually a real curiosity question.

If structures outside of those specific definitions would be covered with some type of change in the GIS posture, and, I am just sitting here looking at it because there is millions of dollars of special use buildings in our district.

Ms. GUZMAN. Well, the way it is right now, you have to have an NFIP policy on each and every building that you have on your land, which is ridiculous because there should really be based on your survey so that you cover comprehensively completely. Even on residential homes—

Mr. RIGGLEMAN. Ma'am, you are in my head. You are exactly right.

Ms. GUZMAN. And so, send me bourbon. But anyway—

Mr. RIGGLEMAN. Yes, ma'am.

Ms. GUZMAN. But also, on residential homes, they would have to have a separate policy for garages as well, so it is not included.

So, if they could change that and make it one policy for all buildings on the property, then it would be much more comprehensive and better coverage.

Mr. RIGGLEMAN. Thank you.

Ms. SMITH. Thank you for the homework. I am not going to try to answer right now.

Mr. RIGGLEMAN. And, again, it was just something—looking at a structure, I am like, my goodness, I am not residential or commercial, and I know about 50 or 60 businesses that are not either. And even outside of liquor, which I don't know if I can say in here, I think I can, but outside of liquor, beer, you are also talking about wine, but you are talking about other structures that hold other things, nothing illicit, it is the Fifth District of Virginia, but that is why I am asking those questions.

Yes, sir?

Mr. HEIDRICK. My agency is located on the barrier islands in southwest Florida. So we don't insure a lot of farms or farm-oriented businesses. And one thing I learned is, don't try to become an expert in something that you are not, so—

Mr. RIGGLEMAN. Yes, sir.

Mr. HEIDRICK. —I don't have an answer for you, but we can get one for you.

Mr. RIGGLEMAN. Thank you.

Ms. LAMM. Not specifically to that. We will get you an answer. But we are also in support of the pilot program for policies for multiple agricultural structures. But we will get a specific answer to your specific question.

Mr. RIGGLEMAN. And what you said, Ms. Guzman and Ms. Lamm, about the multiple structures used on by-right builds for specific types of industry, and I am talking tens of millions of dollars. And based on the flooding that we have had recently, there is a concern in the district about flood insurance for that specific idea.

But I have 90 seconds. That was perfect. You guys are amazing. Thank you very much, and I yield back.

Mr. HECK. The gentleman from Texas, Congressman Gonzalez, is recognized for 5 minutes.

Mr. GONZALEZ OF TEXAS. Thank you.

My question is for Mr. O'Mara.

On page 7 of your written testimony, Mr. O'Mara, you stated that, in addition, Congress should consider mapping beyond a special flood hazard area. Floods and risks do not stop at a line drawn on a map, which I can't agree more with. And many properties and communities outside of these areas are at risk of flooding. In fact, almost a quarter of all flood claims occur outside the risks of SFHAs.

What additional features should be collected in addition to elevation data, or, in a sense, what else beyond SFHA should we be doing?

Mr. O'MARA. We want to see the state-of-art technology around LIDAR being used as the standard to do a map at the property level across the entire country. When you have 3 thousand-year storms in 3 years, all of a sudden, the traditional lines of a hundred-year flood plain don't make sense anymore.

And so, for us, it is just the best data possible as transparently provided as possible so then folks can know the risk and make assessments. And hopefully, there is some ability to then make much wiser decisions. And right now when you are looking at topographic maps, in some cases, they are 10 to 15 and 20 years old.

Mr. GONZALEZ OF TEXAS. Even older than that, I think.

Thank you for your response.

The next question is for Ms. Guzman.

Ms. Guzman, in your written testimony, on page 5, you state that NAR supports the following bill provisions: expand mapping to all areas and risks in the United States, which I can't believe we haven't done already; and provide for a digital display and property-specific mapping.

What property-specific mapping are you referring to? And what attributes beyond elevation should be collected at the property level?

Ms. GUZMAN. Well, not only elevations, but also to show the actual buildings that are on that plain or that location. Without that information, people can't—first of all, when we talk about smart and safe construction—there, I said it, I get a dollar—with this data, they actually can go ahead and see where to build much more effectively. Now, if they go ahead and build in an area where they could be potentially high risk, they know that they had to do mitigation in advance. So that there is low risk to the people who move in and also less risk to the taxpayer who may have to cover something in the future.

But policyholders then go in with eyes wide open. They could actually do their due diligence and see what the impacts are for them to moving in there and what the true cost of owning that property is going to be over a period of time.

Mr. GONZALEZ OF TEXAS. Thank you.

Now, how far are we from this? If we all agreed today that, hey, we are going to begin, we are going to get on it, and we are going to do this nationwide, how long would it take for us to be able to come up with accurate mapping?

Ms. GUZMAN. I have no idea.

Mr. O'MARA. It is a resource issue. We could do it fast. A lot of States have great data. There is data across different parts of the Federal and the State Governments. They have pieces of it. A lot of it is not interoperable right now. But if it was a priority that had a few dollars attached to it, it would be one of these smartest investments we could possibly make to make our country more resilient.

Mr. GONZALEZ OF TEXAS. I agree.

Ms. GUZMAN. And I believe also leveraging people who already have those resources, because some people are already actually doing it, so why reinvent the wheel insted of working with those who already have the data?

Mr. GONZALEZ OF TEXAS. Thank you.

Anyone else want to address the question?

Mr. HEIDRICK. The flood zone that is most outside of the special flood hazard area, the X flood zone, is incredibly broad. It is defined by the NFIP as having a probability of flooding in any given year somewhere between 0.2 percent and 0.99 percent.

So you have one flood zone that includes a structure that is 5 times more likely to flood than another. There is an awful lot we can do to improve, and the bar is not high to improve upon.

Mr. GONZALEZ OF TEXAS. Mr. O'Mara, just going back to you, you said that we could do this really fast. How fast? A year?

Mr. O'MARA. A lot of this is done kind of using technology, kind of flying over places, right? So, in the State of Delaware, we did the entire State in a handful of days. And this is where working across jurisdictions to try to think about the best way to do it, but there are—a lot of States have the data, but do the quick gap analysis, what needs to be done, what needs to updated most recently, and you could be talking within a year.

Mr. GONZALEZ OF TEXAS. Very good.

Ms. LAMM. I would disagree that you could do it in a year. It took—

Mr. GONZALEZ OF TEXAS. So how long?

Ms. LAMM. Well, it depends on funding. If you were to dump enough money—

Mr. GONZALEZ OF TEXAS. Assuming the funding was there.

Ms. LAMM. Assuming the funding was there, I would think it would take about 5 years.

Ms. SMITH. I would—

Mr. GONZALEZ OF TEXAS. Go ahead?

Ms. SMITH. I would also caution that maps are a partnership with local governments, and local governments have to adapt then so that the law actually has a built-in process for review and appeals. And some of those can take several years as well. So the hydraulics and the hydrology can take a long time, and then the review of the map can take a long time as well. It is going to be something—

Mr. GONZALEZ OF TEXAS. So how long? 5 years?

Ms. SMITH. Potentially, 5 years. But we have to keep going because risk will change. So we have to keep going.

Mr. GONZALEZ OF TEXAS. Right.

I have areas in my district, for example, that are now flooding that weren't in the flood zone. And we have some that are in the flood zone but haven't flooded in over 100 years. It is just really difficult to have to manipulate through that.

Thank you. I yield back.

Mr. HECK. The Chair recognizes himself for 5 minutes.

Ms. Guzman, FEMA issued a report not that long ago which indicates that incomes within flood zones, flood plains, tend to be lower than outside flood plains. Do the REALTORS agree with that assessment?

Ms. GUZMAN. Yes, this is true, first of all, because it is about affordability. So they are looking for something that they can pay for sustainably over a 30-year period.

What is incorrect about this is that it is really not cheaper for them to live there. Number one, they are not getting the true cost of what that home is and what it is going to cost them over the period of a lifetime while they live there because—

Mr. HECK. Because of the flooding?

Ms. GUZMAN. Exactly.

So they could be out of pocket, and their flood insurance rates are going to continue to go up as well.

So to say that we have affordable housing, is it really affordable when your rates are going to be maybe $10,000 to 30,000 a year? That is not affordable, and that is not sustainable.

Mr. HECK. So is this not, then, frankly, just more evidence that we are not producing or creating enough affordable housing in this country, that our housing stock is too low, especially in the affordable market?

Ms. GUZMAN. I think that is a local discussion, and you would have to go community by community to see what their efforts are.

Mr. HECK. But is it not true overall if we are seeing a disproportionate presence of low-income people in "less desirable areas," namely flood zones?

Ms. GUZMAN. If we take Louisiana and the Lower Ninth, for example, many of those people have lived there for over 40 years. And many of them inherited property. So it is not necessarily that they were low income. They also inherited property. They were there for a long period of time. So their risk was that they didn't get flood insurance because they couldn't afford it, but they already own the home outright.

So we have to look at this from a community standpoint and go by every municipality or town and measure it that way. I don't like broadbrush discussion on something like this.

Mr. HECK. Well, I do, and here is mine: We are not creating enough affordable housing in this country, period.

And, with that, I ask unanimous consent to submit to the record additional materials as given to the Chair.

Hearing no objection, it is so ordered.

I would like to thank the witnesses on our second panel very much for your testimony today.

The Chair notes that some Members may have additional questions for these witnesses, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

I ask our witnesses to please respond as promptly as you are able.

I thank you again very much for your participation.

With that, the hearing is adjourned.

[Whereupon, at 1:30 p.m., the hearing was adjourned.]

A P P E N D I X

March 13, 2019

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HEARING BEFORE THE
HOUSE FINANCIAL SERVICES COMMITTEE

ENTITLED

"PREPARING FOR THE STORM: REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM"

TESTIMONY OF

Mabél Guzmán

ON BEHALF OF

THE NATIONAL ASSOCIATION OF REALTORS®

MARCH 13, 2019

Introduction

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, on behalf of 1.3 million members of the National Association of REALTORS®, thank you for inviting me to testify regarding draft legislation to reauthorize and reform the National Flood Insurance Program (NFIP).

My name is Mabél Guzmán. I am a real estate advocate and broker for @properties in Chicago, IL, and have been a REALTOR® for 21 years. I have been President of the Chicago Association of REALTORS® and commended multiple times by the Illinois REALTORS®, including as "2012 REALTOR® of the Year". I have also served on the board of directors and chaired public policy committees both for NAR and the state association. In 2020, I will become NAR's Vice President.

REALTORS® thank this Committee for your continued leadership on long-term reauthorization and reform. Many provisions of the draft legislation will provide critical reforms to NFIP's flood mapping and mitigation programs. NAR urges the Committee to work together and build on these provisions to open the door to private flood insurance and develop a bipartisan reauthorization package.

America is NOT Prepared for the Coming Storm

By every measure, floods are getting worse.[1] The U.S. recently weathered several record-breaking hurricane seasons in a row and witnessed the total destruction of places like Mexico Beach, FL, and much of the island of Puerto Rico. Hurricanes Harvey, Irma, Maria, Florence, Michael – most of us lost track of all the names. It seemed like every time we turned on the nightly news, there was yet another storm and more devastation. 500-year and 1,000-year floods became the new normal.

This is not just a coastal issue. Harvey's landfall and storm surge did not cause most of the flooding in Houston. It was the over 4 feet and 27 trillion gallons of rain dumped on Eastern Texas over six days. That, combined with inadequate infrastructure and mapping contributed to the destruction, which extended well beyond FEMA's flood zones.

Inland flooding is not unique to Houston. My home town of Chicago, for instance, has struggled with flooding due to an inability to drain heavy rainfall. Our maps currently do not account for urban or future flooding, which makes it a challenge for property buyers, owners, renters and others to know where and how high to build or locate safely.

As the following chart shows, roughly half of all the flood disaster declarations since 1990 occurred in landlocked states. In the past year alone, disasters were declared in Kentucky, Indiana, Michigan, Wisconsin, Minnesota and Montana.[2]

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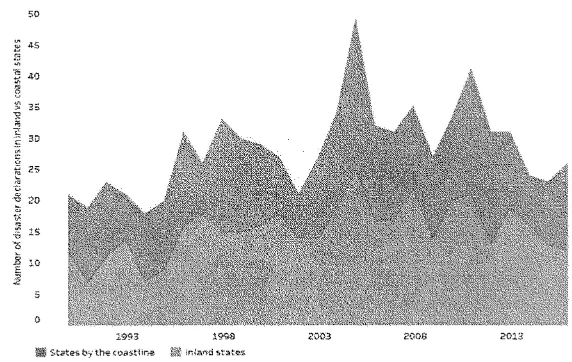
[1] For example, you can see billion dollar floods are on the rise if you go to NOAA's website and select "Flooding", "Severe Storm," and "Tropical Cyclone."

[2] Check out FEMA's website and select "floods" and "major disaster declaration" beginning January 2018

Floods are not just a coastal issue

Flood-related disaster declarations: Comparison between Inland and Coastal states



Note: The chart above includes declarations for coastal storms, floods, hurricanes and severe storms

Source: Federal Emergency Management Agency database of Disaster Declarations (as of December 2016).

NATIONAL ASSOCIATION *of* REALTORS®

Most Americans are under-insured

While flood risk is rising, take-up rates of flood insurance are not following (see table 1 below).

As REALTORS®, we talk with our clients about buying flood insurance even where not required. We tell them "X is a flood zone;" flooding is not covered by the standard homeowners policy; and disaster relief typically means a $5k FEMA check and an SBA loan to be repaid with the mortgage.[3]

Unfortunately, too many believe that Congress will pass another multi-billion-dollar supplemental and make them whole, again. We can point our clients to information and follow the laws,[4] but if they choose not to buy flood insurance, ultimately it is their decision. All we can do is hope and pray for the best.

While REALTORS® are not risk experts, we are trying to do our part to close the insurance gap. NAR and FEMA recently signed a memorandum of agreement and are working together to better educate consumers and help ready the nation for disasters, but there is still more to do.

[3] For a comparison of the typical individual assistance payment vs. the average NFIP claim payment, click here.
[4] Every state in the U.S. has a real estate disclosure requirement either in statute or common law. Read NAR's state-by-state summary.

Table 1: Homes in Special Flood Hazard Areas (SFHAs) versus Flood Insurance

	A	B	C
CENSUS REGION	**Homes in SFHAs[1]**	**NFIP Policies in force[2]**	**Percentage of Homes with Insurance ((B ÷ A) x 100)**
Northeast	1,652,754	589,987	36%
Midwest	1,388,768	198,499	14%
South	6,724,563	3,721,828	55%
West	1,283,263	447,117	35%

Source: NAR calculations of data from Federal Emergency Management Agency (FEMA) and U.S. Census.

[1] NAR estimated the percentage of these in SFHAs by overlaying the block-level data from 2010 Decennial Census with the map of SFHAs from FEMA. Then, NAR multiplied the floodplain weights with the 2017 American Community Survey (ACS) housing estimates for each region.
[2] NAR calculations of the FEMA data about NFIP policies in force (as of Sep 2018)

REALTORS® Support a Reformed NFIP and Robust Private Market

The embattled National Flood Insurance Program is central to U.S. disaster preparedness efforts. According to NAR research, the program is also essential to completing half-a-million home sales per year[5] while each sale contributes two jobs and $80,000 to the economy.[6] However, the NFIP is not sustainable as currently structured. The program was not designed nor intended to address the catastrophic loss years we have seen since 2005, as this snap shot of NFIP's financials illustrates.

NFIP by the numbers

($1.4Bil)	The shortfall between NFIP's annual revenue and expected costs[1]
$36,000,000,000	The amount borrowed (including $16Bil forgiven) since 2005[1]
300 million/year	Annual spending on interest that is not available for maps or claims
One-third	Fraction of U.S. stream miles mapped, of which 42% are "adequate"[1]
∞	How long it would take for NFIP to repay the full Treasury loan
2007	The last time that NFIP made a payment toward the loan's principal
2 percent	Fraction of NFIP properties responsible for 25 percent of claims

[5] Using various methods, NAR research has consistently found over time that 40,000 home sales stall each month that NFIP lapses. 40,000 sales/month x 12 months = 480,000 sales/year with NFIP insurance. Click here and here for more about the 40,000-sales figure and methods.
[6] Each home sale provides jobs and income to real estate agents, construction workers, building contractors, mortgage service providers, home inspectors, appraisers, and many others. There is an annual impact to the community as there is less income to spend on goods and services. Read more about the total economic impact of home sale at this link.

NAR agrees that Congress should reauthorize NFIP before its insurance writing authority expires on May 31. Ten straight month-to-month extensions are ten too many, and each lapse risks 1,300 home sales per day. However, we need long-term reauthorization and reform.

1. **Long-Term Reauthorization coupled with Meaningful Reforms.** NAR supports extending the NFIP but that alone will not help with inaccurate maps, unfair insurance rates, or the lack of resources for property owners to reduce or mitigate their risk. We support these bill provisions:
   - **Extend the NFIP through September 30, 2024.**
   - **Include bipartisan mapping and mitigation reforms.**

2. **Strengthen the NFIP while Encouraging Private Flood Insurance.** REALTORS® support both a reformed NFIP and robust market. To close the insurance gap, we need 'both/and,' not 'either/or.'

   Our members are finding increasingly that private insurance companies offer better flood coverage at lower costs than NFIP. However, private flood insurance accounts for only 4 percent of the residential market and 16 percent of the commercial market.[7]

   NAR urges the Committee to consider including provisions of the Flood Insurance Market Parity and Modernization Act, which would reduce barriers to the market. (Our understanding is that Reps. Castor (D-FL) and Luetkemeyer (R-MO) are working to reintroduce this bill.)
   - **Allow consumers to move back and forth freely while maintaining continuous coverage.**
   - **Clarify that FHA is subject to mandatory acceptance of private flood insurance requirements like other Federal agencies, the banking regulators, Fannie Mae and Freddie Mac.**

3. **Modernize Mapping for Better Risk Assessments.** Currently, when FEMA develops its maps, the agency does not consider the elevation of individual properties upfront. Instead, all properties within the flood zone are deemed "high risk" unless a property owner provides a $500-$2,000 elevation certificate to justify a letter of map amendment (LOMA).

   Instead, FEMA should use the most accurate and granular risk assessment tools to remove properties en masse automatically, so the burden is not on homeowners. FEMA should also account for additional risk factors such as future and urban risk, and map the entire country so property buyers and others will know where and how high to build and locate out of harm's way.

   NAR supports the following bill provisions:
   - **Expand Mapping to all areas and risks of the United States**
   - **Provide for a Digital Display & Property-Specific Mapping.**[8]

[7] See the Wharton Risk Center's recent study on the emerging private flood insurance market.
[8] For more about North Carolina's Flood Risk Information System (FRIS) and "structure-specific flood frequency determinations and associated flood elevations," see Recommendation 14 of Technical Mapping Advisory Committee's 2015 annual report.

- **Remove Low-Risk Structures from Flood Hazard Areas (or "mass LOMAs")**[9]
- **Add a Real Estate Representative to the Technical Mapping Advisory Council**

4. **Ensure consumers are charged fair rates and enhance affordability through mitigation.** Currently, the NFIP sets national average insurance rates so many policyholders pay substantially more than their property-specific flood risk while others pay less.[10] NFIP should not only better align rates to risk but also proactively mitigate risk. Subsidizing premiums ultimately keeps homeowners in harm's way, but a mitigation-centered approach will ensure reasonable rates and prevent devastating flood losses.

   NAR supports the following Committee proposals:
   - **Double the Increased Cost of Compliance coverage (ICC) in the NFIP policy**
   - **Enable policyholders to use ICC to reduce their risk *before* the property floods.**
   - **Give Premium Credit for Additional Mitigated Properties**
   - **Create a State Revolving Loan Fund for Flood Mitigation**

   NAR would like to work with the Committee to modify or add the following provisions:
   - **Use replacement cost values in NFIP premium rates (HR 2874 Section 111)**
   - **Consider coastal vs. inland locations in premium rates (HR 2874 Section 105)**
   - **Incorporate a mitigation component into the Demonstration Program.** [11]

All of the above reforms have bipartisan support. Packaged together, we believe these provisions could help create a financially stable program. These provisions would also ensure that the NFIP better informs property owners of their risk, dedicate more to strengthening/mitigating properties against flooding and provide consumers choice in flood coverage, whether NFIP or the market.

Conclusion

Thank you again for the opportunity to share the REALTOR® viewpoint on NFIP reauthorization and reform. As we have seen, a never-ending string of short-term extensions only maintains an uncertain status quo while shut downs jeopardize homes, businesses, communities, and the U.S. economy. NAR stands ready to work the Committee to pass meaningful NFIP and private-market reforms that help property owners and renters prepare for and recover from future losses resulting from floods.

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[9] For more information about Mass LOMAs (Letters of Map Amendment), please see Recommendation 13 of Technical Mapping Advisory Committee's 2015 annual report.

[10] Read Congressional Budget Office's explanation about cross subsidization and "the role of broad categories in setting rates" (page 16). Bottom line: By charging the same rates but not accounting for storm surge in coastal A zones, NFIP is overcharging many policyholders while undercharging others.

[11] The Wharton Risk Center has proposed an innovative affordability approach of means-tested vouchers coupled with low-interest loans for loss reduction investments, which could serve as a model for the program.

BIG i SM

WRITTEN STATEMENT FOR THE TESTIMONY OF CHRISTOPHER HEIDRICK ON BEHALF OF THE INDEPENDENT INSURANCE AGENTS & BROKERS OF AMERICA BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES FINANCIAL SERVICES COMMITTEE

HEARING ENTITLED: PREPARING FOR THE STORM - REAUTHORIZATION OF THE NATIONAL THE FLOOD INSURANCE PROGRAM

MARCH 13, 2019

I. Introduction

This written statement for the record is intended to support the oral testimony of Christopher Heidrick on behalf of the Independent Insurance Agents & Brokers of America (Big "I") before the U.S. House of Representatives Financial Services Committee on March 13, 2019. Mr. Heidrick is the president and founder of Heidrick & Co. Insurance and Risk Management, an independent insurance agency located in Sanibel, Florida. Mr. Heidrick is also the President of Trusted Flood, a wholesale insurance brokerage specializing in the distribution of private flood insurance products through independent agencies. Mr. Heidrick holds a designation of Associate in National Flood Insurance, and currently serves as chairman of the Big "I" Flood Insurance Taskforce and chairman of the Flood Insurance Producers National Committee (FIPNC), an organization that provides technical assistance and advice to FEMA on operational aspects of the National Flood Insurance Program (NFIP).

Founded in 1896, the Big "I" is the nation's oldest and largest national association of independent insurance agents and brokers, representing more than 25,000 agency locations united under the Trusted Choice brand. Trusted Choice independent agents offer consumers all types of insurance—property, casualty, life, health, employee benefit plans and retirement products—from a variety of insurance companies. As explained further below, the Big "I" supports a long-term reauthorization of a modernized and transparent NFIP that would increase take-up rates for flood insurance, both in the NFIP and the private market, and calls on Congress to extend the NFIP before it expires on May 31, 2019.

II. The Big "I" supports passage of a long-term extension of the NFIP before the program expires on May 31, 2019.

The last long-term reauthorization of the NFIP occurred when Congress passed the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters), which reauthorized the program through September 30, 2017. Since then, Congress has debated how to best reform the program and the NFIP has seen nearly a dozen short-term extensions as well as a few brief lapses. In the 115th Congress, while the U.S. House of Representatives passed legislation that would have extended the NFIP for five years and makes various reforms to the program, the legislation did not receive consideration in the Senate.

Most recently on December 21, 2018, Congress acted to extend the program through May 31, 2019. The Big "I" commends Congress for their efforts in December to extend operational authority for the NFIP through May 31, so that the program could continue to operate during the recent partial government shutdown.[1] In doing this, Congress recognized the critical role the NFIP plays in the U.S. housing market and the overall economy. As such, the Big "I" urges Congress to yet again extend the program as soon as possible and before it expires on May 31 to avoid unnecessary economic disruption.

While it is most important that the NFIP does not lapse, the Big "I" also encourages Congress to work to pass a long-term reauthorization of the program. Every time the program is set to expire, the private companies that partner with the NFIP to administer the program must send notices to consumers, agents must work with clients to explain the ramifications of a potential expiration, and realtors and mortgage lenders must decide how to proceed when issuing and servicing mortgages that require flood insurance, all in an unsettled regulatory environment.

Additionally, NFIP staff are forced to shift limited resources to deal with potential program lapses and divert attention away from other important initiatives they are working on. Lapses and near lapses of the NFIP are also heavily covered by the news media. The public instability and uncertainty created by continual short-term extensions cannot only lead to concrete damages in the real estate and development market as well as the country's economy overall, but it hinders the ability of the NFIP to successfully meet policyholder needs and ultimately undermines overall consumer confidence in the NFIP. Furthermore, this legislating by emergency distracts from the ultimate goal of reforming the NFIP.

III. The Big "I" supports policies to increase take-up rates for flood insurance, whether in the NFIP or the private market, because an insured disaster survivor recovers more quickly.

As Congress deliberates how best to make reforms to the NFIP, the Big "I" urges Congress to consider policies that would help more Americans obtain flood insurance coverage through the NFIP and the private market. In 2017 and 2018, Hurricanes Florence, Harvey, Irma, Maria, and Michael devastated multiple U.S. states and territories. Yet, most of the Americans impacted by these storms were uninsured or underinsured. Furthermore, flooding caused by hurricanes and coastal events is only part of the story. A significant portion of flooding occurs outside of perceived high-risk areas from localized rain events for those living inland near rivers, creeks, and other bodies of water, or in low lying areas. In the first ten weeks of 2019, Presidential disaster declarations have already been declared in Minnesota, Mississippi,

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[1] Even though Congress took explicit steps to reauthorize the NFIP ahead of the recent partial government shutdown there was unfortunately still uncertainty over whether the NFIP could continue operating. On December 26, FEMA announced that the NFIP could not issue any new or renewal polices or make changes to existing policies during the government shutdown, despite the enactment of the December 21 legislation mentioned above. Then, on December 28, FEMA reversed its decision. As such, the Big "I" urges Congress to work with the Administration to ensure that there is clear guidance regarding NFIP operations should there be a lapse in annual Department of Homeland Security appropriations in the future.

Texas, Kansas, and Washington State for flooding events unrelated to hurricanes. Flooding is the most common and costly natural disaster and not enough property owners are insured against it. Put simply, where it rains it can flood.

While instituting policies to encourage property owners and communities to mitigate before disaster strikes, enforcing floodplain management standards and building codes in high risk areas will go a long way in minimizing risk, flood insurance will always remain a necessary safety net for property owners. In that regard the NFIP is a vital government program as it is the primary source of flood insurance for U.S. property owners.

Outside of the NFIP there is a small but growing private insurance market. Historically, flooding has been a difficult risk to underwrite in the private market; however, advances in modeling and underwriting technology have contributed to some market growth in recent years. Yet to date, the private insurance market covers only a small portion of flood risk nationally. While commercial flood insurance markets are more developed, private flood insurance on residential properties remains less common. For example, a July 2018 report by researchers at Wharton-U Penn estimated that there are currently only between 175,000 and 220,000 private residential flood policies in the U.S. Nonetheless, even FEMA has publicly acknowledged on multiple occasions that we need both the NFIP and an expanded private market if we want to noticeably increase flood insurance coverage for the country because an insured survivor–regardless of how they purchase their coverage–will recover more quickly and fully.

While some have expressed concern that a growing private market will harm the NFIP because private insurers will select the best risks from the NFIP, the Big "I" like FEMA believes that there is a necessary role for both the NFIP and the private market. As the private flood insurance market has grown in recent years—particularly in states like Pennsylvania and Florida where certain state level policies have encouraged market growth—there have not been significant decreases in NFIP policy counts. State regulated insurers have different ways of selecting and pricing risks via underwriting meaning that a "good risk" to one insurer may be a "bad risk" to another insurer, depending on the insurers overall risk portfolio.

Furthermore, there are over 125 million households in the U.S., but only five million of these households participate in the NFIP. Every year many homes that do not have flood insurance are flooded, and more Americans need protection period. Consequently, the Big "I" would be concerned with any policies that could impede the overall long-term growth of the private market and supports making legislative or regulatory changes to some aspects of the NFIP to facilitate immediate private market growth in high risk flood zones, protect consumers, and help ensure consumers have affordable insurance choices.

For example, the Big "I" strongly supports clarifying that private flood insurance can satisfy NFIP continuous coverage requirements. Under the NFIP's current system for underwriting flood insurance policies, for properties that were built to comply with or surpass the appropriate floodplain management standards in place at the time of construction only later to become subject to higher standards rending the property no longer in compliance with minimum elevation requirements, the policyholder is eligible to maintain a preferred rate if continuous coverage is maintained. This is an important consumer protection and affordability measure to ensure that homeowners are not unfairly penalized with increased flood insurance rates due to changes in circumstance that are beyond their control if the homeowner has otherwise followed all appropriate regulations and guidelines.

However, under current NFIP rules it is not clear that private flood insurance could be used to satisfy these continuous coverage requirements. In some cases, the different underwriting guidelines followed by private insurance companies mean that even with grandfathered rates a consumer may find a less expensive policy in the private market. However, the risk of a substantial NFIP rate increase should the consumer later wish to return to the NFIP often makes insurance agents and brokers hesitant to recommend private flood insurance policies. As such, the Big "I" supports Congress passing legislation to clarify that if a consumer leaves the NFIP for the private market and conditions change such that the consumer must return to the NFIP they can do so without penalty.

The Big "I" also supports allowing refunds for unearned premiums for the mid-term cancelation of NFIP policies if a consumer elects to purchase a policy from the private flood insurance market. In the private property insurance market if a consumer cancels an insurance policy because they obtained insurance elsewhere that better meets their needs, they are generally entitled to a refund for any unearned premiums remaining on the term of the policy. However, under current NFIP guidance and regulations it is unclear if and when policy holders can obtain such refunds. This is also an important consumer protection and affordability issue. In fact, a November 2018 report by researchers at Wharton-U Penn identified NFIP regulations that only allowed policyholders to switch insurance providers at the time of their annual renewal as a barrier to more affordable private market policies for some consumers.

Under the National Flood Disaster Protection Act, flood insurance is required for federally-related loans if the property securing the loan is in a Special Flood Hazard Area (SFHA). In addition to the changes mentioned above, some changes around these mandatory purchase requirements could also be helpful in facilitating the private market and increasing take-up rates for flood insurance. During the last long-term reauthorization of the NFIP in 2012, Congress emphasized the need to increase private market participation in flood insurance to help ensure the long-term sustainability of the NFIP, increase consumer choice for flood insurance and increase the number of consumers covered by flood insurance.

Accordingly, Biggert-Waters took steps to encourage the use of private flood insurance by explicitly permitting the use of private insurance policies for loans subject to the mandatory purchase requirement. Consequently, on February 20, 2019 the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the National Credit Union Administration published a final rule outlining when federally related lending institutions must and can accept private flood insurance in satisfaction of the mandatory purchase requirement. The rule is currently scheduled to take effect on July 1, 2019 and we hope it will provide overall clarity to current and potential homeowners who are seeking to purchase private flood insurance. But more work remains to be done due to some limitations within the statutory definition of private flood insurance.

Biggert-Waters requires that "private flood insurance" subject to mandatory acceptance by federally-related lenders include several contractual provisions that are in line with those included in an NFIP policy. Included in these required provisions are: (1) a requirement for the insurer to give 45 days' written notice of cancellation or non-renewal of flood insurance coverage; and (2) a provision requiring an insured to file suit not later than one year after the date of a written denial of all or part of a claim under the policy.

Each state, through their general regulation of the business of insurance, has requirements related to the time limitations for both cancellation notices and statutes of limitation. These laws are put in place to protect consumers and vary state-to-state. Unfortunately, as Biggert-Waters does not preempt state insurance laws, the statute effectively prohibits "private flood insurance" as it relates to mandatory acceptance in states whose requirements contradict the statutory definition. However, it is important to note that many states have enacted cancellation notice and statute of limitation requirements that provide protection to consumers beyond those outlined in Biggert-Waters. For example, a state may require 60 days' notice to consumers of cancellation or non-renewal; as opposed to the only 45 days' notice required under Biggert-Waters. Because of this, the definition of private flood insurance should be amended to make clear that statutory limitations are the minimum periods for both requirements, and that policies written in states where the consumer has more time to act remain eligible for mandatory acceptance.

The Big "I" also supports clarifying that a private flood insurance policy can satisfy mandatory flood insurance requirements for mortgages insured by the Federal Housing Administration (FHA). As noted above, Biggert-Waters took steps to encourage the use of private flood insurance by explicitly permitting the use of private insurance policies for loans subject to the mandatory purchase requirement. Some lenders, however, are currently unwilling to accept private flood insurance on FHA-insured loans when the property is in a SFHA because Section 203.16a of FHA's regulations and the corresponding implementing guidelines require flood insurance coverage in the form of a NFIP policy. This is confusing for consumers because private flood insurance is accepted on other federally backed loans. Since FHA loans are often utilized by first time and lower income home buyers such home buyers should be able to explore private flood insurance options that may offer more robust and affordable coverages than the NFIP is able to under its statutory restrictions, just like their counterparts who obtain non-FHA loans.

Making statutory and regulatory reforms to better allow consumers to utilize private market polices when such policies can provide more robust coverage than the NFIP at more affordable rates is only part of the efforts that are needed to increase take-up rates for flood insurance. Considering how the NFIP can better serve consumers is also important. As explained further below, the NFIP is currently undergoing efforts to change how policies are rated and make policies more consumer friendly. The Big "I" hopes that this process will help drive consumer understanding about flood risk and ultimately lead to more consumers seeking to purchase flood insurance.

Finally, as noted in the hearing memo in 1983, FEMA created the Write Your Own (WYO) Program to increase the NFIP's policy base and geographic distribution of policies; improve service to NFIP policyholders through infusion of insurance industry knowledge and capacity; and, provide the insurance industry with direct operating experience with flood insurance. This WYO Program operates as a partnership between FEMA and participating insurance companies that are compensated to write and service NFIP policies and 87% of policies are offered through program. The WYO Program is a necessary component of the NFIP and the Big "I" opposes any policies that would harm the WYO Program, make it more complex, or otherwise place limits on the program in a manner that could negatively impact NFIP take-up rates.

Section 100224 of Biggert-Waters directed FEMA to formulate an expense reimbursement ratio to WYO companies to ensure reimbursements track actual expenses, including standard business costs and operating expenses, in selling, writing, and servicing NFIP policies, in both catastrophic and non-catastrophic years. FEMA currently uses a proxy ratio based on five private market property/casualty expense ratios to determine reimbursement rates for companies.

Accordingly, FEMA has been working on a proposal to amend the formula by which WYO companies are reimbursed for certain costs associated with administration of the NFIP. A draft proposal and request for public comment should be released soon and the Big "I" hopes that it will build on the many improvements that FEMA has made to the NFIP since 2012 and serve as a pragmatic standard for ensuring accountability within the program. The Big "I" encourages Congress to work with FEMA as the rulemaking process moves forward and is ultimately finalized to ensure that the WYO program can operate efficiently and effectively to best serve policyholders.

IV. The Big "I" supports efforts to modernize and simplify the NFIP to make it more transparent to the approximately five million property owners that rely on the program.

The NFIP was originally created in 1968, and while many changes to the program have occurred since then it is important that steps are taken to continue to modernize the NFIP to ensure that it works for consumers in 2019. In addition to continuing efforts to implement changes to the program put in place by Congress in 2012 and 2014, FEMA is currently working on several initiatives to simplify the program.

For example, for the past two years FEMA has managed current risk exposure and enhanced the future viability of the NFIP through the transfer of risk to private reinsurance companies and capital markets investors. Under current law, FEMA has the flexibility to shift an appropriate level of risk from the federal government to the private market through the NFIP Reinsurance Program by securing reinsurance at a fair and reasonable cost. This provides FEMA with an additional method to fund the payment of flood claims after catastrophic flood events.

Additionally, FEMA is currently working within their statutory authority toward modernizing the insurance products the NFIP offers to consumers to better reflect new technologies, current underwriting methodologies, and insurance industry best practices. The Big "I" understands the intent of this initiative—dubbed Risk Rating 2.0—is to improve the experience that policyholders have with FEMA by (1) making the rating process more transparent so that it is easier to understand a property's individual flood risk; (2) modeling rates to appropriately reflect the varying types of flood risk (e.g. heavy rain fall vs. storm surge); and (3) using more intuitive rating variables to streamline what is currently an unnecessarily complex underwriting process for consumers and agents. FEMA also plans to offer more mitigation credits through the Risk Rating 2.0 process. With this information, the Big "I" hopes that FEMA will have a better understanding of the NFIP's risk portfolio and how that portfolio is impacted by Congressional mandates, to best serve consumers.

The Big "I" is optimistic that steps being taken to modernize NFIP underwriting via Risk Rating 2.0, including using advanced mapping and probabilistic modeling technologies, will eventually yield better risk communication for consumers helping to drive increases in take-up rates. Currently, a homeowner's flood insurance rate in the NFIP can change dramatically when you move from a SFHA to just outside a SFHA because the rate changes with the flood zone line on the map. However, water does not decide to stop at a flood zone line drawn nicely on a map. Flood risk is dynamic and changing and, while flood maps are still useful tools, they are a static depiction of risk. While the SFHA zones are necessary for mandatory purchase requirements, and the Big "I" has supported the mandatory purchase requirement over the years, it has resulted in inaccurate risk perceptions being communicated to consumers. As the NFIP moves forward with Risk Rating 2.0 and rates better reflect the gradation of risk within a flood zone, the Big "I" is encouraged that it will lead to more transparent and accurate pricing outcomes.

Simplification of the NFIP's complex underwriting process for consumers and agents is also important to the Big "I". Not only will this help to drive consumer understanding of rates but the Big "I" is hopeful it will result in more agents being willing to partner with the NFIP. Despite the need for flood insurance, purchasing flood insurance can be a daunting and complex process, especially within the SFHA. Flood insurance can be one of the hardest products for an insurance agent due to its complexity and current misperceptions about flood risk. As such, the Big "I" hopes that the Risk Rating 2.0 process will ultimately result in more insurance agent engagement with the NFIP.

Furthermore, by ensuring that the new rates better reflect individualized risk and rebuilding costs, the new rating structure should deliver more equitable rates for low-value homes. Rating for low-value homes was an issue flagged in the Affordability Framework that FEMA released in April 2018. Lastly, it is important to note that FEMA is working on Risk Rating 2.0 within their current statutory framework, meaning that any new rates will still be subject to the statutory caps on rate increases ensuring that affordability remains a priority. The Big "I" encourages Congress to work constructively with FEMA on these and other innovative approaches to modernizing the program within the program's current statutory framework and to only make targeted statutory reforms where necessary to simplify and streamline the program.

V. Conclusion

In conclusion, the Big "I" supports a long-term reauthorization of a transparent and modernized NFIP that would increase take-up rates for flood insurance, both in the NFIP and the private market, and urges Congress to extend the NFIP before it expires on May 31, 2019. Specifically, the Big "I" urges Congress to consider modest policy changes that could help grow the private market and protect consumers, such as clarifying requirements related to continuous coverage, mid-term cancellation, FHA-backed loans, and state law conflicts. The Big "I" would also be concerned with any policies that could impede the overall long-term growth of the private market and any policies that would harm the WYO Program, make it more complex, or otherwise place limits on the program in a manner that could negatively impact NFIP take-up rates. Finally, the Big "I" encourages Congress to work constructively with FEMA on innovative approaches to modernizing the program within the program's current statutory framework and to only make targeted statutory reforms where necessary to simplify and streamline the program. The Big "I" believes these policies will help more Americans obtain flood insurance coverage through the NFIP and the private market.

The Big "I" and Mr. Heidrick are grateful for the opportunity to provide testimony to Congress today on this very important issue. While the testimony has focused on the NFIP as a government insurance program, it is important to note that there are many other significant issues related to mitigation and floodplain management that deserve attention as they have a broader community impact beyond just those individuals who are required to or choose to purchase flood insurance. The Big "I" thanks Congress for considering the important viewpoint of independent insurance agents and brokers on the NFIP and looks forward to continue to work with Congress to close the flood insurance gap.

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TESTIMONY

National Flood Insurance Program Reauthorization and Reform

Before the

House Financial Services Committee

By

Maria Cox Lamm, CFM
South Carolina NFIP State Coordinator
Chair, Association of State Floodplain Managers

March 13, 2019

Introduction

The Association of State Floodplain Managers is pleased to participate in this hearing about the National Flood Insurance Program and the community perspective. We appreciate the opportunity to discuss our views and recommendations for the future of the program. We thank you, Chairwoman Waters, Ranking Member McHenry and Members of the Committee for your interest in this important subject.

The ASFPM and its 37 chapters represent more than 19,000 local and state officials as well as private sector and other professionals engaged in all aspects of floodplain management and flood hazard mitigation, including management of local floodplain ordinances, flood risk mapping, engineering, planning, community development, hydrology, forecasting, emergency response, water resources development and flood insurance. All ASFPM members are concerned with reducing our nation's flood-related losses. For more information on the association, our website is: *www.floods.org*.

Floods are this nation's most frequent and costly natural disasters and the trends are worsening. The National Flood Insurance Program or NFIP is the nation's most widely used tool to reduce flood risk through an innovative and unique mix of incentives, requirements, codes, hazard mitigation, mapping and insurance. It is a partnership between communities, states and the federal government. The NFIP is the one tool in the toolbox that serves policyholders, taxpayers and the public well. Our testimony is intended to provide a better description of these interdependencies as well as twenty ASFPM's recommendations for Congress to consider to reform the NFIP.

The NFIP is a National Comprehensive Flood Risk Reduction Program

The NFIP was created by statute in 1968 to accomplish several objectives. Among other things, the NFIP was created to:

- Provide for the expeditious identification of and dissemination of information concerning flood-prone areas through flood mapping
- Provide communities the opportunity to voluntarily participate in the National Flood Insurance Program in order for their citizens to buy flood insurance and, as a condition of future federal financial assistance, to adopt adequate floodplain ordinances consistent with federal flood loss reduction standards
- Require the purchase of flood insurance in special flood hazard areas by property owners who are being assisted by federal programs or by federally supervised, regulated or insured lenders or agencies.
- Encourage state and local governments to make appropriate land use adjustments to constrict the development of land exposed to flood damage so homes and businesses are safer and to minimize damage caused by flood losses
- Guide the development of proposed future construction, where practicable, away from locations threatened by flood hazards
- Authorize a nationwide flood insurance program through the cooperative efforts of the federal government and private insurance industry
- Provide flexibility in the program so flood insurance may be based on workable methods of distributing burdens equitably among those protected by flood insurance and the general public who benefit from lower disaster costs

Beyond merely providing flood insurance, the NFIP is unique as it integrates multiple approaches for identification of flood risk, communication of risk, and techniques to reduce flood losses. It is a unique collaborative partnership enlisting participation at the state and local level. It is a multi-faceted, multiple objective program – a four-legged stool as it is often called. The four legs of the stool are (1) floodplain mapping, (2) flood standards, (3) flood hazard mitigation and (4) flood insurance. Altering one leg without careful consideration of impacts on the other three legs can have serious repercussions on reducing flood losses. NFIP on the whole provides substantial public benefits as our testimony will further detail.

A Pivotal Time for the NFIP – Current and Future Status

Improvements to the NFIP continue to be made. NFIP reform legislation in 1994 and 2004, in addition to other measures, outlined reforms focused on reducing repetitive loss properties. Today, those remain problematic. Reform legislation in 2012 focused on flood mapping. Today the National Flood Mapping Program (NFMP) provides important authorities for FEMA and cooperating technical partners to map all flood hazard areas across the country and prepare for future flood risk. Reform legislation in 2004, 2012, and 2014 addressed deficiencies in the insurance element of the NFIP. There is still more work to be done. ASFPM hopes Congress will be thoughtful about reforms that might be considered in 2019 as we do not yet fully know the program outcomes that will result from the previous two reform bills.

At the end of 2018 the NFIP, which is now over 50 years old, had paid over $69 billion in claims (and half of that has come in the past 10 years). But beyond paying insurance claims, the NFIP has also mapped 1.2 million miles of streams, rivers and coastlines. It has invested more than $1.3 billion in flood hazard mitigation for older, at-risk structures. Because of the program, over 22,000 communities have adopted local flood risk reduction standards, which have resulted in $1.9 billion of flood losses reduced every year. The NFIP has provided innumerable public benefits as well as direct monetary ones to taxpayers.

While these benefits are notable, the NFIP must ensure that it is ready to address the future condition. Floodplain managers know upstream development often results in increased flood heights, and we observe changing weather patterns that result in shifting snowmelt/rainfall in the West, and nationally, more intense short duration storms are causing more flash floods; unrelenting sea level rise (SLR) is beginning to affect communities from Florida and the Gulf of Mexico to Virginia and the Mid-Atlantic, and to Alaska. A 2017 *NOAA report* added a new upper boundary for SLR this century up to 2.5m (8 feet) by 2100 due to new data on the melting of the Greenland and Antarctic ice sheets. According to a 2018 report by the Union of Concern Scientists, accelerating sea level rise in the lower 48 states, primarily driven by climate change, is projected to worsen tidal flooding putting as many as 311,000 coastal homes with a collective market value of about $117.5 billion today at risk of chronic flooding within the next 30 years—the lifespan of a typical mortgage. America's trillion-dollar coastal property market and public infrastructure are threatened by the ongoing increase in the frequency, depth, and extent of tidal flooding due to sea level rise, with cascading impacts to the larger economy. Higher storm surges due to sea level rise and the increased probability of heavy precipitation events exacerbate this risk. Inland, the situation is only slightly better, but is still problematic. A 2014 Climate Change Vulnerability Analysis by the Milwaukee Metropolitan Sewerage District shows that in the future to expect a pattern of increasing precipitation intensity in a few larger events but a decrease in the size and frequency of many smaller events, which is also consistent with the National Climate Assessment.

This new data is getting the attention of our state and community members. In theory the NFIP, as it exists today, can help states and communities address these problems with its innovative mix of incentives, requirements, data and tools.

So what will the NFIP of tomorrow look like? ASFPM believes the nation will continue to need a robust, fiscally-strong NFIP to comprehensively reduce today's and tomorrow's flood risk. We also believe a strong NFIP can co-exist with a developing private market if it is done carefully with full consideration of potential impacts. But at the end of the day we must acknowledge that at least today's NFIP is far more than an insurance program. It is the nation's comprehensive flood risk management program. It is the primary tool to identify and map flood hazard areas used by a multitude of agencies. The program is also a tool to assess flood risk, used to work with communities and states to implement strong land use and building standards to protect taxpayers through actions to prevent future disaster losses, and works with property owners and communities to undertake mitigation to reduce damage to older at-risk buildings, in addition to providing flood insurance.

A Long-term Sound Financial Framework is Progressing; Debt Still an Issue

The NFIP had generally been self-supporting until 2005. In the 1980s the program went into debt a few times and ultimately Congress forgave approximately $2 billion. But from the mid-1980s to 2005, the NFIP was entirely self-sustaining and, when borrowing from the U.S. Treasury, the debt was repaid with interest. However, due to catastrophic floods in 2004, 2005, and 2012, 2016, and 2017 the program currently owes $20.5 billion to the treasury.

Initially, the NFIP was never designed to pay for catastrophic events. In fact, from 1968 to 1978 the concept was one of risk sharing with the private sector, with the program actually paying a subsidy to private insurers for pre-FIRM structures (structures built prior to availability of flood insurance rate maps). As recently as the late 1980s, internal communications show that the administration reaffirmed the federal treasury was essentially the reinsurer of last resort[1].

Important progress toward putting the program on a more sound financial footing and to begin to handle catastrophic events was made as part of the past two NFIP reforms in 2012 and 2014, which ASFPM supported. Under BW-12, reforms (later modified by HFIAA-14) were made to the rate structure to move subsidized policies toward actuarial premium rates, to allow the NFIP to purchase reinsurance and to establish a reserve fund. All of these help reduce the financial risk to the program (and ultimately to the American taxpayer) and better prepare for the ever increasing number of catastrophic flood events. However, those reforms did not address the affordability issue. In fact, some reforms – like the HFIAA policy surcharge -- exacerbated this issue.

We appreciate Congress' very significant action to forgive $16 billion of the NFIP's debt in 2017 and point out that the aforementioned reforms put in place in 2012 and 2014 to put the program in a better fiscal position continue today.

- **ASFPM recommends forgiving the remainder of the current debt and adopting some form of a "sufficiency standard" as an automatic, long-term mechanism within the NFIP that ensures, after a certain threshold of catastrophic events, the debt will be paid by the U.S. Treasury. Among other things, the sufficiency standard would consider the reserve fund balance, utilization of reinsurance, and ability of the policy base at that time to repay.**

[1] *Dr. Len Shabman with Resources for the Future has been researching this topic in-depth and will be soon developing a paper detailing the history and specifically the financial arrangement of the NFIP from 1968-1978 as well as the strengths and weaknesses of the public-private loss sharing model that actually still exists today.*

- **This should be part of a broader commitment to develop a backstop for the program based on an evaluation of its current financial capacity given the financial risk management tools Congress has asked FEMA to implement.**

Floodplain Mapping

Floodplain mapping is the foundation of all flood risk reduction efforts, including design and location of transportation and other infrastructure essential to support businesses and the nation's economy. The flood maps are also used for emergency warning and evacuation, community planning, and locating critical facilities like hospitals and emergency shelters. Today FEMA has in place the right policies and procedures (i.e., requiring high-resolution topography (LiDAR) for all flood map updates), and is using the best available technology to produce very good flood studies. For example, FEMA is doing some pilot studies in Minnesota and South Dakota using very precise topographic mapping and automated flood study methods to develop base level engineering that can be used as an input into future flood studies. This gives communities data immediately to use for planning and development rather than waiting years for the data. In coastal studies, FEMA now uses the state-of-the-art ADvanced CIRCulation (ADCIRC) model for storm surge analysis.

Unfortunately, due to the length of time it takes from initiation of a flood study to final production, some maps coming out today may have been started a decade ago and are not being produced to today's specifications. It is important to distinguish between these legacy mapping projects and those meeting todays guidance and specifications.

Recently there has been confusion around whether or not sophisticated risk assessment modeling developed by the private sector for broad insurance or reinsurance uses can be a suitable replacement for FEMA flood maps and data. This, however, is comparing apples to oranges. First, FEMA flood maps and data are already produced by the private sector (under contract to FEMA). Second, the private sector risk assessment methods largely developed to assist the insurance industry are not publicly available. Those models do not produce a "map" the community can use for multiple purposes and cannot inform the other needs of the program, including hazard mitigation and floodplain management, which regulates private property. Such methods can complement FEMA maps for the purposes of rating flood insurance, but do not replace FEMA maps. Further, those developing such models have indicated they depend on FEMA maps to calibrate their models. The FEMA maps are also essential for identifying Special Flood Hazard Areas (SHFAs) where the purchase of flood insurance is required for properties mortgaged by federally regulated lenders.

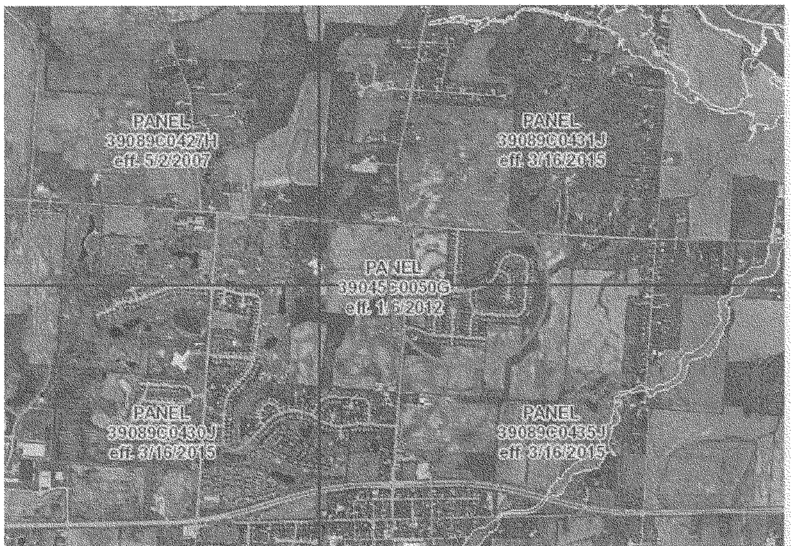
Today, flood risk maps only exist for about 1/3 of the nation – only 1.2 million of 3.5 million miles of streams, rivers, and coastlines have been mapped. Even today some of the maps are many decades old, or were updated before the current standards to redraw boundaries based on more accurate study data and topography. ASFPM has repeatedly expressed concern that there is still a large inventory of pure "paper" maps that have never been modernized with newer flood study procedures.

Many other areas have never been mapped, so there is no identification of areas at risk and communities have no maps or data to guide development to be safe from flooding. This is a significant problem and the below figure illustrates why.

Cameron Chase is an 87-acre residential subdivision developed in the early 2000s in Licking County, Ohio. As a crow flies, it is 17 miles from downtown Columbus, Ohio (metro area population 2+ million). An unnamed stream flows through the subdivision:

(Above: Aerial view of Cameron Chase division, Etna Township, Licking County Ohio. The unnamed stream is highlighted as the dashed blue line)

On the FEMA maps that were effective at the time and even on today's maps, the unnamed stream is not mapped. Why? The old guideline for mapping these small streams was that you needed about 10 square miles of land draining into the stream for it to reach a threshold for FEMA mapping in rural areas. In the case of this tributary, it only had about 760 acres or just over one square mile of drainage. Also, the land previously had been a cornfield and as a result never had enough property at risk for FEMA to map prior to development:



(Above: Portion of FEMA FIRM Index Panel for Licking County, Ohio. The Cameron Chase subdivision is circled; note that the unnamed stream does not have a FEMA mapped floodplain – it does not show up until several miles downstream)

Luckily, Licking County has strong local floodplain management regulations that exceed federal minimum standards and the regulations required the developer to map the floodplain on any stream where one wasn't identified. So prior to development a flood study (similar to one that FEMA would prepare) was completed and the result? A 1% chance floodplain that ranged from 150 feet wide to 300 feet wide and more importantly a map to guide the proposed development. But most communities do not have such standards and what happens then? The development occurs with no flood standards. Well, this is what is happening in thousands of subdivisions across the country: areas that used to be cornfields and cow pastures are developing into tens of thousands of housing units. Later, after there is significant development at risk and often after a flood or two, FEMA comes in and maps it. Then the dynamic changes and everything becomes adversarial. People think FEMA put a floodplain on them, when it was there all along. The property owner is mad because they have to buy flood insurance at high premiums because flood elevations were unknown. Realtors are upset because it is a surprise and may have an impact on the future salability of homes. And local elected officials fight to minimize the size of the mapped floodplain, spending thousands of dollars on competing flood studies.

The point is it doesn't have to be like this, but we have to start changing our mapping priorities. The entire dynamic can change if maps showing risk are available before development starts. You can see from the FEMA flood map above that there are a lot of vacant farm fields that will be developed in the next few decades (and there are small streams running through them too). We must map today's corn fields and cow pastures to assure that quality flood mapping precedes development.

- **FEMA must complete the initial flood mapping of the entire nation to get ahead of development.**
- **FEMA must prioritize the elimination of the un-modernized paper map inventory in the nation.**

The National Flood Mapping Program (NFMP) authorized by Congress in the 2012 Biggert-Waters Reform Act was one of the most important elements of the legislation and remains the right approach. While FEMA has not made much progress on mapping residual risk areas, failure inundation areas or areas of future development, FEMA is making some progress. For example, the Technical Mapping Advisory Council made recommendations to FEMA on how implement some of these new requirements. Now we need to complete the job of mapping the nation and get to a steady maintenance state. Authorized by the 2012 reform act at $400 million annually, the NFMP is still desperately needed to map the approximately 2.3 million miles of unmapped flood hazard areas, and to maintain the existing inventory of 1.2 million miles of flood studies. ASFPM appreciates the 2016 letter initiated by then Ranking Member Maxine Waters and signed by 43 House members, not only recognizing the benefits of flood mapping, but urging Congress to get the job done by funding FEMA's mapping program at a level of $1.5 billion/year for five years. A stepped up commitment to mapping flood risk is essential and critical as the Administration and Congress plan a major investment in building and repairing infrastructure.

- **ASFPM recommends the reauthorization, funding and enhancement of the National Flood Mapping Program (NFMP).**
- **ASPFM supports an increased authorization for the National Flood Mapping Program to between $600 million to $1.5 billion annually in order to accelerate the completion of the job of initially mapping the nation in five years and getting to a steady state maintenance phase.**

While the NFMP requires FEMA to map areas below dams and behind levees to show the residual risk areas that will be flooded when the dam or levee overtops, fails, or a spillway is used; the information is not being made public. his was an issue with the recent flooding below Oroville Dam in California. While local emergency management officials had access to these inundation maps, two hundred thousand evacuated property owners did not. People need to know they are living or buying in a residual risk area so they can take preparedness and mitigation measures such as buying a low cost flood insurance policy. In just the last four years, South Carolina alone has had 80 dam failures due to back-to-back flooding events. Unfortunately, DHS policy to restrict public availability of inundation maps has continued unchanged since 9/11 when maps for federal dams and levees were classified as "For Official Use Only" and were removed from being publicly available. This means citizens living in such areas do not know they are at risk until law enforcement knocks on their door in the middle of the night and orders them to evacuate.

- **ASFPM recommends that Congress require federal dam and levee inundation maps be publicly available and cease their classification as "For Official Use Only".**

In recent years, a Federal Policy Fee associated with NFIP policies ($50 for high-risk policies; $25 for lower-risk policies) has paid between 30-60% of the flood mapping program and general appropriations paid for the remainder. The highest level of appropriations in the past five years has fallen far short of the $400 million per year authorized in BW-12. So funding from the Federal Policy Fee is an important part of the funding for map updates and corrections. Fewer NFIP policies means less funding for updated maps.

Floodplain Management (Floodplain Regulations, Training, Public Education)

To participate in the NFIP, states and communities must abide by minimum development standards and designate a NFIP coordinator. At the state level, this means that there is a NFIP coordination office that provides technical assistance and training to communities and the public, serves as a repository for the state's flood maps, ensures the state has sufficient enabling authority for communities to participate in the NFIP and is the lead agency to ensure that state development is consistent with NFIP minimum standards. At the local level this means that more than 22,200 communities participate in the NFIP - that they have adopted minimum development and construction standards to reduce flood losses. As floodplain areas are identified and mapped throughout the nation, NFIP participating communities must adopt and enforce local floodplain management standards that apply to all development in such areas.

NFIP standards are the most widely adopted development/construction standards in the nation as compared to building codes, subdivision standards, or zoning. FEMA has estimated that for approximately 6,000 of the NFIP participating communities, the only local codes they have adopted are their floodplain management standards. Today it is estimated $1.9 billion of flood losses are avoided annually because of the adoption and implementation of minimum floodplain management standards. Often communities decide to adopt standards that exceed the federal minimums. For example, over 60% of the population in the United States lives in a community that has adopted an elevation freeboard – which requires the first floor of the building be at an elevation that is at least a foot higher than the base flood (or 100-year flood). A freeboard not only has the benefit of making the construction safer, but it can have a tremendous impact on flood insurance rates. A freeboard of 3 feet can reduce premiums by more than 70%.

Why do communities participate in the NFIP and adopt local standards? State floodplain managers around the nation who have enrolled nearly all of the communities in the past 40 years know a major reason is to make flood insurance available to their citizens. If a community hasn't joined (there are still about 2,000 communities not in the NFIP), it is usually compelled to do so when a resident gets a federally-backed mortgage and needs to have flood insurance. While there are some non-participation disincentives in terms of restrictions on some forms of disaster assistance, such disincentives are weak and very limited. For most communities, they are not much of a disincentive at all, but getting flood insurance is a strong incentive. We must ensure changes to the NFIP do not undermine this incentive.

The entire floodplain management budget (100%), which includes staffing, community and state technical assistance, and the Community Assistance Program (CAP-SSSE), is funded out of the Federal Policy Fee. However the CAP-SSSE program is not explicitly authorized.

- **ASFPM recommends that a community assistance program which would provide resources to states be explicitly authorized and established to build and maintain effective state floodplain management programs.**

Although millions of American's homes are at risk of flooding, 21 states have no real estate disclosure laws. This makes it difficult for a home buyer to learn of a property's flood history. These states do not require sellers to tell prospective home buyers whether a property has been damaged by a flood and limiting access to such information prevents people from making smart decisions about where to live. Unfortunately many homeowners learn of their propensity to flood only after suffering through multiple disasters. The other 29 states have varying degrees of disclosure requirements. This hodgepodge of state and local policies hinders buyers from making fully informed decisions.

- **ASFPM supports a national real estate disclosure requirement for a property's flood history. Such a requirement could be tied to a state's participation in the NFIP.**

In 2018, the Natural Resources Defense Council researched this topic extensively and developed an interactive website where each state's flood disclosure law can be reviewed.

Flood Hazard Mitigation

NFIP has two built-in flood mitigation programs: Increased Cost of Compliance (ICC) and Flood Mitigation Assistance (FMA). These NFIP funded mitigation programs have resulted in more than $1.3 billion in funds to reduce risk to thousands of at-risk, existing structures. The National Institute of Building Science's Multi-Hazard Mitigation Council, in its research of FEMA flood hazard mitigation projects, determined that such projects resulted in $5 in benefits for each $1 spent. ICC and FMA have mitigated, on average, 1,850 buildings annually between 2010 and 2014. ASFPM strongly supports both programs.

ICC is the fastest way to get flood mitigation done and is paid for 100% through a separate policy surcharge. Since it isn't run like a typical grant, funds are available much quicker. It is a transaction between the insured and insurance company. 60% of ICC claims are used to elevate a building and 31% of the time ICC is used to demolish a building. Other techniques used are floodproofing or relocation of the building out of the floodplain altogether. From 1997 to 2014, ICC has been used to mitigate over 30,000 properties.

ASFPM has been frustrated for several years over the pace of FEMA's implementation of its own authority to make ICC much more useful. In 2004 ASPFM worked with Congress to add triggers to ICC, so now there are four of them:

- A building being substantial damaged,
- A building classified as a repetitive loss,
- A building where another offer of mitigation is being made,
- And the administrator's discretion to offer ICC when it is in the best interest of the flood insurance fund.

Of these four, only one trigger is being utilized – when a structure has been determined to be substantially damaged. While FEMA will claim it also applies ICC to repetitive loss properties, it is only that subset of repetitive loss properties that have also been substantially damaged. The point is that there are three triggers – in existing law – that could be used in a pre-disaster sense. We are pleased to note that there is increasing Congressional recognition of the value of investment in pre-disaster mitigation. Recently, FEMA convened an internal working group to look at ICC to evaluate how to make it more effective. ASFPM urges the Committee to monitor the progress of this group to ensure that the congressional intent is carried out.

Another frustration with how ICC is currently being implemented is the determination of how the surcharge is set by FEMA's actuaries. Currently funding for ICC is through a congressionally-mandated surcharge capped at $75 per policy. The latest data ASFPM has is for calendar year 2014 where ICC brought in approximately $74 million for mitigation. On average the ICC surcharge was about $15 per NFIP policy – which is far below the statutory cap. However, as ASFPM has been discussing changes to ICC, including increasing the ICC claim limit beyond $30,000, a response we often get is that FEMA would have a tough time making the changes because it is collecting as much as it can under the existing cap and that the surcharge rate is set using actuarial principles.

In its 2010 rate review, however, FEMA discussed how it was collecting more in ICC than it was spending and therefore adjusted downward the amount it would collect per policy in 2011. The result? In 2010 the surcharge collected $84.5 million and in 2011 the surcharge collected $78.2 million. The point of this is that the rate setting becomes a self-fulfilling prophesy – FEMA's inability to implement ICC's other triggers result in the program not being fully used. And its low utilization in turn led to FEMA determining that the rates should be lowered. So it gives the appearance there is room under the existing cap. ASFPM believes there is room under the existing cap. We suggest that Congress look at setting a tiered amount that would be consistent with the existing cap limit and reflective of risk. ASFPM calculates that under such an approach an ICC surcharge set at $25 for BCX-Zone properties, $50 for actuarially-rated A- and V-Zone properties and $75 for subsidized A- and V-Zone properties, would generate approximately $227 million in revenue that could be used by policyholders to mitigate their flood risk.

ASFPM believes ICC needs two other adjustments by Congress to be more effective. First, while ICC is collected on every policy, FEMA believes the statute requires the ICC claim be counted toward the total claim limit. This means a home that gets a $250,000 damage claim, the amount available for ICC is $0. Second, the ICC claim limit is too low. Estimates to elevate a home range from $30,000 to $150,000 with an average closer to $60,000. While $30,000 is very helpful, it often does not come close enough to cover enough of the mitigation cost, to be practical or feasible, especially for lower income homeowners.

- **ASFPM recommends the ICC claim limit be in addition to the maximum claim limit under a standard flood insurance policy.**
- **ASFPM recommends the ICC claim limit be raised to at least $60,000.**
- **ASFPM recommends Congress specifically allow FEMA to utilize the available ICC amount for both demolition and acquisition costs as a means of compliance, when the claim is assigned to the community and deed restricted as open space.**
- **ASFPM recommends Congress waive any rulemaking requirements that may be an impediment to quickly implementing the pre-disaster triggers for ICC and allowing demolition and acquisition costs.**

FMA operates like a typical grant program where a community applies through the state through a grant application. Further, FMA also funds other types of mitigation that can address issues on the neighborhood- or community-scale such as stormwater management systems to reduce flood risk and flood mitigation plans. In recent years, the priority for the FMA program has been repetitive loss and severe repetitive loss properties. While this is an important objective, ASFPM worries that an exclusive focus on such projects is increasingly resulting in a gap where no assistance is available for properties that desperately need assistance, such as older pre-FIRM, non-repetitive loss structures for which insurance rates may be increasing significantly. ASFPM recommends that accommodations be made for these types of properties as well, when FEMA formulates its new policy guidance.

As our testimony will address in more detail below, one approach to flood insurance affordability is to subsidize flood hazard mitigation or at least give property owners a chance to mitigate. One idea for Congress to consider is a mitigation surge where Congress would supplement FMA funds with a large one-time or multi-year appropriation to either address the growing number of repetitive loss properties, or specifically address pre-FIRM properties where affordability of flood insurance has become untenable.

Repetitive loss claims unnecessarily drain the National Flood Insurance Fund, and today, there are at least 160,000 repetitive loss properties. Hazard mitigation efforts have been insufficient to reduce flood damage to older structures and ultimately reduce the overall number repetitive loss properties. Current mitigation programs within the NFIP are underfunded and not reducing the overall number of repetitive losses in the country.

Flood Insurance

Flood insurance is the easiest way for a property owner to manage their flood risk. It was also viewed by the original authors of the program as a way to more equitably share risks and costs of development decisions. Yet too few property owners and renters carry flood insurance. Today it is estimated 10% of the population lives in an identified floodplain and that number is projected to grow to 15% by the year 2100 based on natural population growth and future conditions (land use, development, and climate change). It is also estimated the number of policies increasing by 100% and the average loss per policy increasing by 90% in 2100. [2] The point is that these trends show growth in the human occupation of flood hazard areas and the potential damage that may result. As we have pointed out earlier, there are many more miles of rivers, streams and coastlines that aren't even yet mapped (which is why it is unsurprising that 25% of NFIP claims and 1/3 of federal disaster assistance come from outside of mapped floodplains)[3].

The Push for Expansion of a Private Flood Insurance Market

In 2012 and today, there appears to be much interest in expanding the private flood insurance market. Many believe the private sector is a cure-all and can get the taxpayer off the hook for flood losses. And there seems to be a belief that there is a need for further Congressional intervention in 2019, beyond the steps taken in 2012, to help a robust private market to develop. ASFPM can see where the private sector can be a partner to the NFIP in growing the policy base nationally. We have the following observations related to expanding the private flood insurance market.

First, private flood insurance has always been and will continue to be allowed under the NFIP. Currently, robust private markets exist for policies in excess of NFIP limits. The private market has almost all of the commercial and industrial flood risk in the country. And robust private markets exist for forced-place policies. Too often in 2012 and again this year, conversations in Congress about private flood insurance imply private companies are not currently able to expand without legislative action. This is not, in fact, borne out by the facts.

Second, the reforms to stimulate more private market participation in 2012 have worked as intended. ASFPM disagrees with those who believe that somehow the 2012 reforms were badly written or somehow missed their intent. ASFPM has spoken with numerous industry sources, as well as had extensive conversations with private sector companies interested in offering private flood insurance and former state insurance commissioners. This industry is growing and in the past four years has grown significantly. For example, private flood policies today are required to contain a flood mitigation coverage that is similar to ICC because the 2012 reforms required that private policies have coverage "at least as broad as" NFIP policies. This ensures that property owners have funds to elevate flood prone homes and that communities are not faced with owners who just walk away from the property because it is too expensive to elevate. The 2012 reforms are ensuring that the private market is

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[2] *The Impact of Climate Change and Population Growth on the National Flood Insurance Program through 2100. 2013.*
[3] *FloodSmart Flood Facts. Webpage accessed 3/14/17.*

growing in an orderly way with appropriate safeguards that ensure protections for policyholders, lenders, taxpayers and communities.

- **As a result of the successful 2012 reforms to stimulate the private flood insurance market, ASFPM does not believe any further stimulation of the private market is needed at this time.[4]**
- **If Congress does consider additional changes to stimulate the private market, ASFPM urges that that the provision in current law related to coverages and deductibles being "at least as broad as" NFIP policies be retained to preserve adequate coverage and deductibles and an ICC type coverage to mitigate at-risk buildings.**

Third, ASFPM very much believes a strong NFIP can co-exist with the private market offering flood insurance as long as both are on equal playing fields. In other words, neither the NFIP nor the private market should be at a competitive disadvantage. The result can be coverages that complement each other. As explained earlier in this testimony, private insurers depend on NFIP maps and agree local floodplain regulations help all insurance by reducing risk, yet private policies do not have to include the Federal Policy Fee to help pay a share of these costs. The wholly unfair PAYGO surcharge has allowed private policies to be written using FEMA rate tables and the private sector is profiting on the difference between the loaded NFIP policy (with surcharges and fees) and private sector policy that does not have to charge such fees.

In early 2019 the mortgage regulators issued a final rule to be effective July 1, 2019 that appears to ASFPM to directly conflict with statute when it comes to what type of flood insurance policy qualifies to meet the mandatory purchase requirement. While rulemaking has gone on for some years, the "discretionary acceptance" approach appeared in the latest, final version with no opportunity to comment. The primary issue is that Congress mandated that private flood insurance policies that were sold to for properties to meet the mandatory purchase requirement had to have coverages and deductibles "at least as broad as" a NFIP policy. This means that such private sector policies must have a coverage similar to ICC, to provide resources to come into compliance with flood codes and have deductibles that aren't too excessive – a cheap flood insurance policy does a property owner no good if the deductible exceeds their ability to pay. Yet the "discretionary acceptance" alternative would allow policies without these provisions. Such a loophole hurts property owners and will lead to greater dependence on federal disaster assistance – contrary to the foundational goals of the NFIP. Additionally, the private flood insurance market that has grown rapidly the past four years has done so without the loophole being in effect.

- **ASFPM recommends Congress eliminate the "discretionary acceptance" loophole that allows lenders to decide whether to accept private policies that is in the federal regulatory rule to be effective July 1, 2019.**

Fourth, ASFPM believes that to preserve the many public benefits of the NFIP, two changes must be made to the existing law to ensure private sector growth does not inadvertently erode the other elements or legs of the NFIP stool.

The private insurance industry uses FEMA flood maps in various ways: sometimes to calibrate their risk assessment models, and sometimes to determine basic eligibility of their private flood insurance product. Industry officials that ASFPM talks with all support the floodplain management efforts in a community that

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[4] *Last year ASFPM testified before the Senate Committee on Small Business & Entrepreneurship on flood insurance rate increases which also included detailed thoughts on HR 2901, which can be found here or on ASFPM's website at www.floods.org*

provides a meaningful program of risk reduction. Given that 100% of the Federal Policy Fee goes to mapping and floodplain management, it is only equitable that private policies help pay for these functions and that they are not just borne by NFIP policyholders.

- **ASFPM recommends an *equivalency fee*, equal to the Federal Policy Fee, be assessed on all private flood insurance policies sold to meet the mandatory purchase requirement.**

As private flood insurance becomes more widely and easily available, provisions must be made to ensure such policies can only be made available to meet the mandatory purchase requirement if the community participates in the NFIP. Why? For thousands of communities in the NFIP, the primary reason for joining the program is the availability of flood insurance to meet the mandatory purchase requirement. As a requirement of joining, communities agree to adopt and enforce local floodplain management standards. As a result, floodplain management standards are the most widely adopted in the United States – exceeding the coverage of building codes, subdivision regulations and zoning. The adoption and enforcement of these codes, in turn, reduces future flood risk to the individual, businesses, communities and taxpayers. ASFPM members understand that once you remove the incentive for joining (flood insurance availability) thousands of communities may rescind their codes, drop out of the NFIP, and rely on the private policies to meet needs of property owners without the administrative burden of adopting and enforcing local codes. Particularly susceptible to this are small communities with low policy counts. As stated earlier in this testimony, most communities in the nation already participate in the NFIP. And while the private industry is still emerging, let's be partners in persuading communities to comprehensively reduce flood losses. Finally, this fee has no cost to the private insurance industry.

- **ASFPM recommends that when private flood insurance policies are sold to meet the mandatory purchase requirement, they can only be sold for that purpose within NFIP participating communities.**

Flood Insurance Affordability

Despite the longer glide path for premium increases set in HFIAA, rates may again reach high levels in another three or four years and a long-term solution to affordability was not included in either BW-12 or HFIAA. Also, to meet House PAYGO rules, there was a large surcharge imposed on non-primary residences, small businesses and other non-residential structures. The surcharge is neither risk-based nor need-based. Premium increases and surcharges have led to a notable reduction in policies in force, declining from a high of 5.5 million to about 5.1 million today.

- **ASFPM recommends the elimination of the PAYGO surcharge established in 2014 from the standpoint of flood insurance affordability and equity with private flood policies. This will take an additional cost burden off of small businesses.**

There are several innovative ideas on flood insurance affordability that deserve consideration such as those proposed by the Wharton School linking a subsidy voucher with a mitigation loan to reduce risk and lower flood insurance premiums.

Improving the NFIP Policy Offerings

Community floodplain managers often hear complaints about the NFIP centered around what is covered and what is not; and the inability to get additional coverages like living expenses as part of a NFIP policy. ASFPM has been impressed with FEMA's customer experience initiative after Sandy with FEMA committing to improving the insurance product it sells. Yet FEMA is constrained by a cumbersome rulemaking process that can take years to complete.

- **ASFPM recommends Congress give FEMA the flexibility to offer additional flood insurance policy options and make changes to existing options without the need for extensive rulemaking.**

Initial Observations on Draft Bills

While ASFPM is continuing to review the draft legislation, we are pleased to offer our initial views.

Discussion Draft Primary (Affordability) Bill

ASFPM is supportive of many sections of this bill including debt forgiveness, elimination of the HFIAA surcharge, monthly installment of the payment of premiums and the establishment of a state revolving loan fund for flood mitigation. While we are also supportive of other measures to address flood insurance affordability, we strongly believe that any subsidy should come from outside of the program and covered by all taxpayers, not just NFIP policyholders. We do not believe in creating a new cross-subsidy within the National Flood Insurance Fund or a new type of surcharge. Also, to the extent possible, we should be subsidizing flood hazard mitigation, not insurance. Mitigation will make insurance affordable and helps avoid the "moral" hazard of keeping lower income people in harms way.

While we understand the impact of eliminating the Federal Policy Fee on policy holders and making flood insurance more affordable, we must point out that currently the fee pays 100% of the NFIP's floodplain management function cost and roughly between a third and a half of the annual flood mapping budget. We are very concerned about subjecting these critical elements of the NFIP to the unevenness of the annual appropriations process.

Discussion Draft Mapping Bill

ASFPM is also supportive of many of the elements in the draft mapping bill. The bill continues to advance the good mapping language in the Biggert-Waters 2012 NFIP reform bill, which we supported. We note the bill authorizes the National Flood Mapping Program at $400 million - which we see as a minimum. ASFPM believes that to get the 2/3 of the nation mapped that is not yet mapped, the NFIP will need an amount more like $600 million per year for the next 5-10 years. We appreciate the effort to balance pre-existing flood mapping requirements of the National Flood Mapping Program that remain to be completed with newer ideas such as building specific data and risk information by largely focusing on data that has already been generated by states and communities and importing it into a FEMA developed and maintained digital display environment. This will ensure that the mapping costs will not skyrocket and further delay flood maps. We also appreciate the focus on mapping all areas of the United States, a priority to update the remaining inventory of flood maps that have yet to be modernized, and the reiteration of the need to map future flood risk.

ASFPM also supports some reforms to the appeals process especially those proposed to ensure that map panels which are not being held up by an appeal can go final and be adopted by communities. This will go a long way to ensure that new flood data is able to be utilized by communities in a timely manner. ASFPM has long supported the establishment of levee specific flood risk zones as presently, in the absence of such zones, FEMA has no choice to designate large areas as a Zone D which results in much more costly flood insurance and no information on flood risk.

ASFPM notes that many of the provisions proposed for agricultural structures in flood hazard zones track with the concepts in draft guidance FEMA is developing. In fact, we applaud FEMA for reaching out to many stakeholders in the development of the guidance which will hopefully be released soon. We are relieved to see that the definition of an agricultural structure does not include a single family residence. While there may be technical reasons that elevation is not feasible for certain agricultural buildings, the same cannot be said for residential homes which have been elevated for years across the country. Ae do have a concern about the creation of a new flood insurance subsidy for ag buildings where wet floodproofing would allow premiums as if the building was dry floodproofed. This is inconsistent with reforms that Congress passed in 2012 and 2014 to make the NFIP more actuarially sound – not less. The insurance premium should be reflective of the risk. As we have said earlier if subsidies are needed, subsidized mitigation, not insurance. And the subsidy should be outside the NFIP. We do believe there are some agricultural buildings that should not be required to buy insurance and support the pilot program for multiple agricultural buildings. We have seen many building with very low to no damage potential that are required to buy flood insurance, and the annual premium exceeds the value of the building.

Discussion Draft Mitigation Bill

We generally support much of this bill and were very encouraged to see three key reforms to ICC: Increasing the cap to $60,000; specifying that ICC can be used for acquisition of property; and that the ICC amount shall be in addition to aggregate coverage limit under a standard flood insurance policy. We note that the average cost of mitigation typically far exceeds the existing $30,000 limit for ICC, which is especially a problem for low income people who have no cash savings or reserves.

We are also pleased to see the strategies allows mitigation on block or neighborhood basis, a focus and robust funding for PDM, and a pilot program for community-wide flood insurance. Community-wide policies could be another tool to help more broadly reduce the cost and impacts of flooding.

Finally, we are very pleased to see an authorized community assistance program which provides grants to states to build capacity for floodplain management. Because there are over 22,000 communities, building capacity and capability at the state level is critical as states are in the best position to understand the enabling authorities as well as administrative procedures within the state, they are best positioned to help out with enforcement issues, and can tailor training and outreach to the specific needs of communities within the state. Further, we support how the program works to direct states to build *effective* floodplain management capabilities, rewarding those that go beyond minimum measures.

Discussion Draft Administrative Reforms Bill (Velazquez)

ASFPM notes that since Hurricane Sandy, FEMA has implemented many reforms to the claims process administratively. Data suggests that customers of the NFIP are reporting high satisfaction rates. Whether there are additional outstanding issues related to claims handling is largely beyond the focus of ASFPM. However, we support provisions of this draft bill that ensure the Flood Insurance Advocate is properly staffed. The creation of a flood insurance advisory committee should help the NFIP better understand and adopt best practices from industry, and support directing lending regulators, in consultation with FEMA, to update and maintain the mandatory purchase guidelines document. ASFPM previously expressed concern in testimony that after FEMA decided to no longer update the guidelines in 2014, nobody has been doing it.

In Conclusion

Floods are this nation's most frequent and costly natural disasters and the trends are worsening. The NFIP is the nation's most widely used tool to reduce flood risk through an innovative and unique mix of incentives, requirements, codes, hazard mitigation, mapping and insurance. At the same time, we understand the four main pillars of the NFIP are interconnected; and making significant changes to one pillar without thoughtful consideration of the impact on the other three can erode the program overall. The NFIP is a key tool in the toolbox that serves policyholders, taxpayers and the public well.

The Association of State Floodplain Managers appreciates this opportunity to share our observations and recommendations with the Committee. For any questions, please contact Maria Cox Lamm, ASFPM Chair at coxm@dnr.sc.gov (803) 734-3672); Chad Berginnis, ASFPM Executive Director at *cberginnis@floods.org* (608 828-3000); or Merrie Inderfurth, ASFPM Washington Liaison at *merrie@floods.org* (703 732-6070).

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Testimony of R.J. Lehmann
Director of Finance, Insurance and Trade Policy
R Street Institute

U.S. House Committee on Financial Services
"Preparing for the Storm: Reauthorization of the National Flood Insurance Program"
March 13, 2019

Chairwoman Waters, Ranking Member McHenry and members of the committee,

My name is R.J. Lehmann, and I am director of finance, insurance and trade policy at the R Street Institute, of which I am also a co-founder. R Street is a nonpartisan, nonprofit research organization and our mission is to identify and promote pragmatic, market-oriented solutions to public policy challenges. I appreciate the opportunity to testify and to share our views on potential reforms to the National Flood Insurance Program (NFIP), which has been a core research area for R Street since opening our doors seven years ago.

The NFIP is a textbook example of unintended consequences. It was established to correct a market dislocation, by providing coverage that private insurers would not; to reduce the nation's reliance on post-hoc disaster assistance; to provide incentives for communities to invest in mitigation; and to be self-sustaining. It has not been self-sustaining, as the program has been forced to borrow nearly $40 billion from the U.S. Treasury over the past decade and a half. Disaster spending continues to grow, with more than 90 percent of all federally declared disasters involving floods.[1] While the program has provided incentives for mitigation, these have not gone far enough, and the availability of cheap flood insurance has played a role encouraging people to build in flood-prone regions. The number of Americans living in coastal counties grew by 45 percent from 1970 to 2010 and now comprises more than half the U.S. population.[2] And while the NFIP does continue to fill an important role in insurance markets, its subsidies and mispriced risks distort those markets and discourage the emergence of private alternatives.

R Street is ideologically situated on the political right, but we long have prided ourselves on our willingness to form broad coalitions across the ideological spectrum that enable work with any policymaker or organization who shares our perspectives. In the area of flood insurance, this has been

[1] https://www.downsizinggovernment.org/dhs/fema
[2] http://www.livescience.com/18997-population-coastal-areas-infographic.html

manifest in our status as a founding and active member of the SmarterSafer Coalition, which brings together fellow free-market groups, environmental and conservation advocates, taxpayer advocates, insurance interests, and housing and mitigation experts to advocate for effective and efficient disaster policy. SmarterSafer, represented on this panel by the National Wildlife Federation, advocates reforms to the NFIP to make it fiscally sustainable, to remove incentives to development in flood-prone and environmentally sensitive regions, to invest in mitigation and more accurate mapping, to facilitate consumer choice in flood insurance products and to ensure that property owners and the general public have clear information about flood risks.

Reviewing several of the draft bills the committee will consider, I am heartened that they make significant progress to address several of these priorities. I also hope to highlight a few areas where further reform would be appropriate.

AFFORDABILITY AND SUBSIDIES

The most significant new element introduced in the discussion draft is the proposed demonstration project for means-tested discounted rates. I would like to commend the chairwoman, in particular, for her commitment to this issue. Addressing affordability has been a topic toward which members have paid quite a bit of lip service over the past 15 years, but this is the first substantial proposal to do exactly that.

The bill's demonstration project would extend premium discounts to households making less than 80 percent of an area's median household income, with discounted rates that would be capped at 2 percent of annual area median income. Along with other members of the Smarter Safer Coalition, we have long advocated for affordability provisions to help those who are low income, with means-tested assistance outside of the rate structure. Our view is that vouchers or other forms of direct premium assistance are preferable to discounted rates because they ensure the NFIP continues to receive the appropriate amount of premium.

In looking at the draft bill, I have some concern that the premium caps may not be ideally structured to assist those who truly need it. While the 80 percent threshold may be appropriate in some communities, it may be necessary to add an upper income bound. For example, under this formula, in Loudon County, Virginia, where the median household income tops $134,000, a household making $108,000 a year – nearly double the national median – would be treated as low income. And while the cohort eligible to receive discounts could be too broad, the discounts themselves might be insufficiently generous. To ensure that discounts are useful for low-income homeowners, rather than a single cap calculated as a percentage of area median income, discounted rates should be calculated as a percentage of the policyholder's own household income.

Among the reasons that a means-tested affordability program long has been needed is that the NFIP's existing policy subsidies, which Congress set on a path to phase out in 2012, disproportionately benefit wealthier areas. As the Government Accountability Office (GAO) reported in 2012, 29 percent of subsidized policies were in counties in the top decile of median household income and 65 percent were in counties among the top three deciles.[3] In contrast, just 4 percent of subsidized policies were in the bottom decile and just 10 percent in the bottom three deciles.

The program's existing subsidies also flow from inland areas to coastal counties. As the Congressional Budget Office (CBO) reported in 2017, 85 percent of NFIP properties exposed to coastal storm surge pay less than full risk-based rates. According to the CBO, 29 percent of all Zone V properties are subsidized, because the properties were in place before flood maps were created for those communities, while 69 percent of Zone V properties are grandfathered, and pay Zone A or Zone X rates, despite their exposure to coastal storm-surge risk. Those totals include the 13 percent of Zone V properties that are both grandfathered and subsidized.

Ensuring that lower-income policyholders are not burdened with unreasonably high rates is crucial to carrying out the goal of phasing out the NFIP's subsidies and grandfathering. The Homeowner and Flood Insurance Affordability Act of 2014 placed all subsidized properties on a glide path toward actuarial rates, with annual premium increases that are capped at 15 percent. That bill also specified that properties newly mapped into special flood hazard areas receive preferred risk policies for the first year, and then likewise see annual increases of up to 15 percent until actuarial rates are achieved. This prevents any future grandfathering.

With the addition of an effective means-tested affordability program, such as the one proposed in the discussion draft, the committee should move forward with a plan to place on a glidepath the only cohort of properties currently scheduled to remain at below-full-risk rates: the pre-2014 grandfathered properties.

DEBT AND BORROWING AUTHORITY

The discussion draft would forgive the entirety of the NFIP's $20.5 billion debt to the U.S. Treasury. This comes in addition to the $16 billion of debt that Congress voted to forgive in October 2017. As in the 2017 bill, the discussion draft proposes that this debt cancellation be recognized as an emergency appropriation.

It is not feasible that the NFIP will ever be able to repay its debt in full. Of the nearly $40 billion the program has borrowed since 2005, it has, to date, repaid just $2.8 billion of principle. Indeed, as the CBO reported in 2017, under its current structure, the NFIP is expected to lose $1.3 billion in an average year, suggesting its debt will only grow larger. All the borrowed funds have already been disbursed. The only question that remains is when and how Congress will choose to recognize that expenditure.

[3] https://www.gao.gov/assets/660/655734.pdf

The NFIP already has shown that there are fiscally responsible alternatives to taxpayer borrowing, with its successful transfer of more than $1 billion of risk each of the past three years to the reinsurance and catastrophe bond markets. If Congress is going to once again forgive the program's debt, and thus relieve the NFIP of the $400 million in annual interest payments it currently is obligated to make, it remains essential to cap the program's borrowing authority. This cap provides an important systemic prompt for Congress to revisit the NFIP's structure if it proves once again to be unsustainable.

While the $1.5 billion cap that was in place from 1996 to 2006 is arguably too stringent, the current $30.425 billion borrowing authority is so large as to provide no meaningful restriction on spending. A more reasonable approach would be to allow the program to borrow up to 1 percent of its total insurance in-force without further congressional authorization. Based on reported insurance in-force as of December 2018, that would mean a cap of roughly $13.1 billion.

PRIVATE FLOOD AND HIGHER COVERAGE LIMITS

The discussion draft would raise NFIP coverage limits from $250,000 to $500,000 for single-family homes and from $500,000 to $1.5 million for commercial properties. This change would shift onto the NFIP's balance sheet coverage that businesses and relatively high-net-worth homeowners currently obtain through excess and umbrella policies. The current $250,000 limit is more than adequate for most consumers, as it appropriately focuses on the cost of repair or reconstruction and does not force consumers to buy additional insurance covering the value of their land.

I am unaware of any evidence that residential or commercial policyholders currently face any notable affordability or availability issues in the market for excess flood coverage. In fact, the market for private flood insurance, including first-dollar coverage, has been growing rapidly. Based on the most recent statutory insurance filings, privately underwritten flood insurance grew by more than 50 percent from 2016 to 2017, from $412.6 million to $623.8 million.[4]

To the extent that members' concern is the impact of rising flood insurance rates being passed on in the form of higher rents, a more narrowly tailored provision raising coverage limits only for residential multi-family properties would address that issue more directly. Better still, Congress could consider a rental assistance voucher tied to the income of renters who reside in affected properties.

It should be noted that excess flood coverage is separate from the question of privately written first-dollar coverage. With regard to private flood, we saw in last year's devastating floods caused by Hurricane Florence that just 9 percent of households in South Carolina and just 3 percent in North Carolina carried flood insurance.[5] The marketing juggernaut that is the private insurance industry should be considered a valuable social tool to deploy toward the goal of closing what has been called "the protection gap."

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[4] https://www.insurancejournal.com/blogs/right-street/2018/03/18/483689.htm
[5] https://www.mcclatchydc.com/news/nation-world/article218292160.html

One additional step Congress could take to protect consumers, as the private market continues to grow, is to include a provision that has passed the House in the past, including unanimously in 2016, stipulating that consumers who move to private flood insurance and maintain continuous flood insurance coverage could later return to the NFIP at the same rate as if the consumer had remained with the NFIP all along. This would protect consumers if, for example, a private insurer raised rates, changed its underwriting approach or left the market.

The NFIP remains the nation's primary source of flood insurance. But there is no reason to expand the program's coverage limits or otherwise crowd out private coverage that already serves consumers well. If we are to adapt to rising flood risks, both public and private resources will be needed.

FLOOD MAPPING

We support the aims of the discussion draft on mapping, which would reauthorize the flood-mapping program and fund improvements to mapping technology, including the use of property-level Light Detection and Ranging (LIDAR) surveys. In a 2017 survey, the Congressional Budget Office found that of the 166 U.S. counties with expected annual flood claims of more than $2 million, together representing 89 percent of the NFIP's $3.7 billion in total expected annual claims, 83 counties had maps that were more than five years old and 17 had maps that were more than 16 years old.[6] Furthermore, those 16 counties alone accounted for 56 percent of the program's expected annual claims.

Improved mapping is therefore essential not only to the program's fiscal sustainability and its ability to charge risk-appropriate rates, but these improvements also are needed to ensure that homeowners, businesses and potential developers are not misled about the flood risks that properties are likely to face. I welcome the committee's commitment to invest in updated flood maps, though I have questions about some provisions of the draft legislation.

In the section dealing with privacy requirements, the bill would prohibit the FEMA administrator from disclosing personally identifiable information to the public. Given that property ownership records are readily available from municipal clerks, my concern is that this could be construed as prohibiting property-level flood risk surveys from being publicly available. While it is appropriate to balance privacy and transparency interests, there is general consensus about the need to disclose flood risk. The results of these surveys should be available to consumers when they are shopping for a home, to city planners and zoning boards when they are evaluating development projects and to private insurance companies when they are evaluating whether to underwrite flood risks.

Separately, the bill lays out a process for LIDAR surveys to be employed in the removal of low-risk structures from flood hazard areas "en masse." Certainly, it is likely that updated maps will reveal some

[6] https://www.cbo.gov/system/files?file=115th-congress-2017-2018/reports/53028-supplementalmaterial.pdf

properties that are inappropriately designated under the old maps. However, it is striking that the bill does not contain a parallel provision laying out a process for the "en masse" inclusion of previously undesignated properties into flood hazard zones. A February 2018 study published in the journal *Environmental Research Letters* found that roughly 41 million Americans are at risk of riverine flooding, more than three times FEMA's current estimate of 13 million.[7] Combined with the projected increased risk of both coastal and riverine flooding from sea-level rise, heavier winter rains and other impacts of climate change, we should expect on balance that more accurate mapping will result in more properties being added to flood hazard areas than would be removed.

BRINGING THE CBRS MODEL TO NFIP

Finally, I wanted to offer for the committee's consideration a proposed reform intended to ease the process of adaptation to increased coastal flooding and tropical storms that we expect to face as a result of sea level rise and climate change. Over the next century, we may be forced to contemplate relocating potentially hundreds of thousands of Americans to higher ground, should the Intergovernmental Panel on Climate Change's projections prove accurate. As a first step, it is critical that Congress reverse any federal policy that actively encourages Americans to move into harm's way.

Toward that end, the NFIP should cease writing coverage for any new construction in 100-year floodplains. The approach would be modeled on the success of the Coastal Barrier Resources System (CBRS), a 37-year-old program that bars federal subsidies to development across a 3.5-million-acre zone of beaches, wetlands, barrier islands and estuaries along the Atlantic Ocean, Gulf of Mexico and the Great Lakes. The law, signed by President Ronald Reagan in 1982, does not actually prohibit development within the CBRS. It merely prohibits programs like federal disaster relief, highway funds and the NFIP itself from operating in these areas. As a result, more than 80 percent of the CBRS zones remain undeveloped.

Not only has the CBRS been successful in preserving fragile coastal habitats and ecosystems, but it has done so while actually saving taxpayer funds. According to a forthcoming study from researchers Andrew Coburn and John Whitehead that will appear in the *Journal of Coastal Research*, between 1989 and 2013, $9.5 billion of federal expenditures were avoided due to the CBRS. The researchers attribute the bulk of that total to foregone FEMA disaster funds, with avoided expenditures by the Department of Transportation, the Environmental Protection Agency and the Department of Housing and Urban Development contributing smaller totals.

The study does not consider the cost of NFIP claims avoided due to the CBRS, but a stark example was provided by 2017's Hurricane Harvey. While Harvey's nearly $9 billion in NFIP claims were concentrated in and around the City of Houston, the storm actually made landfall some 200 miles away at San José Island, an uninhabited barrier island entirely within the CBRS. Much of the coastal regions of

[7] https://www.bristol.ac.uk/news/2018/february/america-flood-risk.html

surrounding Aransas County likewise fall within CBRS units and are thus largely free of development. It is impossible to know what development near Port Aransas might have looked like in the absence of the CBRS, but it is certainly conceivable that the devastation caused by Harvey could have been far worse.

This model of promoting conservation by removing federal subsidies has been adopted successfully elsewhere, including by several public insurance programs. The U.S. Department of Agriculture employs a version of it with its "swampbuster" and "sodsaver" conservation compliance programs, which limit subsidies that could serve as incentives to convert wetlands and highly erodible land to agricultural use. The State of Florida also adopted this approach in 2014, when it moved to prohibit new construction seaward of the state's Coastal Construction Control Line (CCCL) from receiving subsidized insurance from the state-run Citizens Property Insurance Corp.

As with the CBRS, barring new construction in 100-year floodplains from NFIP eligibility would not foreclose the possibility that developers could find private insurers willing to sell coverage for an appropriate risk-based premium. It also would not relieve the challenges we will likely face in the years ahead with the stock of existing structures already in those zones. It would, however, apply the ancient wisdom of the Hippocratic Oath: "first, do no harm." Where we can cease encouraging development of flood-prone land, without laying any new burden on any current resident, it is an opportunity we simply must take.

With that, I would be happy to answer any questions.

Testimony of Collin O'Mara
President and CEO of the National Wildlife Federation
United States House of Representatives
Financial Services Committee
"Preparing for the Storm: Reauthorization of the National Flood Insurance Program"

March 13, 2019

Chairwoman Waters, Ranking Member McHenry, and members of the Committee, thank you for inviting me to testify today. I am here on behalf of the National Wildlife Federation and the SmarterSafer Coalition. National Wildlife Federation is the nation's largest member-based conservation group representing six million members and affiliate conservation organizations in 51 states and territories. The National Wildlife Federation is an active member of the SmarterSafer coalition, a broad-based coalition that advocates fiscally sound, environmentally responsible approaches to natural catastrophe policy. The groups involved represent a broad set of interests including conservation groups, taxpayer advocates, insurance interests, and housing and mitigation experts. For over a decade the coalition has advocated reforms in the National Flood Insurance Program that ensure the program is smarter and safer for those in harm's way, the environment, and for federal taxpayers.

Whether we are facing wildfire, earthquakes, hurricanes, or floods, it is clearer than ever before that our nation, states and communities must do more to prepare for known risk. Before I joined the National Wildlife Federation, I served as Secretary of the Delaware Department of Natural Resources and Environmental Control where I helped steward the state through the preparation and long recovery following the devastation of historic storms, Hurricanes Irene and Sandy. At the time of Hurricane Sandy, we had more than 25,000 properties participating in the National Flood Insurance Program and we had invested heavily in coastal protection (dune restoration) and wetland restoration. The places where our state had invested proactively in natural defenses, where property owners had invested in mitigation measures, and where communities had adopted thoughtful resilience and land use policies fared demonstrably much better than those communities that did not.[1] It was a real life example of an ounce of prevention being worth a pound of cure.

The costs of weather-related disasters are on an upward trend, exacerbated by our warming climate, exceeding $450 billion between 2016 and 2018 alone, for an average of $150 billion per

[1] Value of Coastal Wetlands for Flood Damage Reduction in Northeastern USA. Scientific Reportsvolume 7, Article number: 9463 (2017)

year.[2] Too frequently, we are responding to disasters after they occur, giving little thought and attention to proactively reducing risk and increasing the resilience of our nation's vulnerable communities. Responding after a disaster is necessary; however, without proper planning, resilience measures, and insurance, disasters are much more destructive, and rebuilding is more difficult.

As I hope to convey in this testimony, a status quo approach to our disaster planning, preparation and response at a time of cascading hurricanes, typhoons, and inland flood impacts does not work. Given this reality, continuing on this same trajectory - including through additional extensions of the National Flood Insurance Program without meaningful reforms - will further jeopardize our natural environment and endanger human communities. As a nation we must confront and address the growing economic, environmental, societal, and cultural costs of disasters in a way that is just, equitable, and accounts for vulnerable populations. We encourage Congress to consider this goal in all its deliberations, including efforts to improve America's infrastructure, and certainly in this Committee's critical work to reauthorize and reform the National Flood Insurance Program.

Of the 241 disaster events costing a billion dollars or more between 2000 and 2018, hurricanes and typhoons have caused the most damage, responsible for 55% of all losses, with flooding events responsible for another 7.4% of total losses.[3] And these numbers can only be expected to grow. Projections under NOAA's high sea level rise risk scenario estimate that by the end of the century, homes and commercial properties currently worth more than $1 trillion could be at risk of chronic flood inundation.[4]

Unfortunately, the current National Flood Insurance Program (NFIP)-which has borrowed over $40 billion from US taxpayers-- does not do enough to protect against these losses. The NFIP was originally intended to reduce the amount of floodplain development and encourage communities to take steps to progressively reduce flood risk. A half century later, the NFIP has—unintentionally—facilitated exactly the opposite result. Both the negative ecological impacts and the actual debt of the NFIP have risen to a level that is unsustainable at best, irreversible at worst.

Protecting Floodplains

For the National Wildlife Federation, our interest in this area is driven by our longtime engagement in protecting and restoring the nation's floodplains, including natural coastlines, wetlands, and forests for wildlife habitat. These natural features are themselves critical natural

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[2] NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2019). https://www.ncdc.noaa.gov/billions/time-series

[3] NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2019). https://www.ncdc.noaa.gov/billions/summary-stats

[4] Union of Concerned Scientists. Underwater: Rising Seas, Chronic Floods, and the Implications for US Coastal Real Estate (2018). https://www.ucsusa.org/global-warming/global-warming-impacts/sea-level-rise-chronic-floods-and-us-coastal-real-estate-implications

infrastructure, and their protection and restoration produces extensive co-benefits for wildlife and human communities, including increased resilience in the face of storms, flooding, and wildfires.

Naturally functioning floodplains:

- *Provide vital habitat for countless wildlife species.* Healthy rivers, floodplains, and wetlands provide essential grounds for breeding, foraging, and other parts of the life cycles of innumerable species, and are crucial to the survival and recovery of many threatened and endangered species. Wetlands are some of the most biologically productive natural ecosystems in the world, and America's wetlands support millions of migratory birds and waterfowl. Although wetlands account for just about five percent of land area in the lower 48 states, those wetlands are the only habitat for more than one third of the nation's threatened and endangered species and support an additional 20 percent of the nation's threatened and endangered at some time in their life. These same wetlands are home to 31 percent of the nation's plant species.[5]
- *Provide an array of resilience and public health benefits.* Natural infrastructure, both alone and in conjunction with structural projects, provides important protection from storms and floods. Wetlands act as natural sponges, storing and slowly releasing floodwaters after peak flood flows have passed, and coastal wetlands buffer the onslaught of hurricanes and tropical storms. A single acre of wetland can store one million gallons of floodwaters.[6] Just a one percent loss of a watershed's wetlands can increase total flood volume by almost seven percent.[7] Restoring a river's natural flow and meandering channel, and giving at least some floodplain back to the river, slows down floodwaters and gives the river room to spread out without harming homes and businesses. Healthy floodplains also improve water quality and supply by fostering vegetation to limit non-point water pollution from storm water runoff, and allowing water to recharge in underground drinking water aquifers.
- *Provide recreational value and buoy the outdoor economy.* Protecting floodplains is also a way to protect the areas where members of the National Wildlife Federation, hunt, fish, and enjoy wildlife. Hundreds of species of birds, waterfowl, and wildlife and 90 percent of fish caught by America's recreational anglers are wetland dependent. Often overlooked, the outdoor recreation sector supports more jobs than many American industries. According to the Outdoor Industry Association the outdoor recreation industry generates 7.6 million direct American jobs and $887 billion in consumer spending annually.[8]

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[5] Environmental Protection Agency, Economic Benefits of Wetlands, EPA843-F-06-004 (May, 2006) (factsheet).

[6] Environmental Protection Agency, "Wetlands: Protecting Life and Property from Flooding." EPA 843-F-06-001. (2006) (factsheet) ("EPA Wetlands and Flooding Fact Sheet").

[7] Demissie, M. and Abdul Khan. 1993. "Influence of Wetlands on Streamflow in Illinois." Illinois State Water Survey, Contract Report 561, Champaign, IL, Table 7, pp. 44-45.

[8] OIA 2017. The Outdoor Recreation Economy. https://outdoorindustry.org/wp-content/uploads/2017/04/OIA_RecEconomy_FINAL_Single.pdf

However, alterations to floodplains create multiple threats to wildlife and human communities through a range of impacts, including: changing the flow and hydrology of rivers; eliminating wetlands and side channels, destroying nesting and rearing areas and other important habitat; removing protective natural buffers; and causing siltation, nutrient, and other water quality problems. Unfortunately, decades of federal policies, with the National Flood Insurance Program as a key culprit, have led to increased development in floodplains that are no longer able to support the wildlife, ecological, and public safety benefits they once did.

Necessary Reforms to the NFIP

We are pleased to see the Committee prioritizing the reauthorization and meaningful reform of the NFIP. Continuing the status quo in the flood program is not only a risky proposition for communities who rely on the indebted program to pay their claims, but it is poor practice from a longer-term planning perspective. NFIP has long masked risk by subsidizing rates, and FEMA flood maps do not provide the most up to date information about flood risks. This means that property owners and communities, including vulnerable communities where accessibility issues may be an added concern, are not provided the information they need to make needed decisions about risk and risk prevention, including mitigation opportunities to reduce risk. This has ecological ramifications, as the program promotes further development in ecologically sensitive floodplain areas. These considerations are particularly timely in light of renewed discussions of a comprehensive infrastructure package, as future infrastructure investments must be informed by and adapted to an accurate depiction of natural hazard risk, and should ensure deployment of natural infrastructure protections where appropriate.

Congress must act not only to shore up the program's finances while addressing affordability concerns, but also to ensure more accurate mapping, to provide consumers with updated information on risks and choices in insurance coverage, and to encourage mitigation—including community-wide mitigation that uses natural infrastructure - to reduce risk and reduce rates.

SmarterSafer has detailed recommendations for comprehensive reform to NFIP which I have submitted for the record and attached to this testimony, and below I highlight several priority areas:

- increasing pre-flood mitigation to reduce risk and rates;
- improving the accuracy of FEMA's flood maps;
- ensuring continued movement toward risk-based rates, with targeted support for reducing risk;
- closing the protection gap including through private sector participation;
- and increasing overall transparency.

Increase investment in pre-flood mitigation, and incentivize natural infrastructure approaches

By far, one of the best ways to reduce flood insurance rates and to mitigate against future disasters is to reduce risk. While National Wildlife Federation and SmarterSafer support efforts to keep flood insurance premiums affordable, the best way to keep rates low and to protect people and property is through proactive mitigation actions that would avoid and minimize damages on the ground.

Substantial new investments in mitigation, including through protecting, restoring, or enhancing natural infrastructure such as wetlands and dunes, can greatly reduce flood risks and save taxpayers from ballooning disaster payments. Proactive, preventative mitigation is the most cost effective investment the NFIP can make. According to a 2018 report from the National Institute of Building Sciences, for every dollar spent on hazard mitigation, the nation saves six dollars in post-disaster response.[9]

However, not all mitigation is created equal. Community-wide, natural, and nature-based mitigation should be used and encouraged wherever possible. These are practices that protect, restore, or in some cases, even create natural features or processes that reduce erosion and flood impacts in coastal or riverine floodplains by dissipating floodwaters or wave energy, capturing sediment and debris, and building land elevation. Furthermore, with increased investments in mitigation – including nature-based mitigation - comes potential job opportunities, which should be steered toward vulnerable communities wherever possible. For example, the coastal restoration economy creates 30 jobs for each million dollars invested. [10]

Natural and nature-based mitigation practices may include but are not limited to:

- Planting or conserving native vegetation that increases floodwater infiltration, traps debris, slows erosion, and contributes to land building and elevation gain;
- Restoring, protecting, or constructing wetlands to attenuate floodwaters both along coastlines and in the upper reaches of a watershed, thereby delaying and reducing downstream flood peaks;
- Removal or modification of structures such as dams, levees (including setbacks), and culverts to restore natural hydrology and floodplain function to allow floodwaters to spread out across the landscape and slow down, thereby reducing downstream flood impacts;
- Managing sediment budgets to help build and maintain coastal ecosystems, helping them to keep pace with sea level rise;
- Implementing "living shorelines" that use site-appropriate, native biological materials to stabilize shorelines as an alternative to hard armoring;
- Open space protection and restoration (including via buyouts and easements) of floodplains and barrier islands that buffer communities from the full force of coastal storms.

Floodplain forests, wetlands, wide beaches, vegetated dunes, tidal marshes, coastal forests, shrublands, mangroves, and oyster reefs all have a role to play as a form of natural infrastructure

[9] National Institute of Building Sciences 2018. New Report on the Value of Mitigation. https://www.nibs.org/news/381874/National-Institute-of-Building-Sciences-Issues-New-Report-on-the-Value-of-Mitigation.htm

[10] Natural Infrastructure Report. Audubon. 2018. https://www.audubon.org/sites/default/files/audubon_infrastructure_jan192018.pdf

that can be even more resilient than hard armoring, like bulkheads, create less erosion, and can be cheaper to maintain over the long-term.[11] These natural features serve not only as vital fish and wildlife habitat and help to boost the lucrative outdoor economy, but also to keep communities safe by dissipating floodwaters and wave energy, while helping to maintain and, in places, gain land elevation.

Taking this into account, the National Wildlife Federation and SmarterSafer urge the Committee to consider any and all ways to drive immediate investment in mitigation, incentivizing natural infrastructure where possible and appropriate. Congress can do that by requiring FEMA to work with lenders and the Federal Housing Administration to facilitate mitigation loans, to provide more flexibility in Increased Cost of Compliance (ICC) mitigation funds so they can be used pre-disaster, and to require communities to plan for known flood risks and assess community-wide nature-based mitigation efforts that are cost-effective and will reduce future flooding. In particular, SmarterSafer recommends that FEMA identify 'Flood Hotspots'—communities with significant numbers of severe repetitive loss properties and areas with a significant number of properties at high flood risk. To further prioritize communities for initial investment, FEMA should also apply an environmental justice screen and overlay a map of vulnerable communities, such as EPA's Environmental Justice Screening and Mapping tool.[12] FEMA should then work with hotspot communities to develop plans to reduce flood risk, with a priority for nature-based, non-structural mitigation.

We are supportive of supplying communities with a diversity of tools to fund mitigation efforts, including the revolving loan fund for flood mitigation in Chairwoman Waters' proposal, and appreciate the priority given to severe repetitive loss properties and low-income homeowners, as well as the inclusion of environmental restoration activities as an eligible use of that fund. But loans alone are not enough to upgrade America's resilience to flooding. We also applaud the additional authorization of pre-disaster mitigation funds, as well as the proposed increase to Cost of Compliance (ICC) coverage up to $60,000, and the expansion of eligible mitigation activities to include pre-disaster mitigation. We are pleased to see a pilot for community-wide flood insurance policies, which would hopefully lead to greater investment in community-wide mitigation; however, we are concerned about provisions to require community-wide pilot policies to have a cap on premiums. This perpetuates the existing problems in the flood program where risk is masked and the program is unsustainable. As discussed in greater detailed in a following section, we must ensure that low-income policy holders have assistance in affording their premiums, but we should not create new subsidies in the program unless they are means tested and outside of the rate structure. We look forward to sharing additional perspectives with the Committee once we have an opportunity to more fully analyze the draft proposals.

We also encourage the Committee to look at other investments and programs to help mitigate risk, both within and beyond FEMA. We need robust investment in FEMA's Hazard Mitigation

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[11] Sutton-Grier AE, Gittman RK, et al. Investing in Natural and Nature-Based Infrastructure: Building Better Along Our Coasts. Sustainability. 2018; 10(2):523.

[12] https://www.epa.gov/ejscreen

Grant Program and Flood Mitigation Assistance Grant Program, as well as the Department of Housing and Urban Development's Community Development Block Grant Disaster Recovery Program. Competitive grant programs within NOAA and other agencies are also important for their ability to spur and cultivate innovative resilience-building approaches.

Additionally, per provisions in the 2018 Disaster Recovery Reform Act, FEMA now has the authority (at the discretion of the President) to set aside up to an amount equivalent to 6 percent of the estimated aggregate total of other FEMA disaster grants for pre-disaster mitigation assistance. Congress should ensure that this provision is implemented swiftly and effectively, and guarantee through regular appropriations that FEMA's current Pre-Disaster Mitigation Fund is well funded until the newly authorized National Public Infrastructure Predisaster Mitigation Assistance comes online. Any infrastructure package considered by the House should also include a significant investment in pre-disaster mitigation and resiliency, especially natural defenses.

Ensure accurate mapping

Flood maps are a critical component of the National Flood Insurance Program. These maps define the Special Flood Hazard Areas—the '100 year flood plain'—within which the purchase of flood insurance is required to obtain a federally backed mortgage. Because of this, it is essential that these maps accurately reflect risk. However, most of the flood maps FEMA uses to estimate exposure to flood risk are badly outdated and alarmingly inaccurate, resulting in an overwhelming number of at-risk properties lacking federal flood insurance.

FEMA must be required to update its maps, using the best technology, such as LIDAR, and science on known conditions and risks to get property level elevation data, ideally combined with the latest climate modeling, including precipitation, sea level rise, and flood projections. This more accurate and finer-resolution data must then be used to map and set rates. The agency should also be required to either conduct surveys or purchase property level (or close to) risk assessments. This would not only ensure proper risk analyses and rates, but it would take the onus off homeowners who now have to go through a burdensome and expensive process if they believe they are mapped incorrectly. This is something that is possible—the state of North Carolina has undertaken a mapping effort where they have not only gotten property level data at a reasonable cost, but they have a digital system to allow property owners to search and understand their risk, potential flood premiums and mitigation options. In addition, Congress should consider mapping beyond the Special Flood Hazard Area (SFHA); floods and risk do not stop at a line drawn on a map, and many properties and communities outside of these areas are at risk of flooding. In fact, almost a quarter of all flood claims occur outside of high-risk SFHAs.[13]

We are very supportive of the discussion draft proposals to reauthorize the flood mapping program and provide funding to support flood mapping, as well as the requirement for FEMA to use the most up-to-date technologies. However, we would like to work with the Committee to better understand provisions that contemplate mass removal of properties from Special Flood Hazard Areas (SFHA). At a time when it is clear that more and more areas even outside of the

[13] https://www.fema.gov/media-library-data/20130726-1803-25045-8083/st_broomein.pdf

SFHA are at significant risk, and after recent storms have shown that too many people at risk do *not* have flood insurance, we should not be contemplating the removal of properties en masse from flood plains. We look forward to sharing additional perspectives with the Committee once we have an opportunity to more fully analyze the draft proposals.

Continued movement toward risk-based rates, with support for reducing risk

For too long, the federal government has masked true risk through subsidized rates, resulting in a program deeply in debt to taxpayers and contributing to or enabling coastal and riverine development, which has in turn contributed to the loss of functioning floodplains and natural features that reduce flood damages. FEMA found in a report mandated by Biggert-Waters, that subsidized rates "can promote (and have promoted) poor decisions on the part of property owners and political representatives … they also create a moral hazard, especially when the subsidies are not well targeted."[14] The report also finds that the presence of subsidies "removes the incentive to undertake mitigation efforts, thereby encouraging ever increasing societal costs." We also note that the Government Accountability Office (GAO) found that over 78 percent of subsidized properties in NFIP are located in counties with the highest home values (the top three deciles), while only five percent of subsidized properties are in counties with the lowest home values (the bottom five deciles).[15] This shows the inequities in the program and the need for a more targeted approach.

We are not recommending a move to immediate actuarial rates; however, the current system is not transparent and incentivizes further development in vulnerable and ecologically sensitive floodplains and coastal areas. We recommend that all properties should either begin or continue to move towards risk-based rates, especially second residences, with annual increases capped to some percentage of current premiums to make the increases predictable. We also recommend that NFIP communication to policyholders— particularly premium statements—contain what the property's risk-based rate is, as well as the current rate the policyholder is paying, to ensure property owners understand their risks.

At the same time, we appreciate the Committee's attention to the significant equity issues related to affordability and the need to provide targeted assistance for low-income homeowners, vulnerable, frontline communities, and subsistence communities. We urge the committee to focus their affordability efforts on these at-risk communities, especially individuals who face higher flood threats due to land use decisions made by the federal and state governments and for whom full risk-based rates in a short time horizon would be unaffordable. This includes at-risk historic communities around the nation such as those in Delaware, Florida, and in coastal Louisiana, where the National Wildlife Federation has worked to restore coastal wetlands for over a decade. For many such coastal communities, the impacts of climate change became known after they settled and invested, making once low risk properties into high risk properties.

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[14] Oliver Wyman. Flood Insurance Risk Study: "Options for Privatizing the NFIP. P60 Available at: http://www.floods.org/ace-files/documentlibrary/2012_NFIP_Reform/Reinsuring_NFIP_Insurance_Risk_and_Options_for_Privatizing_the_NFIP_Report.pdf

[15] U.S. Government Accountability Office. July 2013. Flood Insurance: More Information Needed on Subsidized Properties. (Publication No. GAO-13-607). http://www.gao.gov/assets/660/655734.pdf

We also urge the Committee to consider that the best way to help vulnerable communities with affordability concerns is to invest in upfront mitigation assistance wherever possible and cost-effective, and focus premium support where needed for those who truly cannot afford their insurance rates.

In addition, FEMA should work with private lenders as well as the Federal Housing Administration to develop or modify existing loan products that homeowners could use to mitigate risk, helping to reduce their flood insurance rates while protecting themselves and their property.

We were pleased to see the attention to affordability in the draft proposals, and look forward to working with the committee on those provisions once we have an opportunity to more fully analyze the proposal. However, as a coalition we are opposed to proposals to increase coverage limits, as this increases tax-payer risk.

Closing the Protection Gap

FEMA has expressed a desire to double the number of people who have flood coverage – through both NFIP and the private sector. This is an important goal as we know that without insurance it is incredibly difficult to rebuild and recover after a flood. Historically, properties with insurance before hurricanes are 37 percent more likely to have been rebuilt than uninsured properties.[16] While the federal government has a critical role and responsibility to help people rebuild following disasters, the amount of federal disaster assistance is available is frequently nowhere near the levels needed to rebuild.[17] This was clear in recent floods-- after the 2015 South Carolina floods, the average assistance payment was about $3,200, and the average NFIP claim was $35,102. After the 2016 Louisiana floods, the average NFIP claim was $91,260, and the average disaster payment was about $9,349.

People in harm's way need to understand their risks and purchase insurance. However, consumers should not only be able to access flood insurance through the National Flood Insurance Program, but should also have choice amongst private sector policies. Greater choice and competition will ensure over time that more people at risk get the flood coverage they need. As private insurers write flood coverage and become more comfortable and more familiar with the products, they will offer it more widely, helping to close the protection gap. SmarterSafer believes a functioning, financially stable NFIP is critical, and that we need NFIP along with a private market.

Not only will additional insurance options help close the protection gap, but it will help on an issue of critical importance to those in harm's way and to this Committee—affordability. A recent study found that in the three states with over half of all flood insurance policies, even in the highest risk areas – V zones – between 62 and 88 percent of all homeowners could

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[16] US HUD Office of Policy Development and Research. Housing Recovery on the Gulf Coast. 2011. https://www.huduser.gov/publications/pdf/gulfcoast_phase2.pdf

[17]Congressional Research Service. Closing the Flood Insurance Gap. 2019. https://fas.org/sgp/crs/homesec/IN10890.pdf

potentially access more affordable flood options in the private sector.[18] If Congress wants to address affordability, consumer options are critical. In many cases, private insurance companies are also better equipped to credit site specific mitigation that property owners may take to reduce their own flood risk.

Congress should clarify current law to make sure that homeowner can choose private flood policies if they find better rates and/or coverage in the private sector. Homeowners in harm's way should not be forced to purchase a federal NFIP policy if they can find a more affordable private policy merely because of a lack of clarity. The banking regulators recently released a final rule on this issue, and we are hopeful that this will remove most of the barriers to acceptance of private insurance. However, we likely still need a legislative clarification to ensure broad acceptance.

It is also important that the increased involvement of the private sector works in concert with the NFIP's broader program goals and responsibilities. Currently, mapping and floodplain management are partially funded through a fee on all NFIP policies. If policies move from NFIP to the private sector, it is critical that mapping and floodplain management funds must not be reduced--these funds benefit everyone in communities, not just those who purchase flood insurance.

Increased transparency

FEMA has a vast amount of information on flood damages, NFIP claims and policies, properties that have been repeatedly damaged, compliance of communities with NFIP provisions, and communities' actions under the Community Rating System. Unfortunately, relatively little of this data is available to the public. Homeowners and communities can only make decisions to reduce the potential for flood damages if they have access to information about flood risks. FEMA should be required to make more data available to the public on flood losses, repeatedly flooded homes, and community compliance with the NFIP. We encourage FEMA to give consideration to potential accessibility challenges for communities, including any potential language barriers. Homeowners and buyers should also have a right to know more about a home's history of flood damages to help guide their decisions about mitigation.

We applaud the Committee for releasing discussion drafts that take strides toward improving the National Flood Insurance Program. We are pleased to see updates to mapping as well as plans to address affordability and mitigation, and we hope to work with the Committee to strengthen and pass meaningful NFIP reauthorization. Thank you again for the opportunity to testify today.

[18] Milliman. Could private flood insurance be more affordable than the NFIP? 2017. http://www.milliman.com/insight/2017/Could-private-flood-insurance-be-cheaper-than-the-NFIP/

Committee on Financial Services
Preparing for the Storm: Reauthorization of the National Flood Insurance Program
Testimony of Congressman Bill Pascrell, Jr.
March 13, 2019

Thank you, Chairwoman Maxine Waters and Ranking Member Patrick McHenry, for holding today's hearing on the importance of reauthorizing the National Flood Insurance Program (NFIP). We have not made major changes to the NFIP since Hurricane Sandy deeply affected many in my district and state.

I remember touring the devastation like it was yesterday. Homes damaged. Businesses destroyed. The mold. The sand. The debris. More than the physical destruction, I was struck by the storm's human toll.

I spoke with my constituents who saw their entire lives swept away in an instant. I vowed never to stop fighting for them.

While others came for their photo-op in the storm's aftermath, I've been here with Congressman Frank Pallone and Senator Bob Menendez for the long-run. We introduced bipartisan, bicameral legislation last Congress to build on our commitment.

The SAFE NFIP Act (H.R.3285) proposed changes to the NFIP based on lessons we learned since Sandy. Our bill helps people prepare prior to a storm with accurate maps and flood prevention investments, updates the claims process so survivors get what they need to rebuild, and holds bad actors accountable.

Today, I'd like to highlight a few sections of our bill to solve those issues and save taxpayer money.

A constituent of mine, Mabel Richardson, brought my attention to the fact that my hometown of Paterson did not have accurate maps, causing her home to be in a flood zone. She was forced into the flood insurance program and forced to pay thousands each year in premiums. But her home was not actually in a flood-prone area. I worked with Mabel and FEMA to learn that decades-old, hand-drawn maps were used to design the maps.

While I worked with FEMA to change the maps, this is wrong. They should have been accurate from day one. Section 204 of our bill invests $800 million per year for six years in state-of-the-art technology to map the entire country.

Meanwhile, the claims process was screwed up from the start. I heard from constituents that had full coverage because they paid into the NFIP every year, but in the end were denied what they were owed.

For instance, there were those whose home foundations were fine the day before the storm, but after being destroyed were denied claims on it. Adjusters claimed soil movement – not the storm – damaged their home.

But any reasonable person knows why that soil moved. Section 401 of our bill clarifies that earth movement shall not be used as an exclusion for policy holders to make a claim.

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March 13, 2019

For safety reasons, people fled their homes for several days, if not weeks, in Sandy's aftermath. They lived wherever they could find shelter. In motels, cars, or with family elsewhere in the state.

During this time, mold grew because several feet of water lingered in the homes they left behind. These individuals tried to file damage claims, but adjusters told them they were irresponsible for failing to maintain the property after a flood.

It is offensive to tell someone worried about their immediate safety that they should have gone back to their home to prevent such damage. Section 403 of our bill clarifies this mold damage issue for survivors in the aftermath of a storm.

Worse, my constituents were told they could appeal any decision 90 days after submitting a claim. But the median response time from FEMA was 88 days!

Section 404 and 405 of our bill extends the appeal deadline and creates a deadline for FEMA to respond. These are just some of the many claims process reforms we made in Title 4. The committee should review our bill because it would save time, money, and pain by doing it right the first time.

We know bad actors cause headaches and waste taxpayer funds. I heard stories about survivors being low-balled by insurance companies to be paid just pennies on the dollar. Congress investigated, and FEMA reopened the claims process in 2015.

This investigation uncovered vast, systemic fraud and abuse. FEMA was forced to grant Sandy victims an additional $260 million they were entitled. If done right initially, it would have saved taxpayers millions from defending lawsuits and re-opening the program.

Write-Your-Own companies that intentionally underpaid policyholder claims were particularly egregious. Currently there is a perverse incentive to underpay claims, which they did to no one's surprise. Section 407 of our bill makes these companies financially responsible in this event and section 302 caps their compensation to hold them accountable.

As the committee considers reforms to the NFIP and expanding the private flood market, please consider the lessons we learned. The financial incentive is in favor of profit, not people.

We cannot let that happen. We cannot let policies be cherry-picked and leave the government saddled with only flood-prone properties. We must ensure protections are in place to prevent claims from being denied on technicalities.

I understand several of these issues are addressed in the legislation being considered. Know that we are updating our approach to solve these problems too.

Committee on Financial Services
Preparing for the Storm: Reauthorization of the National Flood Insurance Program
Testimony of Congressman Bill Pascrell, Jr.
March 13, 2019

Thank you for hearing about the issues important to New Jersey. We hope our proposals will be considered by the committee.

Testimony for The Pew Charitable Trusts Presented by Velma Smith on Behalf of the Flood-Prepared Communities Initiative
House Committee on Financial Services
Preparing for the Storm: Reauthorization of the National Flood Insurance Program
March 13, 2019

Chairwoman Waters, Ranking Member McHenry and Members of the Subcommittee, thank you for your invitation to share The Pew Charitable Trusts' (Pew) perspective on reauthorization of the National Flood Insurance Program (NFIP). My name is Velma Smith. I have a Masters' in Urban and Regional Planning, and I am a senior officer in government relations with Pew's flood-prepared communities initiative.

Pew's flood-prepared communities initiative—like this Committee—has taken on one of these complex and truly difficult problems: the costly and common problem of floods and flooding damage. Our aim is to reduce the impact of flood-related disasters on the U.S. economy, communities, and environment. Pew applies a rigorous, analytical approach to improving public policy that prioritizes investments in flood-ready infrastructure, mitigates the impact of disasters, modernizes flood insurance, and promotes nature-based solutions to flooding.

The NFIP, now 50 years of age, has long been an essential component of our nation's management of flood risk. While the program must be adjusted and reformed, we understand that Congress must consider fully the consequences of changes to a program that serves so many flood-weary communities across the country. That is why Pew applauds the priority that the Committee has placed on moving forward with this hearing and a timely reauthorization.

Pew supports changes to the NFIP that will:

- keep flood insurance available to those who need it without asking taxpayers to subsidize risky development;
- help drive new development away from flood-prone areas;
- foster fixes or buyouts of problem properties and provide assistance to the most vulnerable communities;
- promote careful consideration of future risk and the conservation of the natural resources that can help in flood management; and
- ultimately, make the nation better prepared for tomorrow's severe storms.

As the Committee considers changes to the NFIP, it is critical to balance the multiple aspects of the program. It was established, not just to provide insurance and to lower federal disaster relief expenses, but also to communicate risk, improve disaster response, and enable local governments to make sound decisions about land use and development. The fixes the Committee considers, therefore, should address these multiple goals.

Flood Maps

There are many pieces to the NFIP puzzle, and one is central to all that this program does or strives to do: flood maps.

The Flood Insurance Rate Maps (FIRMs) serve a greater purpose beyond identifying locations where flood insurance is required for federally-backed mortgages and informing the federal flood insurance rates. Flood maps help with a multitude of important decisions that impact the overall resiliency of communities.[1]

Perhaps most importantly, they help state and local decision-makers steer public investment into areas least likely to flood during the lifetime of newly constructed infrastructure. Informed by maps, communities can construct critical facilities, such as hospitals, electrical utilities, and emergency shelters outside of the most hazardous zones, thereby lowering future response and recovery costs. Maps can show areas of "residual risk" behind levees or dams that could be affected by overtopping or structure failure; identify areas that might be preserved as parks and natural areas to absorb floodwaters; help coastal communities plan sensibly for sea level rise; and pinpoint priorities for storm drainage improvements.

Flood maps—and the data that goes into them—can also save lives. Information about flow rates or potential water heights can tell emergency responders where rescue help may be needed, who to evacuate first, and what routes should be closed or opened. And even after a flood disaster, up-to-date maps can promote a speedy recovery, directing limited repair dollars into the safest areas for reconstruction and revitalization.

In other words, flood maps help us all—not just the roughly five million NFIP policyholders. Therefore, over the past few years, Pew has advocated for increases in appropriations for flood mapping.

[1] Association of State Floodplain Managers, "Flood Mapping for the Nation: A Cost Analysis for the Nation's Flood Map Inventory," March 1, 2013, http://www.floods.org/ace-files/documentlibrary/2012_nfip_reform/flood_mapping_for_the_nation_asfpm_report_3-1-2013.pdf. (For more updated information, see also data available in FEMA's Coordinated Needs Management Strategy database available at https://msc.fema.gov/cnms/).

Previous spending on flood maps has been far from adequate, resulting in too few modern, digitized maps and important map products for many areas of the country. The Federal Emergency Management Agency (FEMA) and its partners in state and local governments have produced more than 100,000 map panels covering land areas where much of the nation's population resides. Many of the recent mapping efforts are based on improved hydrologic models and newer technology, including Light Detection and Ranging (LiDAR) remote sensing technologies that can provide the fine-grained elevation data that is needed for estimating flood heights.

Unfortunately, even as new technologies are employed to improve mapping in heavily populated areas, many of the more rural areas lack even the most basic information about risks. This lack of data can mean that, as those locales begin to experience development pressures, builders and investors will not be guided by risk information. The result, in too many instances, will be new construction of homes and businesses that become tomorrow's NFIP problems: structures built in flood-prone places that will strain the program's finances by qualifying for premium discounts, either because they are designated as pre-FIRM structures built before the effective date of a community's first flood map or because they become grandfathered by virtue of changing map lines.

Therefore, Pew supports completion of maps across the country in an accelerated timeframe. The delivery of flood maps to all communities is an urgent priority. While we also support more investment in new technologies such as LiDAR, we caution the Committee against efforts that could result in highly detailed maps for a relative handful of communities. We need good maps everywhere, not perfect maps here and there.

Flood Risk Disclosure

Pew urges the Committee to move forward with a national framework for flood risk disclosure to homebuyers and renters, not dissimilar to the existing requirement for lead paint disclosure for older homes.

As many flood experts have noted, an understanding of flood risk is fundamental to preparedness and protection, but individuals frequently underestimate their own risk of flooding, the extent of the damage that flooding can cause, or both. Some may not realize that the standard homeowner's insurance policy does not cover flooding. Others assume that their chances of significant loss to a flood are remote or believe that federal disaster assistance will allow for full recovery and restoration. Many do not realize that for those living in the one-percent-annual-chance or 100-year floodplain, the chances of a flood occurring during the lifetime of a 30-year mortgage are roughly one in four, far greater than for fire. Others mistakenly believe that if they reside outside of a flood hazard area, their chances of experiencing a flood fall to zero.

This lack of awareness or understanding can have devastating consequences for families and their property. Flooding can wreak havoc on what may have seemed like a sensibly balanced family budget. Flood victims, who may have lost their belongings, means of livelihood, cars, pets, or even loved ones to floodwaters can become trapped financially, unable to sell or to break a lease; they may be making rent or mortgage payments while flood damages force them to live elsewhere. They may have foregone flood insurance, simply because they had no means of recognizing their own flood risk.

Upfront disclosures about flood risk—available before financial commitments are made—could change those results. Informed about a structure's loss history, for example, homebuyers could consider alternative neighborhoods, purchase flood insurance, or investigate mitigation options, such as landscaping improvements, building elevation, or special placement of electrical equipment. An informed buyer who has not yet finalized financing may be able to roll the costs of flood-resiliency improvements into a long-term loan that will protect the structure and lower insurance rates. For most, this would be much easier than facing a costly repair bill on top of a mortgage payment post-storm.

For renters, flood knowledge can allow for the same sort of informed decision-making. The individual with mobility issues may choose a safer location, for example. A renter with expensive computer equipment might opt for the second floor rather than the basement apartment. And, again, more individuals may decide that an insurance policy to cover loss of their belongings in a sensible and affordable safeguard.

Pew believes that buyers and renters need to have all the information necessary to make informed decisions on what is often their largest and most important purchase. Sellers and lessors should be compelled to share the information they know about past flood damages and claims, obligations to carry insurance based on previous access to federal disaster assistance, and designation of a home as repetitive loss property, which can have serious implications for flood insurance rates. They should also be compelled to share the results of any elevation survey completed on the property. Such information can round out the broader picture of flood risk for a given property, giving consumers the equivalent of a CarFax for homes.

We were delighted to find broad agreement on this issue with groups such as the National Association of Realtors and the Natural Resources Defense Council. Further, such a proposal enjoys bipartisan support by the public. A Pew poll released today shows that three quarters of respondents support a single, national standard to ensure that potential homebuyers are aware if a property has flooded repeatedly and if that property is required to carry flood insurance.

Pew urges the Committee to direct FEMA to move quickly to develop national standards for disclosure of past flood losses by sellers and lessors and to ensure that those standards become a basic part of the NFIP program. We also support directing FEMA to make flood claims data, aggregated at block or census level, readily available to the public on its website.

Rates and Affordability

As Members on this Committee know, rates have proven to be a difficult sticking point. There are those who see rates as too low, enticing people to build or live in risky areas. Others believe the opposite or expect to recoup every dollar spent on insurance in eventual claims payments. Given the chasm between these points of view, it may be useful to consider a bit of history.

When the NFIP was started, its proponents were wary of flood insurance providing an indirect subsidy for development in risky areas.[2] Nonetheless, they were driven by what, at the time, seemed like large federal disaster expenditures, and were compelled to find a way to assure that those already living in flood-prone areas could make some sort of down payment on future federal assistance. The program's drafters were cognizant of the fact that land use decisions and building practices affect flood risk and that those decisions are made, not at the federal level, but by individual communities. They saw federal flood insurance as a means of leveraging improved floodplain management by local governments to reduce overall risk.[3]

They assumed that a very limited number of communities would be at risk for flooding and that flood maps could be produced rather quickly and prove useful for long periods of time. They aimed for covering risks for the average "normal" year and allowed for borrowing from the Treasury for "extreme" events. At the same time, they seemed certain that there would be enough years with few storms to allow quick repayment of borrowed funds.

When Congress pressed ahead with rate reductions to attract more policyholders, it also assumed that the need for subsidies would diminish over time as local floodplain management improved and as older structures were leveled by storms or rebuilt entirely.

Some of these assumptions were on point. Others, with the benefit of hindsight, appear naïve.

Today, we are beginning to understand that where it rains, it can flood, and that even in communities that sit above a river or far from the coast, heavy rainstorms can overcome storm drainage infrastructure. We are also beginning to understand that flood risk is dynamic, and that assessing risk must be an ongoing process. Now we see, too clearly, that large events can follow on the heels of other large

[2] See e.g., U.S. Task Force on Federal Flood Control Policy, "A Unified National Program for Managing Flood Losses," House Document No. 465, 89th Congress, second session, (August 10, 1966) https://www.loc.gov/law/find/hearings/floods/floods89-465.pdf.
[3] Ibid. See also, Federal Emergency Management Agency, " A Chronology of Major Events Affecting the National Flood Insurance Program," (October 2002) prepared by The American Institutes for Research, The Pacific Institute for Research and Evaluation, and Deloitte & Touche LLP, https://www.dhs.gov/xlibrary/assets/privacy/privacy_pia_mip_apnd_h.pdf; Michel-Kerjan, Erwann O, 2010 *Catastrophe Economics: The National Flood Insurance Program* Journal of Economic Perspectives, 24 (4): 165-86.

events, diminishing opportunities for building up financial reserves. We can also see that many at-risk homes and businesses have remained at risk for multiple decades, and that discounted rates that were once seen as temporary have endured.

Now, it seems, the space between the rock and the hard place that the program occupies has become tighter. Although $16 billion of program debt to the Treasury was forgiven recently, experts see no realistic chance that the program will be able to repay, with interest, the currently owed $20 billion plus.[4]

Therefore, to the extent that Congress makes no changes to the structure of the program but offers new risk rate relief to policyholders, it may increase its current financial shortfall and threaten the program's ability to pay claims. On the other hand, to the extent to which rates are perceived as too high, lower-risk policyholders may drop coverage, thereby increasing the pressure to raise rates on the remaining properties. In addition, as some policyholders pay off loans and, thereby, fall out of the group that is required to carry flood insurance, they may drop coverage as well. If those individuals suffer uninsured losses in the future, Congress will be pressed to offer other types of disaster relief.

Clearly, this is a tough problem to solve, and we recognize that adjusting the NFIP's now complicated rate structure is a delicate business, because of the way it impacts people's ability to live and work in places they love. As the Committee approaches this difficult issue, Pew offers the following considerations:

First, any NFIP affordability program must be carefully and tightly targeted to those policyholders that need it most. The Committee should strive to ensure that artificially low insurance rates do not encourage more risky development in flood-prone areas or undermine incentives for mitigation. We caution that an overly generous program—especially one that is not tied to significant program changes—will simply hasten the date by which Congress will find it necessary to forgive additional loans or raise the borrowing cap.

Second, we urge the Committee to ensure that any new affordability program compensates clearly for the price signals that new discounts convey. Too many individuals assume that a low insurance rate equals low risk; many will see a lowering of rates as confirmation of minimal risk. Where this is not the case, people should be fully informed and educated about their true risks. An affordability program should not feed flood complacency.

Finally, Pew recommends beginning a triage of the program's financial ailments by moving more vigorously to improve the floodplain management aspects of the program, addressing costly repeat loss

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[4] U.S. Government Accountability Office, High Risk List: National Flood Insurance Program (2019) https://www.gao.gov/highrisk/national_flood_insurance/why_did_study#t=0.

properties, limiting discounts for newly constructed properties, and directing more robust funding and resources to mitigation of risk.

Repeatedly Flooded Properties

Where should Congress begin the financial and mitigation triage? Pew believes that Congress must start with the long-standing but still growing problem of repetitive loss properties.

This subset of insured properties that flood over and over again have strained the program's finances. In some years, repetitive loss properties account for as little as one percent of the program's policyholders but make 25 to 30 percent of its claims.[5] Since the National Wildlife Federation first drew attention to this imbalance in the 1990s, Congress, FEMA, the Government Accountability Office, and others have probed the problem, documenting multiple cases of properties repaired and rebuilt numerous times at the NFIP's expense.

In 2009, the Department of Homeland Security's Inspector General (IG) said that about one in ten repeatedly flooded homes had cumulative claims exceeding the value of the house.[6] The IG also said the increase in new repeat loss properties was outpacing mitigation efforts by a factor of ten to one. At that time, the universe of these properties was estimated to be growing at roughly 5,000 per year. A 2016 report by Resources for the Future and the Wharton Risk Center notes that claims filed by repetitive loss properties run 5 to 20 percent higher than the average of claims overall.[7]

The program currently provides for a more rapid escalation of rates for repetitive loss and severe repetitive loss properties compared with other premium-discounted properties. It also directs FEMA to prioritize mitigation assistance to such properties and requires even more rapid rate escalation if an offer of mitigation assistance is refused. However, these are simply starting points to reducing the growth properties that flood over and over.

Last year's House-passed bill included a mandatory deductible that would have required owners to shoulder more of the repair costs, and it also included a measure that Pew supports aimed at addressing the root causes of repeated flooding.

Inspiration for the Repeatedly Flooded Communities Preparation Act came from work already being done. A few jurisdictions participating in FEMA's Community Rating System (CRS) were already conducting repetitive loss area analyses, using FEMA data to map and evaluate concentrations of

[5] Federal Emergency Management Agency, *Severe Repetitive Loss Property Locations in FEMA Region IV and VI* (last updated May 1, 2014) https://www.fema.gov/media-library/assets/documents/16114.
[6] Department of Homeland Security, Office of the Inspector General, *FEMA's Implementation of the Flood Insurance Reform Act of 2004* (March 2009), https://www.oig.dhs.gov/sites/default/files/assets/Mgmt/OIG_09-45_Mar09.pdf.
[7] Carolyn Kousky & Erwann Michel-Kerjan, *A Look at 35 Years of Flood Insurance Claims*, Resources 41-45 (2016).

repeated claims. Some appeared to be having real success reducing the number of unmitigated repetitive loss properties.

While such efforts could be sophisticated, they might also be as simple as using a paper map and a marker to look for patterns in the data, following up, as necessary, with field visits, and looking at options for identified flooding hotspots. The bill used a specific number to identify the very small set of communities that would be required to participate, but it did not dictate specific outcomes. It directed FEMA to set up rules and called for communities to make progress. The bipartisan bill's sponsors understood that progress for one community might look very different for another.

Pew believes this approach is good one. It does not penalize the homeowner, who may or may not have any means of controlling the flood threat. It allows for multiple solutions. In one community, progress might come in the form of property buyouts or elevations. Elsewhere, a change in storm drain maintenance or new stormwater pumps might provide an answer. In yet another, a particular problem area itself might remain, but the local decision-makers might improve their subdivision regulations to avoid creating newer versions of the same problem.

Overall, such legislation would foster thoughtful floodplain management and careful priority-setting by local governments—very much in keeping with the original intent of the NFIP program.

To address under-resourced communities, new mitigation investments proposed in the Chairwoman's draft bill could be directed to technical assistance and planning. In addition, we believe it might be possible for FEMA itself to help affected communities, perhaps with creation of web-based applications, checklists, and guidance materials that smaller jurisdictions would find helpful.

Investment in Mitigation

Pre-flood preparation, mitigation, and adaptation: to date, these have been the missing pieces of the NFIP puzzle.

There are mitigation programs attached to the NFIP: the Flood Mitigation Assistance (FMA) program and the Increased Cost of Compliance (ICC) insurance riders have been helpful, and other members of the panel have solid recommendations for improving those programs. But the reality is that those programs are not enough to remedy the problems with underfunding of mitigation activities.

Pew sees the provisions in the Chairwoman's bill establishing a state revolving loan fund for flood mitigation as a possibly transformational step forward. It is a concept that is supported by over 160 national and local organizations from Florida to Minnesota to Texas to California.[8]

Pew commends the work of the Chairwomen, Congressman Charlie Crist, (D-FL) a former member of this Committee, and Congressman Roger Williams (R-TX) who sits on this Committee. We believe the solution that you have fashioned together is one that can make an enormous contribution to lessening flood losses and flood disasters across the country.

As many Members know, floods remain the nation's most common and costly natural disaster, affecting all 50 states. Since 2000, floods, hurricanes, and severe storms have caused over $800 billion in overall losses associated with physical damage to buildings, agricultural assets, and public infrastructure as well as other impacts such as business interruptions.[9]

The magnitude and the incessant growth of the problem is reflected, not just in the size of the NFIP debt, but also in the billions in Individual Assistance that FEMA provides after storms and in the more than $64 billion that FEMA's Public Assistance program has obligated for flood events since 2000.[10] Additionally, the nature of the problem is reflected in the nearly $15 billion that Congress has earmarked for emergency highway repairs and the remaining funding shortfall associated with that program. Finally, it is also evident in the billions of recovery assistance that flows through the Department of Housing and Community Development's Community Development Block Grant Disaster Recovery program (CDBG-DR), and through the untallied numbers associated with the multiple other forms of federal flood assistance, from community and Small Business Administration loans, to special unemployment assistance, mental health counseling aid, and property damage tax deductions.

Precise or not, all those numbers add up to a problem we cannot ignore. Pew is not in favor of stopping needed disaster assistance, but for doing more before floods happen to save dollars and lives after floods.

We whole-heartedly endorse the creation of a mitigation state revolving loan fund program. Modeled on the success of similar programs for wastewater treatment and drinking water, this approach would put a real emphasis on flood preparedness, allow the states to develop their own in-house institutional

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[8] Laura Lightbody, *Pew Joins Organizations in Supporting Bill to Boost Flood Preparedness*, Pew Charitable Trusts (October 2018) https://www.pewtrusts.org/en/research-and-analysis/speeches-and-testimony/2018/10/08/pew-joins-organizations-in-supporting-bill-to-boost-flood-preparedness.

[9] National Oceanic and Atmospheric Administration, *Billion-Dollar Weather and Climate Disasters: Summary Stats*, National Centers for Environmental Information, (accessed February 5, 2019) *available at* https://www.ncdc.noaa.gov/billions/summary-stats (considering tropical cyclone to be flood-related disasters).

[10] Federal Emergency Management Agency, OpenFEMA Dataset: Public Assistance Funded Projects Summaries – V1 (last accessed March 5, 2019) https://www.fema.gov/openfema-dataset-public-assistance-funded-projects-summaries-v1.

capacity in the field of mitigation, and help break the flood-damage-and-repair cycle that cripples so many communities.[11]

Study after study tells us that in order to curb post-disaster spending, we must increase pre-disaster investment. The experts who have evaluated real flood preparedness projects tell us that for every dollar that FEMA and other federal agencies have put into building stronger and smarter before the next flood, we get a return on investment averaging $6.[12]

The proposal for a new revolving loan fund program will put that proof into practice, allowing communities across the country to act before storms come. Flood-weary residents could be given assistance, repeatedly flooded areas returned to naturally functioning floodplains, new building codes adopted and enforced, community raingardens created, culverts upgraded, riverbanks restored, vital pumps upgraded, utilities elevated, and more.

The states, which already have good experience in managing revolving loan funds, will be able to evaluate needs across communities and set priorities. Some communities would be given loans—repaying loans for needed projects over time—rather than being faced with enormous "repair bills" that come due all at once following a storm. Other communities might need more assistance. Where incomes and economic circumstances dictate, states could offer grants rather than loans, and, as loan payments return or "revolve" back to the fund, more communities will be helped over time.

Overall, we see this proposal as one that will save lives, livelihoods, and money, and we hope it will become a central feature of the NFIP reauthorization this Committee moves forward.

Looking ahead

In closing, I would ask the Committee to look to the future and think about how to make this program more forward-leaning. To do this, it may be helpful to think again about flood maps, considering not how or how fast they are made but how they are used. This is where we believe we can make a change that can guide the use of any new mitigation dollars and ultimately improve the prospects of limiting flood damage into the future.

Though it can flood just about anywhere, FEMA long ago opted to use the line associated with a certain statistical construct of a flood—the imaginary one-percent-annual-chance or 100-year flood—as the arbitrary marker of where flood insurance is required and where it is not.

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[11] EPA, 2017 Annual Report: Clean Water State Revolving Fund Programs (March 2018) https://nepis.epa.gov/Exe/ZyPDF.cgi/P100UAGH.PDF?Dockey=P100UAGH.PDF.

[12] National Institute of Building Sciences, Natural Hazard Mitigation Saves 2017 Interim Report (2017), https://www.nibs.org/page/mitigationsaves.

As a statistical calculation, this line is drawn from data observed in past events, so it has been criticized as blind to the future, unduly optimistic, and worthless in the face of possible climate change impacts. Indeed, it has been widely misinterpreted as the indicator of safe and not safe, though it is not. But, if an arbitrary line is needed to look at a single year's flood insurance policies, this line can, perhaps, serve that purpose.

The trouble we have been creating for ourselves, however, is that we use the very same line to make decisions with consequences that run much longer than a single year. The NFIP asks local communities to evaluate the potential flood impacts only of those activities that fall within that arbitrary 100-year line—that line that will undoubtedly move in the future. Though many structures will likely stand for decades if not centuries, we are still making siting and building decisions based on this line that offers no real glimpse of the future.

Thus, we would ask the Members of this Committee to examine how the NFIP program might be changed to make better, more forward-looking decisions, how FEMA can be directed to provide communities with maps that tell a more nuanced story of evolving flood risk, and of how the program's basic land use regulations might be changed to consider and account for future risks.

Such changes would better serve, not just today's policyholders, but future generations as well.
Again, I thank the Committee for the opportunity to testify today and look forward to answering your questions.

American Property Casualty Insurance Association
INSURING AMERICA apci.org

United States House of Representatives

House Financial Services Committee

"Preparing for the Storm:

Reauthorization of the National Flood Insurance Program"

March 13, 2019

Statement of the American Property Casualty Insurance Association

Introduction

The American Property Casualty Insurance Association (APCIA) respectfully submits this statement to the House Financial Services Committee for its hearing entitled "Preparing for the Storm: Reauthorization of the National Flood Insurance Program." Flooding has long been, and continues to be, the most significant cause of property damage resulting from natural disasters in the United States. Yet, time and time again following natural disasters, we find that a majority of Americans are uninsured or underinsured as it relates to flood damage.

APCIA represents nearly 60 percent of the U.S. property casualty insurance and reinsurance market with the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members protect families, communities, and businesses in the U.S. and across the globe. Our members write 91 percent of the private flood insurance in the U.S. and 76 percent of the flood insurance provided by companies through the Write-Your-Own (WYO) program, in partnership with the Federal Government. APCIA offers a unique perspective on these important issues; and we look forward to working with this Committee as it considers reauthorization and reform legislation.

The National Flood Insurance Program (NFIP) is an important component of a broader strategy to address the nation's needs with regards to flood prevention and flood insurance. APCIA strongly supports a long-term reauthorization of the NFIP and we are pleased that the Chairwoman's draft would provide the benefit of stability through a five-year reauthorization of the NFIP. Additionally, we appreciate the focus that the Chairwoman has shined on the important issues of mapping, mitigation, and resiliency; efforts that have proven to protect lives and property as well as save taxpayers and policyholders money.

While APCIA continues to review many of the specific proposals contained in the draft bills released March 8, we offer the following general comments on the important issues that were addressed and provide additional views on how to achieve the goals of improving resiliency and increasing the number of consumers that are insured against devastating flooding. We anticipate providing additional comments on several of the specific proposals after we have been able to discuss the language with our membership.

Improve the NFIP for Policyholders, Taxpayers, and Industry Partners

A long-term reauthorization of the NFIP is essential to provide stability and certainty to NFIP policyholders and industry partners. A lapse in reauthorization of the NFIP has caused significant economic damage as it prevents many real estate closings, while presenting policyholders with few choices to protect their largest financial asset. A long-term reauthorization allows the NFIP to continue to provide uninterrupted service to over five million flood insurance policyholders and provides stability and predictability for consumers, WYO insurance companies, and the real estate market.

The NFIP is an important program; however, APCIA does understand that there is room for reforms. We welcome these conversations and recognize that while FEMA has made significant strides since the last long-term reauthorization to improve the program through administrative reforms, there is still some work that needs to be done through legislation. Among the APCIA supported administrative changes FEMA has undertook is the transferring of a portion of its risk to the reinsurance and capital markets.

One area where FEMA continues to make improvements is the underwriting of flood insurance risk. APCIA supports more accurate risk-based rating for flood insurance as being developed in FEMA's "Risk Rating 2.0" program. The pricing of risk is vital to managing that risk and communicating exposure to loss to market participants and consumers. Thus, communicating true risk through accurate pricing is essential. That said, as our members are the companies on the ground working with consumers, they are mindful that affordability is a paramount concern for some consumers, and we look forward to working with Congress to address the issue.

Along these lines, improving and strengthening the WYO program will allow the insurance companies that are on the ground administering this program to better educate consumers and market NFIP policies. This growth in the engagement of the private sector will result in increasing take-up rates and closing the uninsured gap that is evidenced time and again after a major storm.

Unfortunately, over the last several years, we have seen a steady and dramatic decrease in the number of private insurers willing to participate in the WYO program due to burdensome requirements, and an increase in reputational risk due to government action. In order to continue to encourage private sector delivery of NFIP policies, it is important that WYO companies not face any additional cuts to the reimbursement rate or increased litigation risk. As the Committee is aware, FEMA, via the WYO arrangement, cut the WYO reimbursement rate for 2019, and APCIA was pleased to see that the draft reform and reauthorization legislation does not include any additional cuts.

APCIA does have some concerns about the draft proposals that make significant changes to the NFIP claims handling process. APCIA appreciates the need for a transparent, efficient claims handling and appeals process. However, we fear the proposed legislative changes, as drafted, would likely result in an increase in litigation, increasing costs under the program and directly discourage private insurers from participating in the WYO program. That said, we look forward to working with the members of this Committee, including the legislation's sponsor, to try to find an appropriate balance between the need for transparency and the practical implication of proposed reforms.

Improve Flood Resilience

The importance of mitigation cannot be understated when it comes to addressing our nation's risk for flood-related property damage. The National Institute of Building Sciences (NIBS) recently issued the Natural Hazard Mitigation Saves: 2018 Interim Report. Generally, the report found a benefit cost ratio of "$6 for every $1 spent through mitigation grants funded through select federal agencies."[1] When it comes to flooding the benefit cost ratio could be as high as 7:1.

In order to effectively mitigate against a particular risk, that risk needs to be clearly identified. When it comes to flooding, accurate flood insurance maps are critical not only for risk assessment for property owners, but tools that communities rely upon in establishing smart floodplain management through zoning and building codes.

Reliable, up-to-date and accurate maps are a foundational component of risk identification, communication and pricing. As such, FEMA should update flood maps expeditiously, and timely communicate those changes. Using modern methods to ensure accurate mapping continues to be a goal of FEMA; and APCIA strongly believes that Congress should appropriate the necessary funds for this purpose. APCIA is encouraged by the focus that the Committee's draft places on the accurate flood maps, including the use of technologies such as Light Detection and Ranging (LIDAR) surveys, which can produce high-resolution accurate maps. In addition to the mapping provisions released by this Committee, APCIA appreciates the focus that Rep. Gonzalez and Rep. Mooney have placed on this issue in the past.

Once we have current and reliable flood insurance maps, the Federal Government and communities must use these to prioritize the limited resources they have to ensure a resilient and protected community. As the NIBS data shows, mitigating on the front end can save lives, reduce property damage, and limit taxpayer exposure in terms of disaster relief spending after a catastrophe strikes. Money spent on mitigation is money well spent and for that reason, APCIA is encouraged by the Committee's attention to mitigation.

In addition to mitigation efforts by individual property owners, two of the most effective tools to increase the overall resiliency of a community are strong, uniform building codes and responsible land use policies that promote public safety and reduce the severity of property damage. The Insurance Institute for Business and Home Safety (IBHS) conducted a study following Hurricane Charley in 2004. IBHS found that homes impacted by Hurricane Charley

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[1] National Institute of Building Sciences, "Natural Hazard Mitigation Saves: 2018 Interim Report," (2018) Page 1. https://cdn.ymaws.com/www.nibs.org/resource/resmgr/mmc/NIBS_MSv2-2018_Interim-Report.pdf

that were built to the most modern standard of the building code incurred a 40% reduction in the frequency and a 60% reduction in the severity of property damage compared to homes constructed to older building code standards.[2]

More recently, the Florida Department of Business and Professional Regulations did a comprehensive investigation of building damage after hurricane Irma struck in 2017. That report concluded, in part, that:

> "Since Hurricane Irma was not a design-level hurricane, few structural failures should be expected in code-compliant houses. In our assessments we found no systemic failures of structural systems in single-family houses built in accordance to the 2001 Florida Building Code (i.e. houses built after March 2002). Conversely, we observed many structural failures in the pre-Florida building code houses (i.e. homes built before March 2002). Nearly 40% of the pre-2002 houses surveyed in the Florida Keys had structural damage (defined as damage to roof or wall structural members and roof sheathing). ..."[3]

That same report went on to note that "[e]levated houses generally performed well against storm surge and flood inundation. Breakaway walls in lower enclosures were often damaged as expected." There should be no doubt that strong building codes and mitigation work to make communities and individuals more resilient. One of the key issues following every major event is making sure that properties are then reconstructed or built to new standards, and that those standards are up-to-date due to the adoption of current building codes and accurate flood maps.

Expand and Enhance Consumer Options

Far too few property owners purchase flood insurance. FEMA estimates that more than 40 million properties may be at risk of flooding. Yet, there are just over five million NFIP policyholders in the U.S. In 2016, the United States experienced 19 major flooding events, with total losses estimated at $15 billion of which only $4.3 billon was insured.[4] It is clear that a protection gap exists when it comes to flood insurance.

Increasing the number of homeowners and business owners that purchase flood insurance is an important objective for APCIA that we believe could be addressed by promoting ways to give consumers more options when it comes to flood insurance. That includes encouraging the growth of the private flood insurance market to compliment the NFIP by providing tailored coverage to property owners. Additionally, more competition provides more product choices (e.g., coverages, limits, deductibles), and eventually lower premiums for consumers and businesses as more companies vie for flood insurance business.

For this reason, APCIA was encouraged by the final rule that the five federal lending regulators recently published that clarified the acceptance of private flood insurance and implemented the requirement that lenders accept certain private flood insurance policies. Unfortunately, APCIA is concerned that regulations imposed by FEMA regarding continuous coverage could suppress the

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[2] Insurance Institute for Business & Home Safety, https://disastersafety.org/ibhs-public-policy/building-codes/

[3] http://www.floridabuilding.org/fbc/publications/PrevattUF_FBC_2017_2018_FinalReport-Irma.pdf

[4] http://www.iii.org/fact-statistic/catastrophes-us

benefits that consumers would receive under this new rule. To that end, APCIA fully supports the legislation recently introduced by Rep. Castor and Rep. Luetkemeyer to ensure that consumers who choose to exercise their right to explore the private sector flood insurance marketplace are not unfairly punished if they decide to later re-purchase an NFIP policy. While APCIA believes that the growth in the private sector will ultimately be gradual, the marketplace is already responding as evidenced by the experience in Pennsylvania.

Recently the Pennsylvania insurance commissioner, Jessica Altman, announced that the number of private market flood insurance policies in Pennsylvania has risen significantly. The Governor directed the insurance department to educate consumers about the increasing availability of private flood coverage in February 2016, and since then there has been continued urging homeowners, business owners, and renters to shop around in the increasingly competitive flood insurance market to protect their homes, businesses, and properties. As a result, the number of private flood policies has grown to nearly one in seven flood insurance policies in the state.

Encouraging property owners to purchase flood is an important component to strengthening not only their own, but also the nation's resistance and resiliency due to flooding. It is through the prism of the potential impact on the growth of the private flood insurance market that APCIA is carefully reviewing provisions such as changes to the NFIP coverage limits and eliminating fee and surcharges for particular properties.

Conclusion

A stable NFIP will benefit all interested stakeholders including: policyholders, taxpayers, WYO companies, and the real estate market. A long-term reauthorization of the program is key to the program's stability, along with increased investments in accurate mapping and mitigation. Accurate maps are a critical component in the proper assessment of risk and will indirectly encourage more private market participation in flood insurance. Mitigation investments clearly pay dividends by promoting public safety and reducing property damage following flood events. APCIA appreciates the opportunity to submit these comments for the House Financial Services Committee hearing on "Preparing for the Storm: Reauthorization of the National Flood Insurance Program." APCIA is ready and willing to provide any assistance to today's hearing participants on flood insurance issues.

CoreLogic

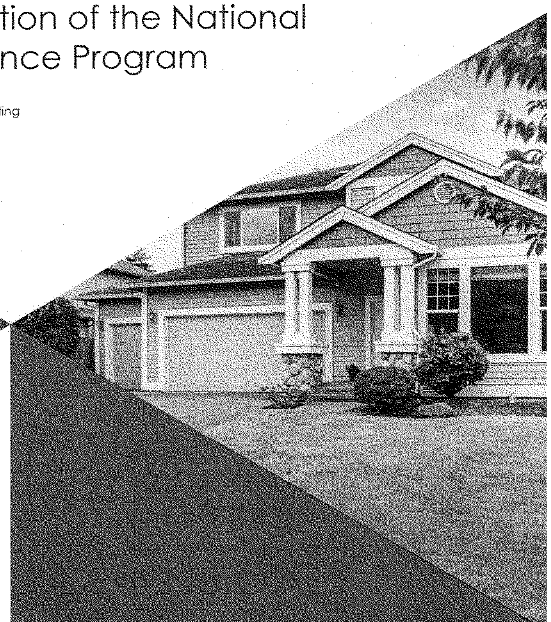
COMMENTS FOR THE RECORD ▸ March 2019

House Committee on Financial Services

Preparing for the Storm: Reauthorization of the National Flood Insurance Program

March 13, 2019

2128 Rayburn House Office Building



CoreLogic

March 13, 2019

Representative Maxine Waters
Chairwoman, House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

RE: *Preparing for the Storm: Reauthorization of the National Flood Insurance Program*

Dear Chairwoman Waters:

On behalf of CoreLogic (NYSE: CLGX) please accept the following statement and materials for the record regarding the Committee's hearing on the reauthorization of the National Flood Insurance Program (NFIP). We appreciate the efforts of the Committee to prioritize both the NFIP and FEMA flood mapping program; and we agree with the Chairwoman that flood insurance, flood mapping, and mitigation are critical components of any federal policy designed to create a more resilient nation.

As the Committee recognizes, natural hazards - including flooding - present widespread threats to Americans and the economy every year. We believe that having access to the latest technology and most accurate hazard risk insights can help improve how communities prepare for and respond to these types of natural hazards. Using proprietary science, our predictive modeling has helped risk managers answer three critical questions: What could happen? What if it happened? And, what did happen?

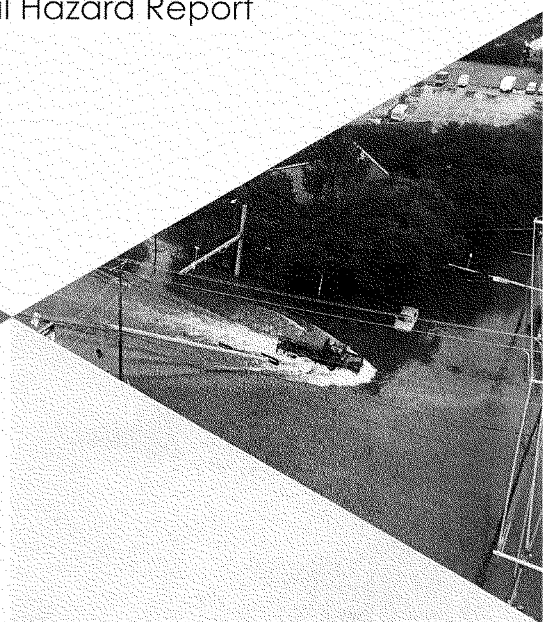
This letter contains two CoreLogic reports: our 2018 Natural Hazard Report contains a qualitative and quantitative evaluation of last year's natural hazard events; and our 2018 Storm Surge Report, an annual evaluation of the number and associated reconstruction cost value of single-family residential homes in the United States that are vulnerable to storm surge from the Gulf of Mexico and Atlantic basins. We hope these reports can serve as a resource to the Committee as it works with federal agencies, state governments, local communities, and private sector businesses to evaluate options and tools available to strengthen preparedness, response, and post-loss assessment capabilities across the United States.

Sincerely,

Stuart Pratt
Global Head, Public Policy and Industry Relations
CoreLogic

CoreLogic

2018 Natural Hazard Report



Executive Summary

2018 was an eventful year worldwide. Wildfires scorched the West Coast of the United States; Hurricanes Michael and Florence battered the Gulf and East Coast. Typhoons and cyclones alike devastated the Philippines, Hong Kong, Japan and Oman. Earthquakes caused mass casualties in Indonesia, business interruption in Japan and structure damage in Alaska. Volcanoes made the news in Hawaii, expanding the island's terrain.

1,000-year flood events (or floods that are said statistically to have a 1 in 1,000 chance of occurring) took place in Maryland, North Carolina, South Carolina, Texas and Wisconsin once again. Severe convective storms pelted Dallas, Texas, and Colorado Springs, Colorado, with large hail while a rash of tornado outbreaks, spawning 82 tornadoes in total, occurred from Western Louisiana and Arkansas all the way down to Southern Florida and up to Western Virginia.

According to the National Oceanic and Atmospheric Administration (NOAA)[1], there were 11 weather and climate disaster events with losses exceeding $1 billion in the U.S. Although last year's count of billion-dollar events is a decrease from the previous year, both 2017 and 2018 have tracked far above the 1980-2017 annual average of $6 billion events.

In this report, CoreLogic® takes stock of the 2018 events to protect homeowners and businesses from the financial devastation that often follows catastrophe. No one can stop a hurricane in its tracks or steady the ground from an earthquake, but with more information and an understanding of the risk, recovery can be accelerated and resiliency can be attained.

This assessment covers an analysis of what the risk and exposure looked like, what happened during the event and the residential and commercial losses which occurred in the aftermath for each notable climatological event.

All the data in this report is current to November 30, 2018, unless denoted otherwise.

[1] https://www.ncdc.noaa.gov/billions/events

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Hurricane (Tropical Cyclone)

The 2018 Atlantic hurricane season saw above average storm activity, deviating from earlier projections[2] at the start of hurricane season. The season ended with 15 named storms, eight of which were named hurricanes. Two of these, Hurricanes[3] Florence and Michael, made landfall along the U.S. This made 2018 the third consecutive season of above-average hurricane activity in the Atlantic.

Atlantic Hurricanes

At its most powerful, Hurricane Florence was a Category 4 storm. It eventually made landfall as a strong yet slow-moving Category 1 hurricane off the coast of North Carolina on September 14 with wind gusts up to 105 mph. It caused significant damage in North Carolina, South Carolina and Virginia.

In these states, approximately 700,000 residential and commercial properties experienced catastrophic flooding and wind damage.

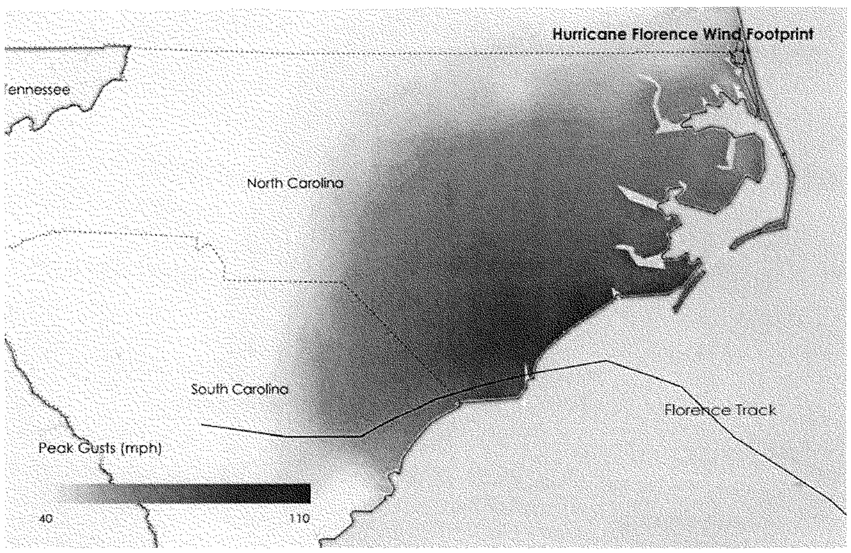


Figure 1: Hurricane Florence Wind Footprint (Source: CoreLogic, NHC)
Table 1: Hurricane Florence Residential and Commercial Loss (Source: CoreLogic)

[2] https://www.cpc.ncep.noaa.gov/products/outlooks/hurricane2018/May/hurricane.shtml
[3] http://www.aoml.noaa.gov/hrd/tcfaq/A1.html

Peril	Residential and Commercial Total Losses in Billions (U.S. Dollars)
Wind	1 – 1.5
Flood	19 – 28.5
Total	20 – 30

The largest losses were a result of inland flooding as Florence eventually stalled and moved slowly inland, causing a downpour on already water-logged land. Roughly 85 percent of residential losses from flooding were uninsured. Unlike wind damage, flood is covered separately from a standard homeowners' policy and is not mandatory to purchase outside of Special Flood Hazard Areas (SFHAs).

Weeks later, Hurricane Michael made landfall as a Category 4 hurricane along the Florida Panhandle on October 10. The maximum sustained wind speed at landfall was 155 mph, just 2 mph short of Category 5 classification. Michael is the strongest hurricane to make landfall in the Florida Panhandle since 1900 and the strongest hurricane to make landfall in the U.S. since Hurricane Andrew in 1992.

Table 2: Hurricane Michael Residential and Commercial Loss (Source: CoreLogic)

Peril	Residential and Commercial Total Losses in Billions (U.S. Dollars)
Wind	1 – 1.5
Flood	19 – 28.5
Total	20 – 30

Unlike Florence, Michael was a compact, fast-moving storm; this mitigated the potential of widespread damage. The Florida Panhandle did not receive nearly the same rainfall totals as experienced during Florence (2018) or Harvey (2017).

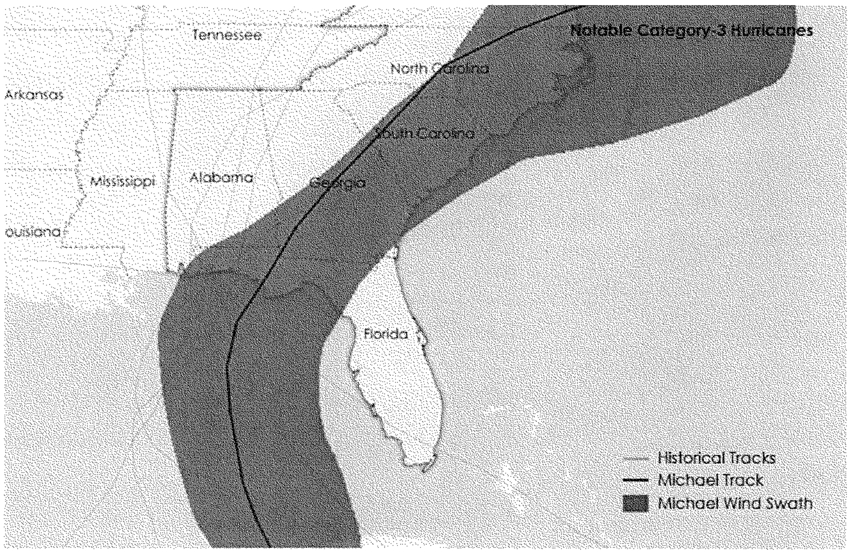


Figure 2: Notable Category 3 Atlantic Hurricanes (Source: NHC)

Pacific Hurricanes

Earlier in the season, Hurricane Lane came close to the Hawaiian Islands but did not make landfall. At its strongest, it was a Category 5 hurricane, but as it skimmed along the edge of the islands, the main impact came from the outer bands' tropical storm force winds and over 50 inches of rain.[4] As a result, the loss experienced from wind during this event was low.

[4] https://www.accuweather.com/en/weather-news/photos-lane-batters-hawaii-with-feet-of-rain-devastating-flooding-and-landslides/70005887

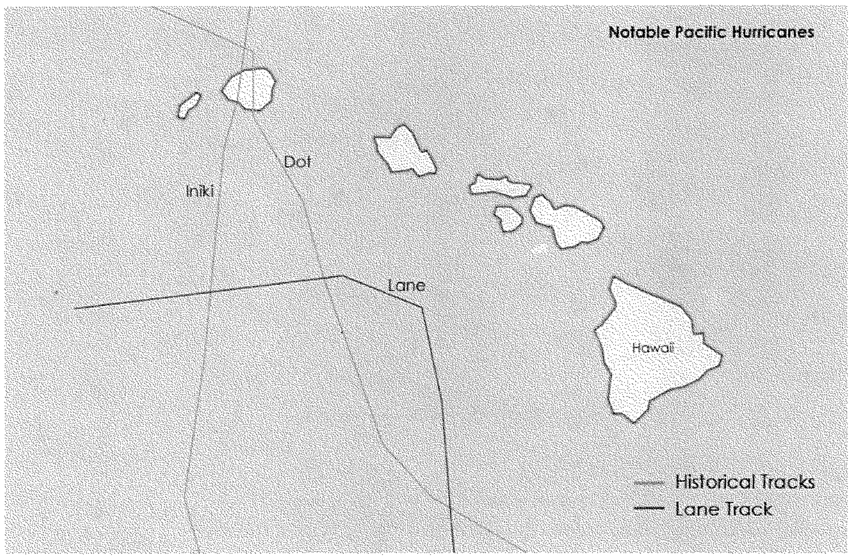


Figure 3: Notable Pacific Hurricanes (Source: NHC)

Annually, between four and five tropical cyclones are observed on average in the Central Pacific[5], but landfalling hurricanes in Hawaii are historically quite rare. Hurricane Iniki (1992), was the second recorded named hurricane to make landfall in Hawaii since Hurricane Dot in 1959.

International Events

CYCLONE MEKUNU

In May, Cyclone[6] Mekunu made landfall in Oman as the strongest cyclone to make landfall in the Arabian Peninsula since reliable records began. This extremely severe cyclonic storm made landfall near Salalah, the capital of the Dhofar province, as a Category 3 storm with maximum sustained wind speeds of 115 mph. Significant damage from wind was reported along with widespread flooding. According to Oman's Capital Market Authority (CMA)[7], the insured losses from Mekunu reached OMR 108 million (US$281 million). Events such as this reaffirm that cyclone risk exists in the Middle East and North Africa (MENA) region; this stresses the importance of global insurers quantifying and managing their risk from potential cyclones in order to remain resilient.

[5] http://www.prh.noaa.gov/cphc/summaries/
[6] http://www.aoml.noaa.gov/hrd/tcfaq/A1.html
[7] https://cma.gov.om/Home/News/7344?page=1&year=2018

TYPHOON JEBI (MAYMAY) AND TYPHOON TRAMI (PAENG)

The Northwest Pacific Basin is one of the most active across the globe, with 26 tropical storms, 16 typhoons and nine intense typhoons occurring on average per year (1965 - 2017).[8] The 2018 season was above average with 30 named storms.

On September 4, Typhoon[9] a Jebi (Maymay) made landfall in Japan along the Kochi and Tokushima prefectures in Shikoku as a Category 2 typhoon and later made a second landfall west of Osaka on the island of Honshu at the same strength. Jebi was the strongest typhoon to make landfall in Shikoku in 25 years. The storm caused widespread damage from wind and storm surge. Kansai International Airport in Osaka Bay was inundated by flooding caused from the record high storm surge of 3.29 meters (10.8 feet).

On September 30, Typhoon Trami (Paeng) made landfall near Tanabe in Japan's southern Wakayama prefecture as a Category 2 typhoon with maximum sustained wind speeds of 109 mph. Prior to making landfall on the island of Honshu, Trami caused significant damage on the Okinawa, Kyushu and Shikoku Islands. Trami brought significant damage from wind and both storm surge and precipitation-based flooding.

Table 3: CoreLogic Estimates of 2018 Japanese Typhoon Damage (Source: CoreLogic)

Storm Name	Total Loss Estimate in U.S. Dollars	Total Loss Estimate in Yen
Typhoon Jebi (Maymay)	$2 billion - $4 billion	¥224 trillion - ¥450 trillion
Typhoon Trami (Paeng)	$1 billion - $3 billion	¥112 trillion - ¥338 trillion

These loss estimates were determined using the CoreLogic Asia Typhoon Model[10] and evaluating proxy events (Jebi-like events) and their respective losses using the CoreLogic Insured Exposure Database (IED).

TYPHOON MANGKHUT (OMPONG)

Super Typhoon Mangkhut (Ompong) made landfall in Northern Luzon in the Philippines as a Category 5 storm on September 14 with maximum sustained wind speeds of 167 mph. The super typhoon[11] headed towards Southwest China and made its final landfall in the Guangdong Province, west of Hong Kong, as a Category 1 storm with wind speeds of 92 mph on September 16. The insurable loss estimates for this event in China and Hong Kong were about $US250 million. The loss estimate for this event includes all property assets, building and contents from the residential, commercial, industrial and agricultural sectors. Government property, infrastructure, crops and livestock are not included in this portfolio. The loss estimates from this portfolio do not include loss of income and inland flooding.

[8] http://www.tropicalstormrisk.com/docs/TSRNWPForecastMay2018.pdf
[9] http://www.aoml.noaa.gov/hrd/tcfaq/A1.html
[10] https://www.corelogic.com/products/asia-typhoon.aspx
[11] http://www.aoml.noaa.gov/hrd/tcfaq/A3.html

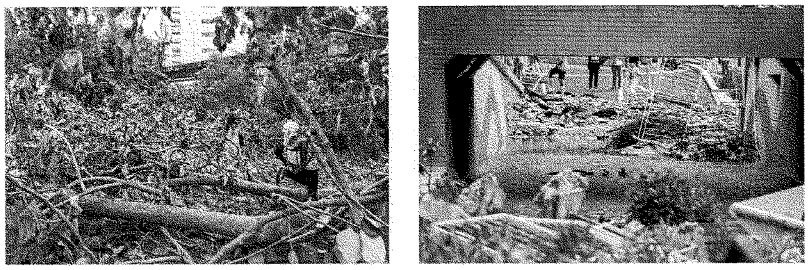


Figure 4: The aftermath of Typhoon Mangkhut's devastation

The storm track was about 100 kilometers from Hong Kong which helped mitigate the damage potential given the high property exposure in the region. Shenzen, a large Hong Kong city immediately inland does not appear to have suffered significant damage from this event. Though Mangkhut was a Category 5 typhoon at landfall in the Philippines, the insured loss was relatively low due to sparse population at the site of landfall and low insurance exposure.

Flood

1,000-Year Floods Again

Heavy rainfall throughout the U.S. contributed to billions of dollars in losses again in 2018. Much like 2016, last year's count of 1,000-year flood events was high. This level of flooding in recent years has become almost commonplace, occurring in the same spots repeatedly.

- Ellicott City, Maryland, which is still recovering from the July 2016 1,000-year flood event, was impacted in May 2018 with yet another a 1,000-year event.
- North and South Carolina also experienced severe rainfall-induced flooding from Hurricane Florence, just two years after Hurricane Matthew and three years after Hurricane Joaquin's impacts.
- In July, Houston, Texas, streets and properties flooded echoing Hurricane Harvey less than a year prior. Central Texas also experienced historic rainfall totals in September which resulted in Governor Greg Abbott issuing a disaster declaration for 18 counties as the rainfall continued into October.
- Both Northern Wisconsin and Northern Michigan experienced a 1,000-year flood. Northern Wisconsin also received a significant amount of flooding back in 2016.

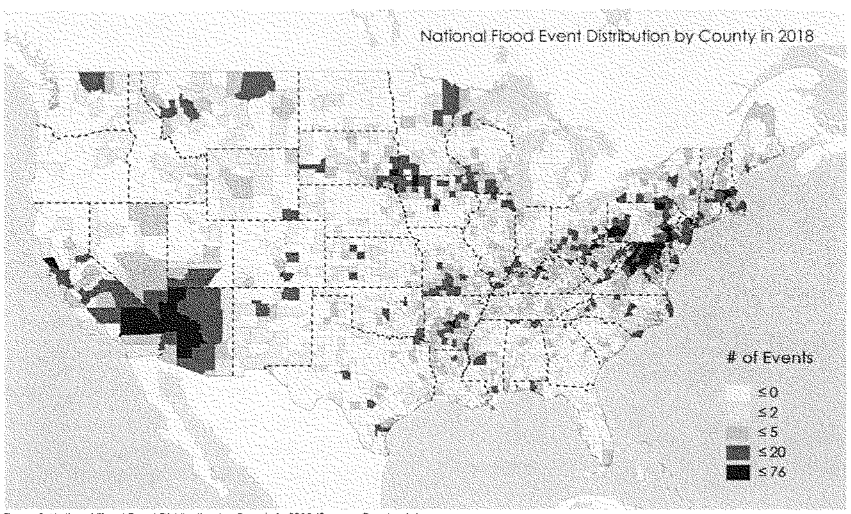


Figure 5: National Flood Event Distribution by County in 2018 (Source: CoreLogic)

By comparing the losses of both Hurricanes Harvey and Florence, a similar pattern begins to take shape. Figure 5 presents 24-hour rainfall footprints for Florence between September 14 and September 16 captured by CoreLogic Weather Verification.[12] 24-hour rainfall intensities post-landfall exceeded the 1,000-year level.

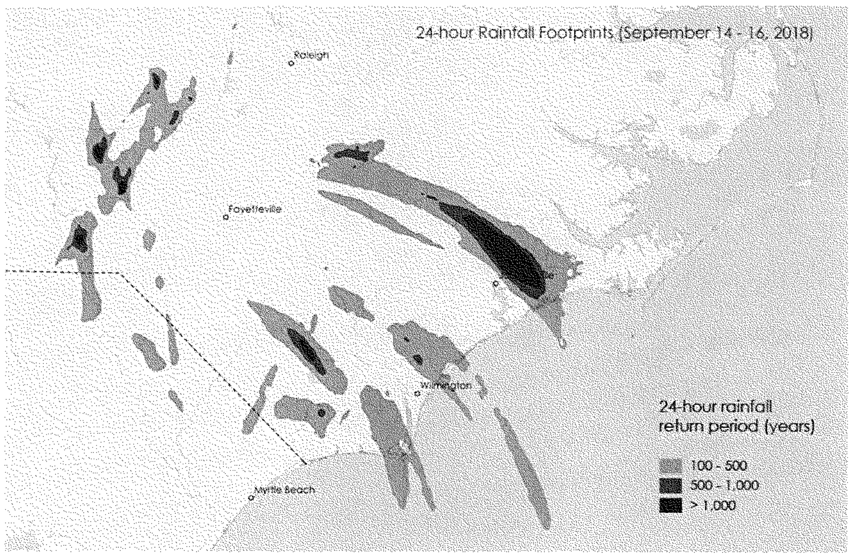


Figure 6: 24-Hour Rainfall Footprints (Source: CoreLogic)

Overall, in 2018, there were over 1,600 significant flood events that occurred in the United States, 59 percent of which were flash flood related. These events clearly demonstrate that 1,000-year flood events[13] should not be brushed off as an anomaly that occurs once a millennium but instead can and do repeat in as little as two years.

Hurricanes: A Contributing Cause to Severe Inland Flooding

In September 2018, Hurricane Florence trudged towards the North Carolina coast, moving at just 5 mph at its slowest point. This stalling effect mimicked Hurricane Harvey in 2017, creating the same conditions that resulted in major inland flooding from severe rainfall.

The correlation between severe inland flooding and hurricane activity has become stronger, indicating that lower category storms on the Saffir-Simpson Hurricane Wind Scale have the capacity to cause as much flood damage as stronger systems. Florence, likewise, caused flooding all along its inland path from North and South Carolina up into New Jersey.

[12] https://www.corelogic.com/solutions/weather-verification-services.aspx
[13] http://www.nws.noaa.gov/oh/hdsc/aep_storm_analysis/

Factors Influencing Flood Severity

It is not only the inches of rain that make a difference in damage to properties. Watersheds in the paths of rain play an important role in determining the impact as well. For instance, although Hurricane Lane brought more rainfall to the Hawaiian Islands than Hurricane Florence brought to North Carolina, Florence caused more inundation. In Hawaii, the land and river channel slopes are steeper than those in North Carolina, and this topography allows flood waters to flow to the ocean within several hours, significantly reducing storm water accumulation, inundation areas and flooding duration. As a result, only 4.24 percent of the land in Hawaii is a designated SFHA compared to North Carolina's 20.11 percent.

That said, flooding is not limited to the SFHAs and can expand beyond the designated zone. Although natural rivers have the capacity to handle smaller, more frequent flood events, extreme inundation can reach much broader areas outside of the 100-year floodplain.

The national average of landmass in an SFHA is roughly 12 percent (Figure 7). Two coastal states with large relatively flat land areas, Louisiana and Florida, are the national leaders in this ratio, ranging from 45 percent to 55 percent. Comparatively, the ratio for Texas, which has seen several extreme events in the past few years, is about 15 percent. SFHAs do not cover the full spectrum of flood risk – three of four flood claims made in Houston occurred outside of the SFHA.

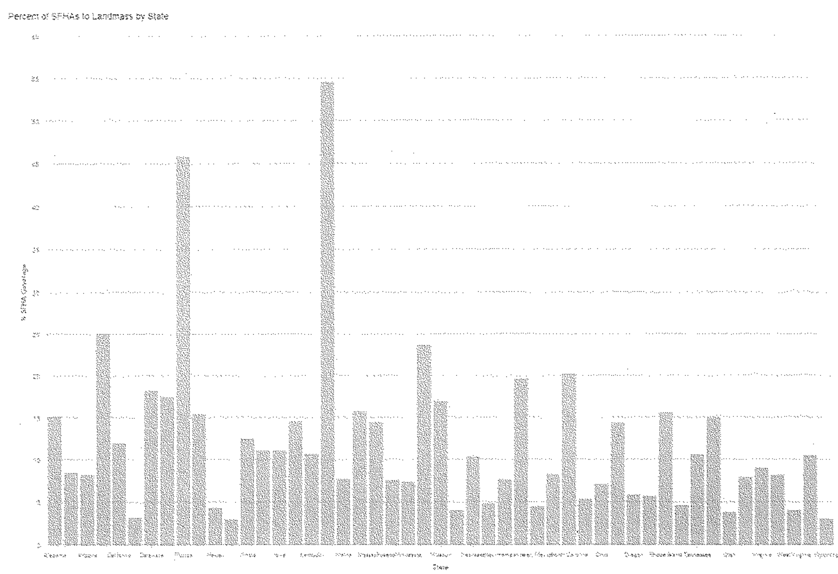


Figure 7: Percent of SFHAs to Landmass by State (Source: CoreLogic Analysis on the Percent of SFHAs to Landmass by State)

Based on CoreLogic national property analysis, 6% of properties nationwide are within SFHAs. According to a recent Wharton report[14], unfortunately, only about one-third of those have National Flood Insurance Program (NFIP) flood insurance policies - a stunning indication that the majority of properties in the U.S. don't have sufficient financial protection from a flood event.

Based on our Florence flood loss analysis utilizing the CoreLogic U.S. Inland Flood Model[15], 59 percent of affected properties for the event were outside of a Federal Emergency Management Agency (FEMA) designated SFHA. The estimation of Florence's flood losses by state is presented in the table below, and you can read the full analysis here.[16]

Table 4: Residential and Commercial Insured and Uninsured (Storm Surge and Inland) Flood Loss Estimation for Hurricane Florence ($ Billion) (Source: CoreLogic)

State	Insured Flood Loss	Uninsured Flood Loss
North Carolina	4.5 – 7.5	10 – 14.5
South Carolina	1 - 2	2.5 – 3.5
Virginia	~ 0.5	~ 0.5
Total	6 - 10	13 – 18.5

As the most common natural disaster in the U.S., flooding is an event for which insurers, homeowners and local governments should adequately prepare. Extreme rainfall and slow-moving storms continue to create losses year after year. 1000-year flood events are seemingly the new normal, and we expect billions of dollars in losses in the years to come.

[14] https://riskcenter.wharton.upenn.edu/wp-content/uploads/2018/07/Emerging-Flood-Insurance-Market-Report.pdf
[15] https://www.corelogic.com/products/us-inland-flood-model.aspx
[16] https://www.corelogic.com/news/the-aftermath-of-hurricane-florence-is-estimated-to-have-caused-between-20-billion-and-30-billion-in-flood-and-wind-losses-cor.aspx

Wind

According to CoreLogic wind analysis, 1,702,726 square miles or 56 percent of the continental U.S. was impacted by severe (>60 mph) wind gusts in 2018. On the state level, increased thunderstorm activity and wind related to Hurricane Florence were responsible for an above-average year in both Colorado and North Carolina.

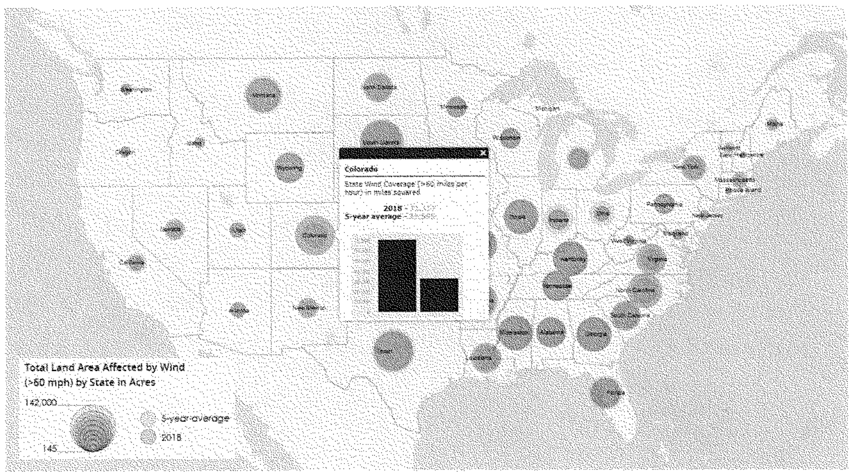


Figure 8: Total Land Area Affected by Wind (>60 mph) by State in Acres (Source: CoreLogic)

When analyzing very severe wind gusts (>80 mph), 21,655 square miles, or 0.71 percent of the continental U.S., were impacted in 2018, slightly more than the previous two years. Although not nearly as big as Hurricanes Matthew and Irma, Hurricane Michael's severe winds reached nearly a quarter of the total area impacted by winds in 2018. Michael's 100 mph wind gusts extended up to 85 miles inland.

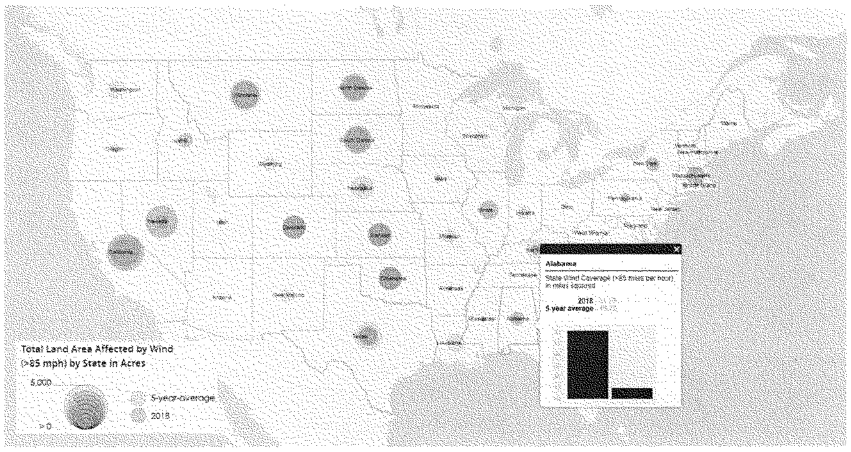


Figure 9: Total Land Area Affected by Wind (>85 mph) by State in Acres

Overall, the strongest wind gusts associated with severe thunderstorms in 2018 occurred on June 28 in central North Dakota. CoreLogic estimated wind gusts of up to 120 mph over mainly rural areas. The strongest wind gusts of the year were associated with Hurricane Michael with estimated winds of at least 155 mph near Mexico Beach off the coast of Florida.

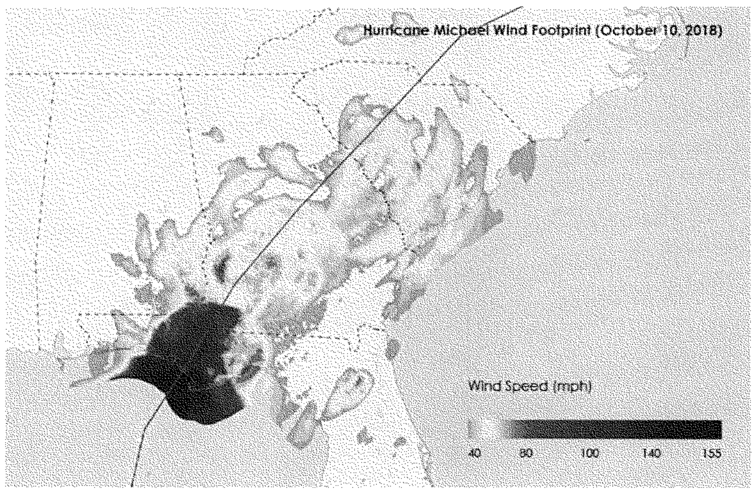


Figure 10: Wind Footprint from Hurricane Michael (Source: CoreLogic)

Thunderstorms

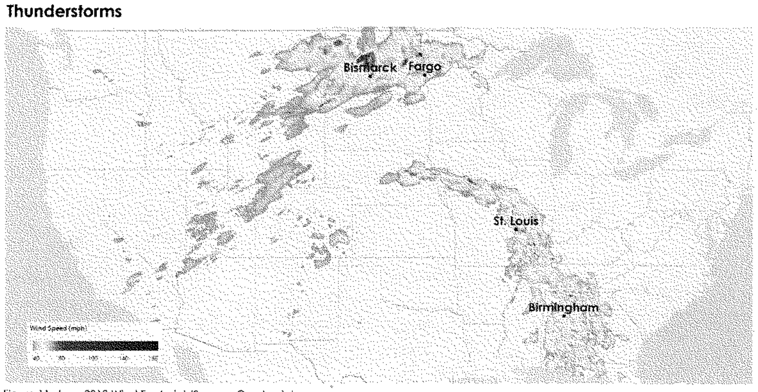


Figure 11: June 2018 Wind Footprint (Source: CoreLogic)

On June 28, North Dakota experienced over 500 severe wind reports from three separate lines of thunderstorms, or squall lines. The first and most severe line of storms stretched from western North Dakota to northern Minnesota while the other two stretched along the Missouri and Illinois border, down through Mississippi and Alabama. Notable cities impacted include Bismarck, North Dakota; Fargo, North Dakota; St. Louis, Missouri; and Birmingham, Alabama.

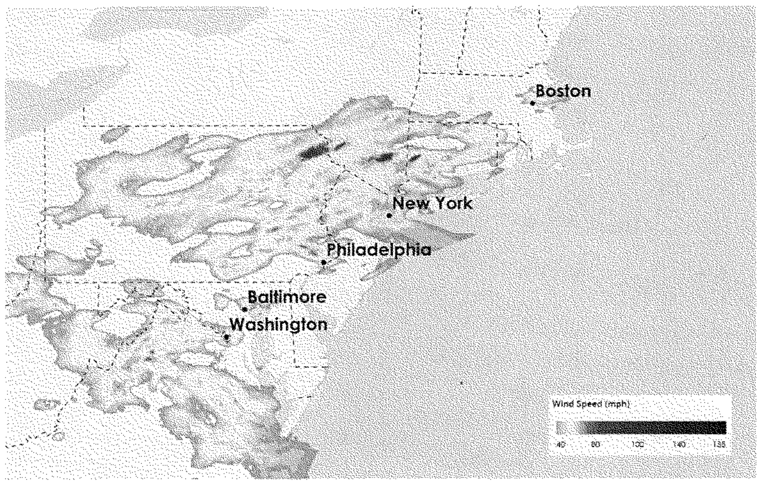


Figure 12: May 2018 Wind Footprint (Source: CoreLogic)

With almost 500 severe wind reports, the second largest event occurred on May 14 and 15 with two separate, severe squall-lines impacting many of the largest cities on the East Coast, including Washington D.C.; Baltimore, Maryland; Philadelphia, Pennsylvania; New York, New York; and Boston, Massachusetts.

As we move into early 2019, weak El Niño conditions, or the warming of waters in the equatorial Pacific, are expected to persist. Recent research suggests that when El Niño conditions are present, average to below average thunderstorm activity from the Plains into the Southeast U.S. can occur in late winter and into the spring.

Wildfire

While the total number of acres and quantity of fires in the U.S. did not quite match 2015-2017 levels, 2018 was nonetheless a devastating year for wildfires. The number of acres that burned in 2018 was the eighth highest in U.S. history as reported through December 28, 2018. All of the top 10 fires have occurred since the year 2000, five of which have occurred since 2010, and all of which have exceeded the 30-year average.

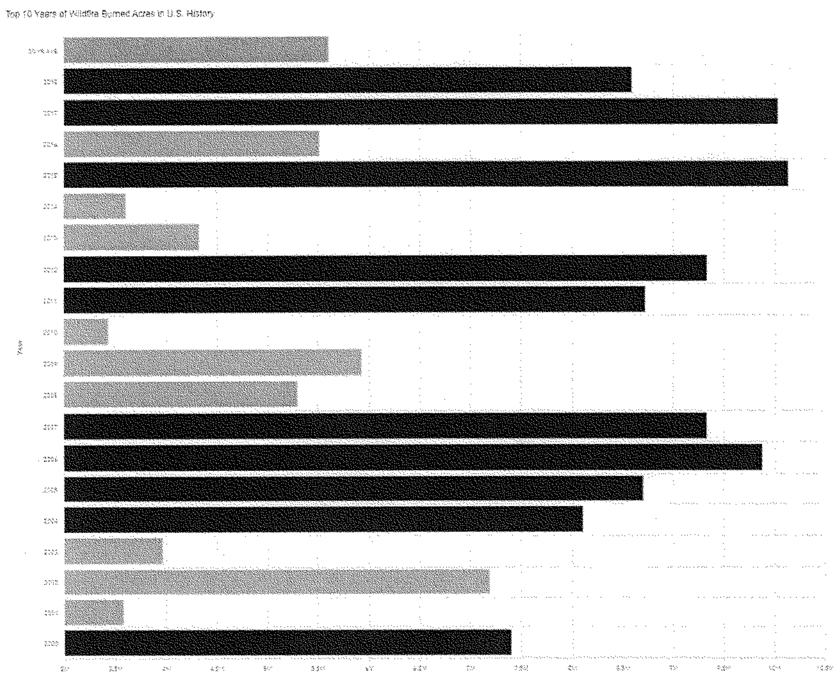


Figure 13: Top 10 Years of Wildfire Burned Acres in U.S. History (Source: National Interagency Fire Center, 2018)

*Total Acreage Reported As Of December 28, 2018

A total of 11 western states had at least one wildfire that exceeded 50,000 burned acres (Table 5), indicating where the wildfire risk was high given prevailing conditions and opportunity for ignition.

TABLE 5: WESTERN STATES WITH AT LEAST ONE WILDFIRE GREATER THAN 50,000 ACRES IN SIZE IN 2018 (SOURCE: GEOMAC WILDLAND FIRE SUPPORT, FIRE PERIMETERS, 2018)

*AS OF NOVEMBER 2018

State	# fires > 50k acres
California	7
Colorado	3
Idaho	4
Nevada	4
New Mexico	2
Oklahoma	2
Oregon	7
Texas	1
Utah	3
Washington	3
Wyoming	1

Due to a combination of high winds and dry conditions in populous areas, California was again the victim of late season wildfires. 2018 broke the record for the largest fire, deadliest fire and most destructive fire in the state's history. The state also suffered more property loss from wildfires than any other state in 2018.

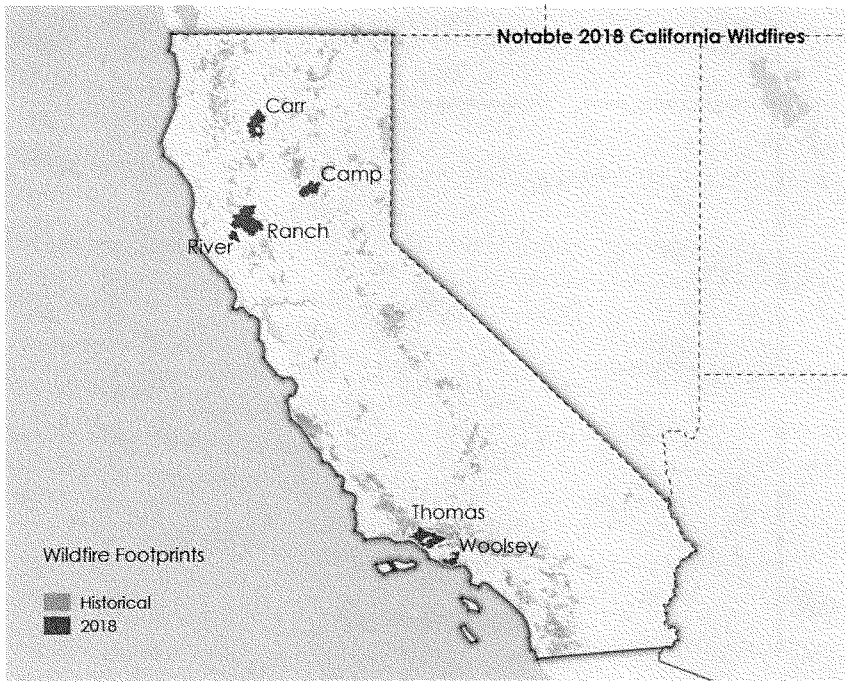


Figure 14: Wildfire Footprint Across California, Including Historical and 2018 Wildfires (Source: CalFire, GeoMAC, USGS, Esri)

Major Fires in 2018

After record-setting destruction by the Tubbs, Nuns and Atlas fires just one year prior, Northern California experienced another devastating blow when the Camp Fire[17] destroyed nearly the entire city of Paradise and damaged or destroyed over 18,804 structures in November.

[17] http://cdfdata.fire.ca.gov/incidents/incidents_details_newsreleases?incident_id=2277

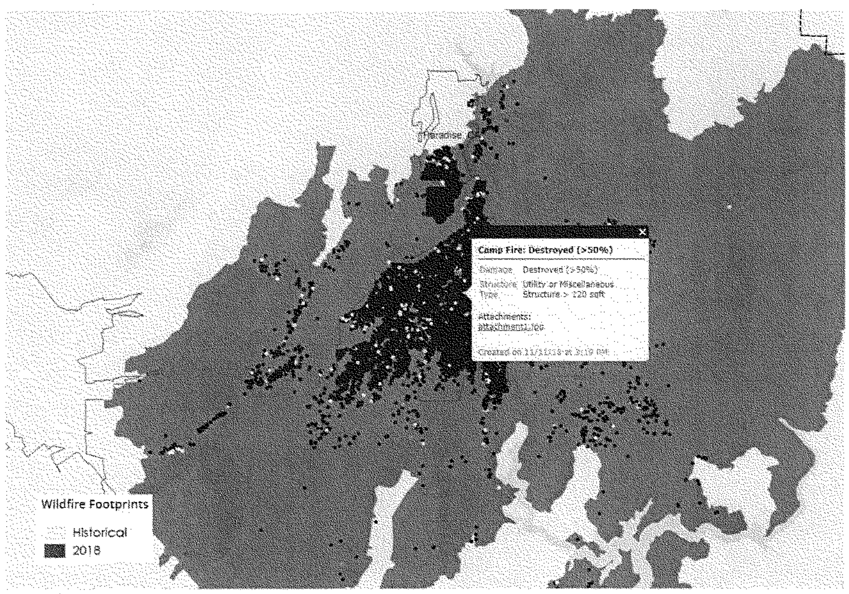


Figure 15: Camp Fire Footprint

At the same time, the Woolsey Fire[18] in the coastal community of Malibu destroyed more than 1,600 structures[19] and caused tens of thousands of people to evacuate. CoreLogic estimates that the combined total loss for these two wildfires is between $15 billion and $19 billion.[20]

[18] http://cdfdata.fire.ca.gov/incidents/incidents_details_info?incident_id=2175
[19] https://www.fire.ca.gov/current_incidents/incidentdetails/Index/2282
[20] https://www.corelogic.com/news/the-camp-and-woolsey-wildfires-in-california-cause-devastating-losses-between-15-billion-and-19-billion-according-to-corelogic.aspx

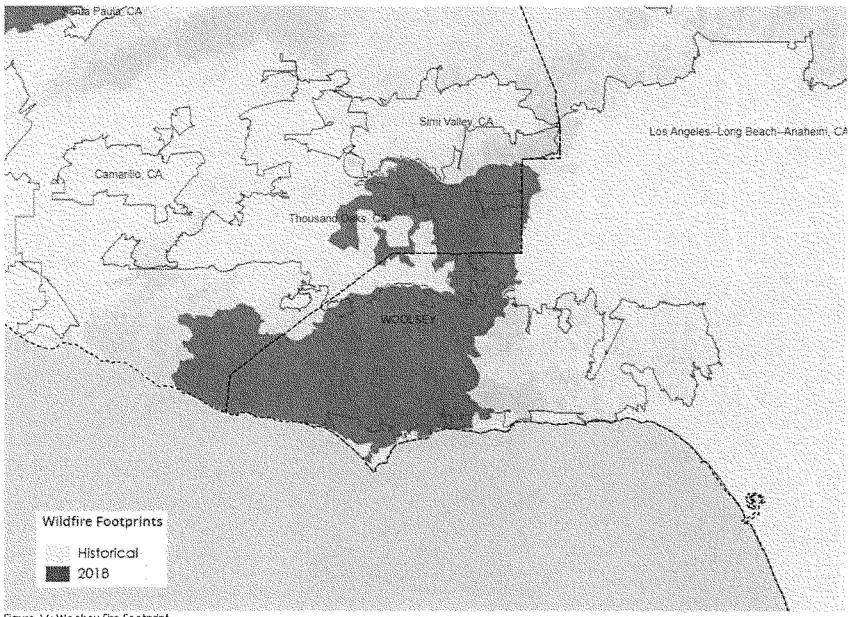


Figure 16: Woolsey Fire Footprint

The amount of properties destroyed by the Camp Fire is more than three times the number of structures destroyed in 2017's Tubbs Fire. The loss of life attributed to the Camp Fire (85 lives) is also more than triple the three next highest fires combined. The large loss of life is partially attributed to the speed at which this fire consumed the city of Paradise.

The Woolsey Fire, with 1,643 destroyed structures is currently ranked as the seventh most destructive wildfire in California history, just ahead of the 2018 Carr Fire.

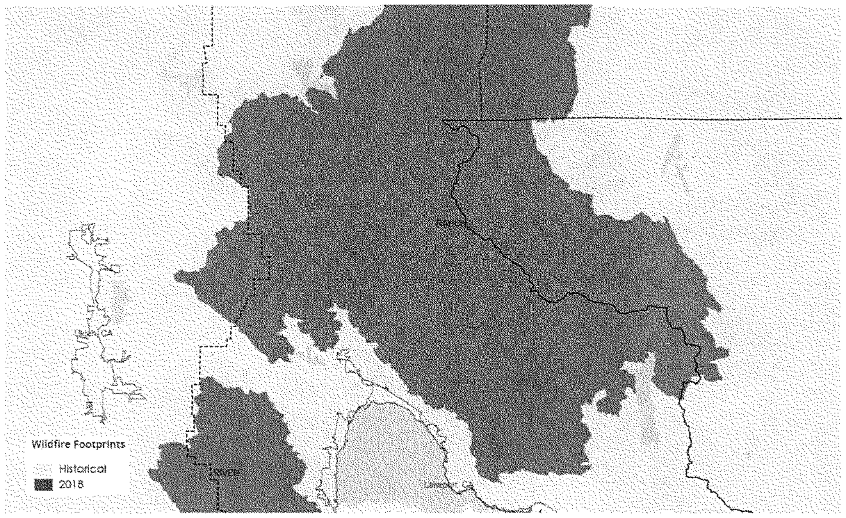


Figure 17: Mendocino Complex Fire Footprint

Earlier in the season, the Mendocino Complex Fire[21] was a combination of the Ranch and River Fires covering parts of Glenn, Colusa, Lake, and Mendocino Counties. The fire burned from July to September and grew to 459,123 acres, making it the largest wildfire in California history – displacing the record set by 2017's Thomas Fire by more than 175,000 acres. In the process, it destroyed 280 structures.

[21] http://cdfdata.fire.ca.gov/incidents/incidents_details_info?incident_id=2175

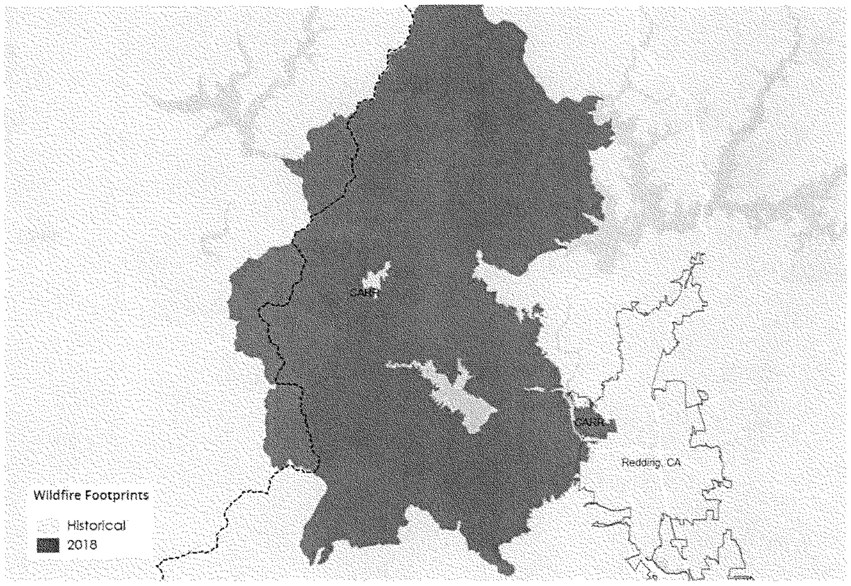


Figure 18: Carr Fire Footprint

The Carr Fire[22] in Shasta and Trinity Counties was approximately half the size of the Mendocino Complex Fire but was far more destructive, destroying 1,604 structures.

The Carr Fire burned into the city of Redding, causing thousands to evacuate nearby areas. It also caused a fire tornado or fire whirl, a rather uncommon occurrence in most wildfire events. Measured at 143 miles per hour, the equivalent of an EF3 tornado, the rotating fire and wind field added to the damage of structures and infrastructure within the wildfire perimeter.

2018 Compared to the Previous 10 Years

Recent wildfire activity in the U.S. has continued to be extensive and costly, with three of the last four years resulting in more than 8 million acres burned[23] and tens of thousands of structures destroyed. While

[22] http://cdfdata.fire.ca.gov/incidents/incidents_details_info?incident_id=2164
[23] https://www.nifc.gov/fireInfo/nfn.htm

the number of fires and the total acreage are an important aspect of fire risk, the location of these events in relation to urban areas and other clustered developments is the most crucial factor in determining the damage that can result from this hazard.

Wildfires are distinctive because unlike many other perils, they frequently cause total loss of the structure and its contents. It's critical to have an accurate understanding of the reconstruction cost[24] associated with at-risk homes and businesses; different from the market value of a home, reconstruction cost is an analysis of the materials and labor it takes to completely rebuild a home from the ground up. It's recommended to reevaluate this every two years, even if using a factor or index, to not only understand what is at stake but to manage the capital necessary to restore a homeowners' livelihood after a catastrophe.

[24] https://www.corelogic.com/landing-pages/rct-the-benchmark-of-reconstruction-valuation.aspx

Earthquake

While there wasn't a major damaging earthquake in the U.S. in 2018, the level of earthquake activity was not abnormal. According to the U.S. Geological Survey (USGS), as of December 20, a total of 470 earthquakes with a magnitude of 3.0 or greater occurred in the conterminous U.S. in 2018.

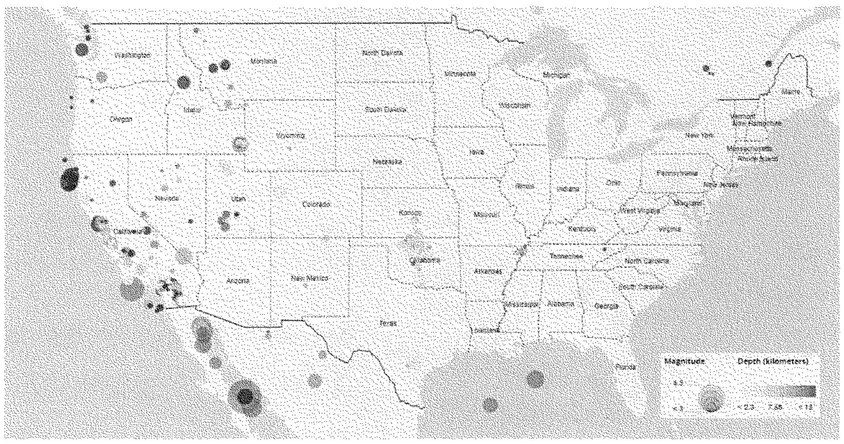


Figure 19: 2018 Earthquakes (Magnitude 3.0 or Greater) (Source: USGS)

The earthquake activity in Oklahoma was a noteworthy change in 2018. For nearly the past decade, the number of earthquakes in Oklahoma has garnered the attention of scientists and risk managers across the country. Unlike California, which has a long history of earthquake activity, historically, Oklahoma had experienced very low earthquake activity until 2009 when the rate began to rapidly increase. Research suggests[25] this increase is likely correlated with increased oil and gas activity, specifically the pumping of waste water at fluid injection wells. 2015 saw the peak of earthquake activity in Oklahoma with the number continuing to decline in the past three years. The rate of earthquake activity increased in 2018 compared to 2017, but for the first time since 2014 there were a greater number of earthquakes in California than Oklahoma once again (Figure 20).

[25] https://earthquake.usgs.gov/research/induced/myths.php

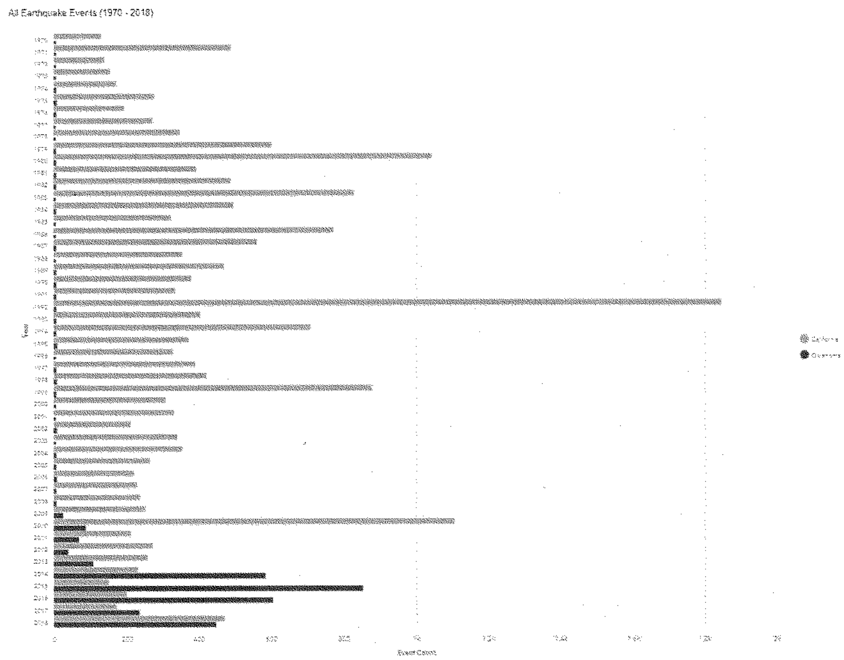


Figure 20: Oklahoma vs. California: Number of Earthquakes Per Year Since 1970 (Source: USGS)

In 2018, less than 20 earthquakes of magnitude 3.0 and greater were reported in Idaho, approximately 10 times less than the swarm of events near Soda Springs in 2017.

Alaska Earthquake (M7.0)

Outside of the continental U.S., the largest and most damaging earthquake of the year was a magnitude 7.0 quake near Anchorage, Alaska[26], on November 30. The event was widely felt across Alaska, and ground motions impacted a very large area, but the damage was concentrated in close proximity to Anchorage. In the days following the initial earthquake, over 1,000 aftershocks were recorded. CoreLogic analysis indicated that 28,733 homes were within the USGS ShakeMap designated area of Modified Mercalli Intensity (MMI) VII, or susceptibility to very strong ground shaking, which is typically where

[26] https://earthquake.usgs.gov/earthquakes/eventpage/us1000hyfh/executive

structures begin to see damage.

Hokkaido Earthquake (M6.6)

On September 5, a magnitude 6.6 earthquake[27] struck 27 km east of Tomakomai at a depth of 35 km on the island of Hokkaido in Japan. This occurred as a result of shallow reverse faulting in which the earth is forced together by compression. The epicenter was approximately 60 km south-southeast of Sapporo, the prefecture capital, while shaking was felt throughout the region. More than 41 fatalities[28] were recorded, and according to CoreLogic, physical losses to the agricultural industry were in the region of US$400 million. Notably, much of the damage occurred due to landslides, and destroyed infrastructure led to longer than expected downtime in business operations, resulting in increased business interruption losses.

Sulawesi/Palu Earthquake and Tsunami (M7.5)

On September 28, a magnitude 7.5 earthquake[29] struck 70 km north of Palu at a depth of approximately 10 km, triggering a tsunami on the Indonesian island. A total of seven earthquakes were recorded within a seven-hour time frame. This included two magnitude 5.7 earthquakes and one magnitude 5.8 earthquake closer to the populous area of Palu less than 20 minutes after the main shock event, around the same time the tsunami hit the coastal areas of Palu. The devastation caused 2,081 fatalities[30] and destroyed more than 68,451 houses.[31] The destruction of homes and loss of lives was due to both the tsunami on the coast and the liquefaction of softer soils further inland which consumed whole villages[32] in the areas of Petobo and as far south as Sidera.

[27] https://earthquake.usgs.gov/earthquakes/eventpage/us2000h8ty/executive#executive
[28] http://www.asahi.com/ajw/articles/AJ201809110026.html
[29] https://earthquake.usgs.gov/earthquakes/eventpage/us1000h3p4/executive
[30] https://ahacentre.org/situation-update/situation-update-no-15-sulawesi-earthquake-26-october-2018/
[31] https://ahacentre.org/situation-update/situation-update-no-15-sulawesi-earthquake-26-october-2018/
[32] https://earthobservatory.nasa.gov/images/92836/devastation-in-palu-after-earthquake-tsunami

Volcano

Mt. Kilauea Volcanic Eruption

Hawaii dominated the news in 2018 with the eruption of Mt. Kilauea. The island of Hawaii, also known as 'the Big Island', is made up of five shield-type volcanoes where explosive eruptions are uncommon. Typical eruptions for shield volcanoes contain lava that is basaltic in nature, with a low viscosity. This type of lava is runnier and travels faster than in other types of volcanic eruptions with higher viscosity lava.

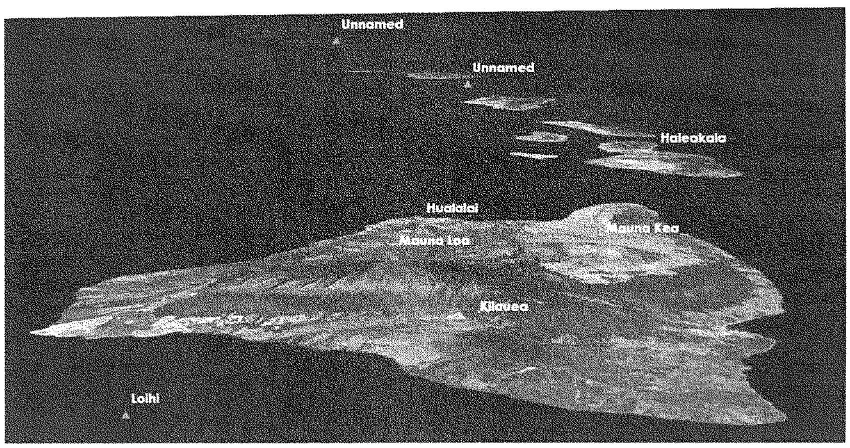
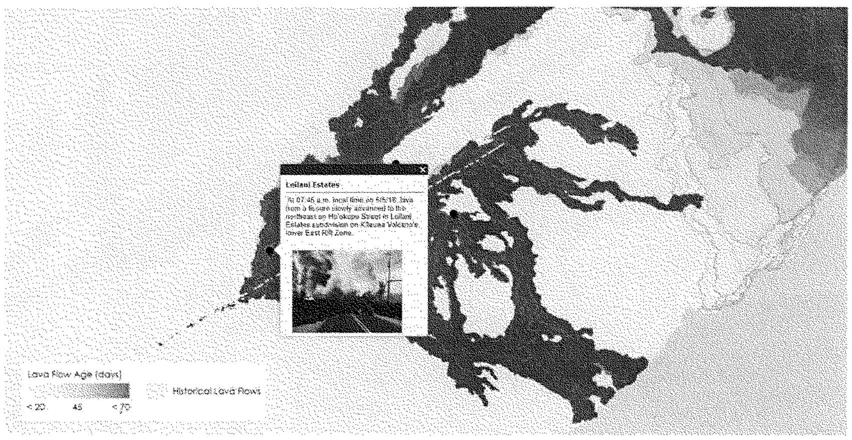


Figure 21: Hawaii Volcanoes

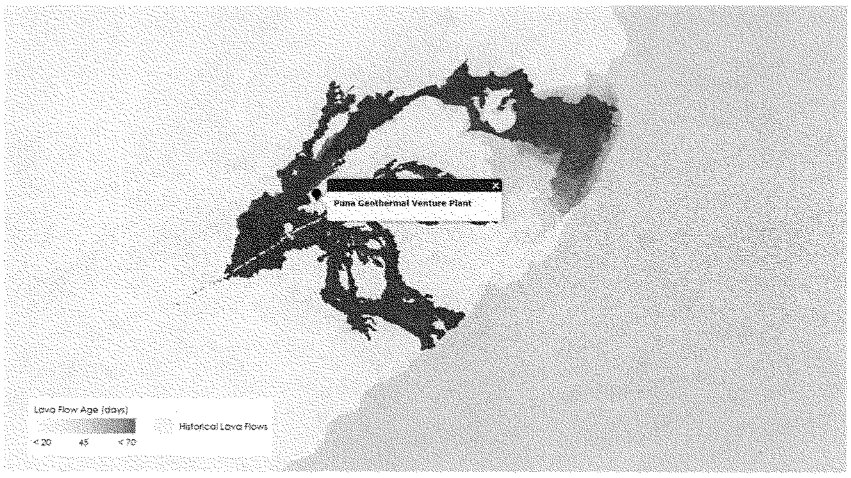
On May 17, Kilauea, the most active of the five volcanoes, experienced an explosive eruption. The preceding and subsequent basaltic lava flow rose to the surface via a recorded 24 fissures (or vents). Shield volcanoes experience these uncommon explosive eruptions when they interact with water deposits that get into the vent. This episode of explosive eruption was preceded and proceeded by earthquake activity. An identified magnitude 6.9 main shock earthquake in the Puna region occurred on May 4 with the largest foreshock of magnitude 5.4 approximately an hour earlier and numerous aftershocks continuing for several weeks.

The 2018 Kilauea eruption was just one episode of a larger event, as the volcano had been continually erupting since 1983.[33]



Throughout the duration of the eruption, 1,700 people were evacuated from homes within the thermal zone defined by the USGS. The Puna district, a less populous region compared to the cities of Kona and Hilo, was impacted by the eruption the most, with the heaviest damage reported in Leilani Estates and Lanipuna Gardens. The lava covered 13.7 square miles (35.5 square kilometers), and 657 homes are confirmed to have been destroyed.

[33] https://volcanoes.usgs.gov/volcanoes/kilauea/geo_hist_1983.html



A notable impact of this event is the closure of the Puna Geothermal Venture (PGV) Plant, a geothermal power plant providing roughly a quarter of Hawaii's energy supply. It was capable of producing 38 million watts worth an estimated $13 million in revenue per annum,[34] with an estimated building value of around USD $170 million.[35] Damage had been reported to the substation and transmission lines. Two geothermal wells had been covered in lava where the extent of the damage is unclear. Since May 22, the plant has remained shut down and non-operational through December 2018. Fortunately, backup power supply for the island was provided by diesel power generators. As a result, the island did not experience a power shortage during the event.

By mid-August the thermal zone had reached its fullest extent and had stopped expanding.

[34] https://www.hawaiianelectric.com/billing-and-payment/rates-and-regulations/average-price-of-electricity
[35] https://investor.ormat.com/file/Index?KeyFile=393711325

Hail

Overall, hail activity in 2018 was below the CoreLogic calculated average (2009 - 2017). According to CoreLogic, 134,167 square miles, or 4.4 percent of the continental U.S., were impacted by severe hail which the National Weather Service (NWS) defines as 1.0 inch or greater.

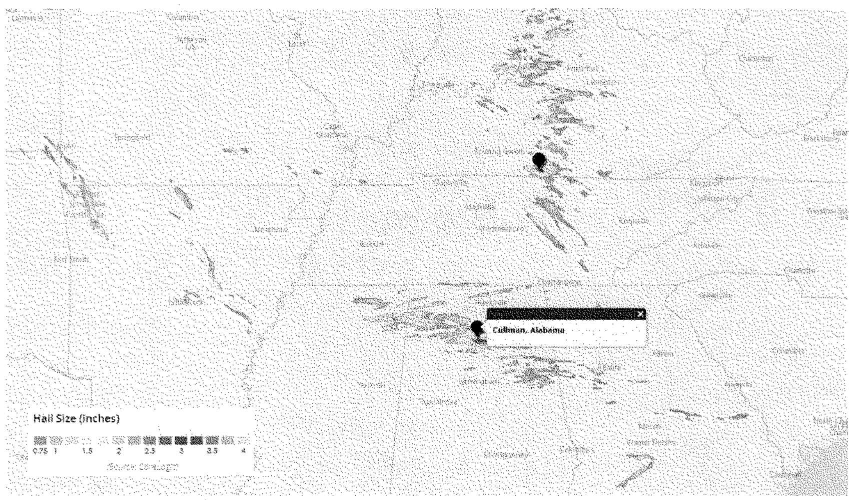


Figure 22: Hail Event in Cullman, Alabama (Source: CoreLogic)

Some of the largest hail events of the year occurred relatively early in the season. On March 19 in Cullman, Alabama, and July 20 in Thompkinsville, Kentucky, CoreLogic estimated that hail over 4 inches in diameter had fallen.

2018 Compared with Previous Years

The total area impacted by severe hail in 2018 was the lowest observed since at least 2009, down 20 percent from the 2009 - 2017 average. However, the High Plains in Colorado and Wyoming and portions of the Southeast received over double their five-year average total area of 1-inch hail.

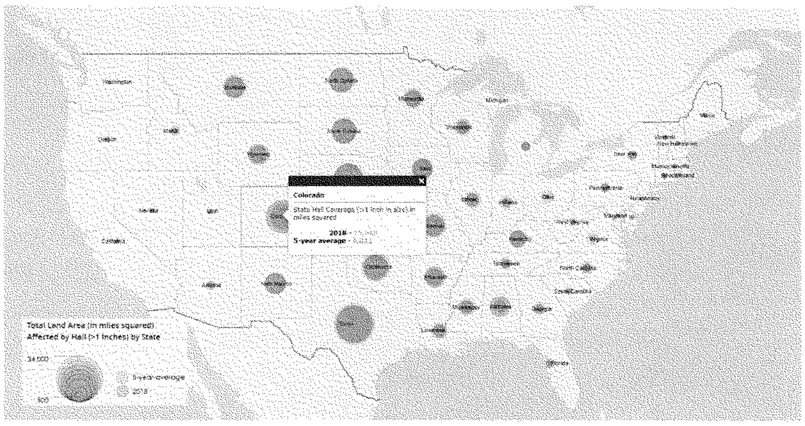


Figure 23: Total Land Area (In Miles Squared) Affected by Hail (>1.0 Inch) by State (Source: CoreLogic)

When analyzing the area of very large hail (> 3.0 inches), activity in 2018 was an astounding 44 percent below the CoreLogic calculated average (2009-2017), with only 2016 having a lower total area. In a rare occurrence, Alabama received greater than 3.0 inch hail, the most out of any state in the country, with most of it falling the same day Cullman, Alabama, was hit.

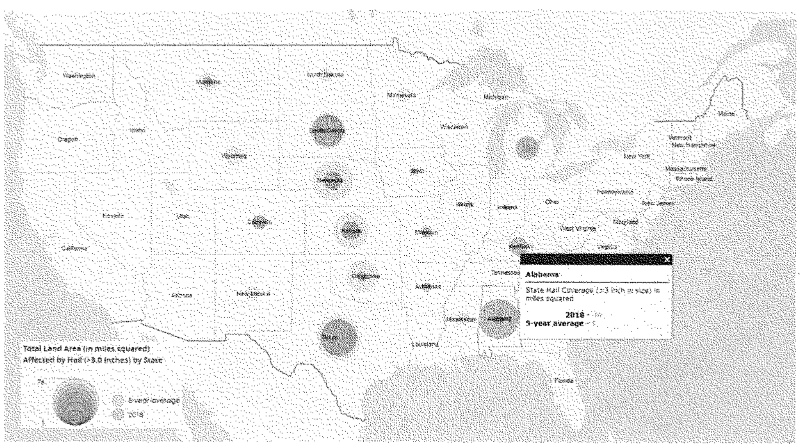


Figure 24: Total Land Area (In Miles Squared) Affected by Hail (>3.0 Inches) by State (Source: CoreLogic)

State/Metro Areas with the Most Activity and Damage Costs

In the early morning hours of June 6, a severe hailstorm with baseball-sized hail struck the middle of the Dallas-Fort Worth metro area. The cities of Carrollton and Arlington were hit with the biggest hail, causing damage upwards of $1 billion according to the firm Karen Clark & Co, making it the third costliest hailstorm in Texas history. The Insurance Council of Texas estimated large hail damaged upwards of 20,000 structures and 25,000 vehicles. Since the storm occurred overnight, few cars were on the road; if it had occurred during the afternoon or evening, the number of damaged vehicles would have been substantially higher.[36]

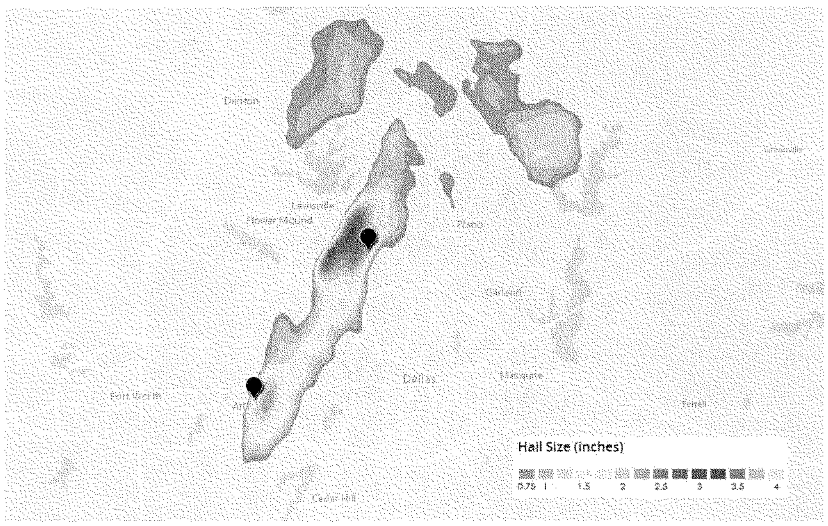


Figure 25: Hail in Inches in the Dallas-Fort Worth Metro Area (Source: CoreLogic)

After experiencing a record hail season in 2017, Colorado saw severe hailstorms strike Denver and the Colorado Springs area twice in 2018. On June 18, a series of hailstorms hit northern Denver suburbs along the Front Range, including the city of Boulder. The Rocky Mountain Insurance Information Association (RMIIA) estimated upwards of $276 million in damage, $191 million of which came from auto claims. Meanwhile on June 13 and August 6, up to baseball-sized hail hit the area south of Colorado Springs, causing $169 million and $172 million in damage.[37]

[36] https://www.insurancejournal.com/news/southcentral/2018/07/06/494201.htm

[37] https://www.insurancejournal.com/news/west/2018/06/28/493577.htm

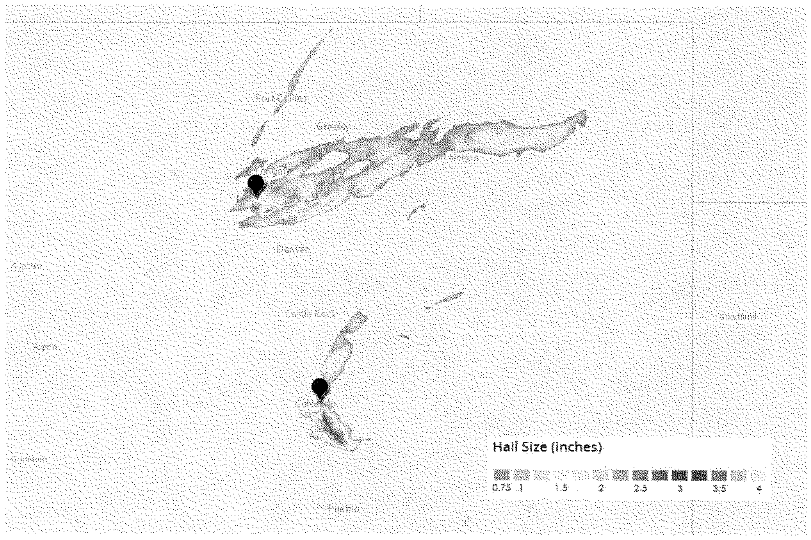


Figure 26: Hail in Inches in Denver and the Colorado Springs Area (Source: CoreLogic)

Research suggests that hail is also affected by weak El Niño conditions. As the waters warm in the equatorial Pacific, average thunderstorm activity from the Plains into the Southeast U.S. usually occurs from late winter into spring. If El Niño conditions persist, average storm and hail activity can be expected across these areas well into spring 2019.

Tornado

Overall tornado activity in 2018 was 15 percent below the 10-year average.[38] According to the Storm Prediction Center (SPC), a federal entity under NOAA, there were 1,154 tornadoes through December. Iowa led the nation in the number of annual tornadoes with 84, while Texas, which usually leads with an average of 155 tornadoes a year, only had 50 tornadoes in 2018. While tornado season got off to a slow start at about 42 percent below average through May, the overall tornado activity was well above average during the late summer and fall; still, the 2018 total is well below the totals recorded in previous years.

State/Metro Areas with the Most Activity and Damage Costs

Three major tornado outbreaks hit the Southeastern United States in 2018, which is common for a La Niña year as cold air from Canada surges southward and strengthens weather systems in the spring. The first occurred on February 24 in the Ohio Valley where 27 confirmed tornadoes were reported and three people were killed. The strongest tornado, an EF2, occurred in Northeast Arkansas and was on the ground for 42 miles.[39]

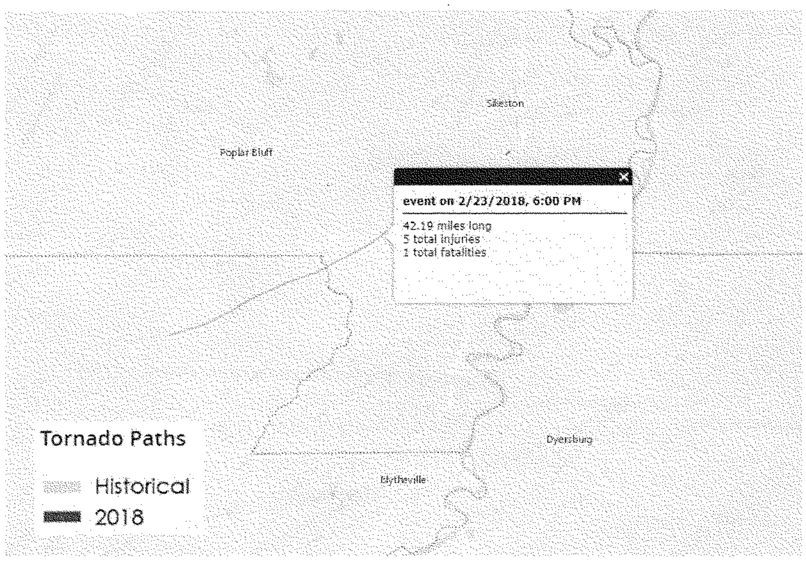


Figure 27: Tornado Path for EF2 Tornado in Northeast Arkansas (Source: National Weather Service Damage Toolkit)

[38] https://www.spc.noaa.gov/climo/online/monthly/2018_annual_summary.html
[39] https://www.weather.gov/pah/2018_Feb24_EventSummary

The second outbreak encompassed 27 confirmed tornadoes on March 19 across Mississippi, Alabama and Georgia, including an Atlanta suburb. The strongest tornado, an EF3 with winds up to 150 mph, hit Jacksonville State University and caused extensive damage; at its maximum, the tornado had a path width of over a mile.[40]

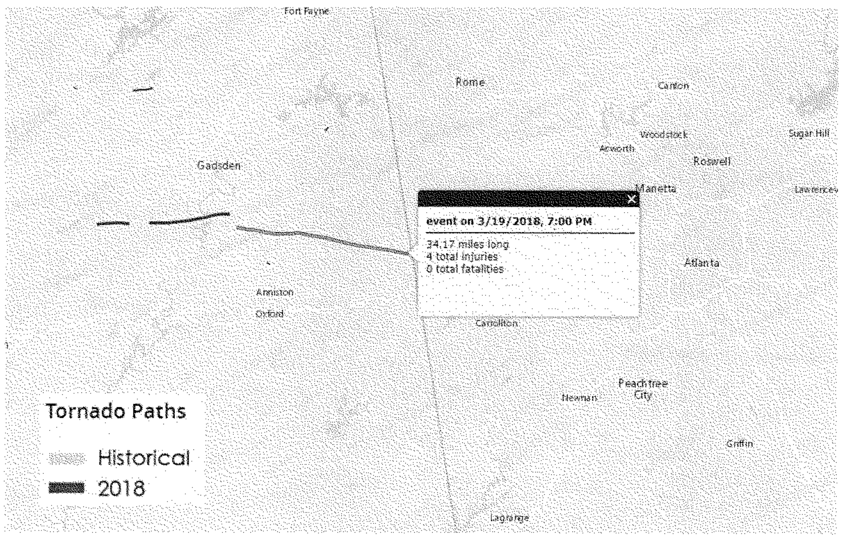


Figure 28: Tornado Path for EF3 Tornado in Atlanta Area (Source: National Weather Service Damage Assessment Toolkit)

The third and largest tornado outbreak of the year occurred from the morning of April 13 until the evening of April 15, stretching from Western Louisiana and Arkansas all the way down to Southern Florida and up to Western Virginia. In total, 82 tornadoes were confirmed and impacted the cities of Shreveport, Louisiana and Greensboro, North Carolina. The strongest tornado, an EF3, hit Lynchburg, Virginia.[41]

In September, Hurricane Florence spawned at least 48 tornadoes across the mid-Atlantic as the system stalled out in North Carolina. One of the tornadoes near Richmond, Virginia resulted in a fatality.[42]

Like hail and wind, tornadoes are among the perils affected by weak El Niño conditions. However, the warm equatorial Pacific waters can bring about decreased tornado activity in the Plains and southeast U.S. If this continues, decreased tornado activity can be expected in those areas in the spring of 2019.

[40] https://www.weather.gov/bmx/event_03192018

[41] https://www.weather.gov/shv/event_2018-4-13_tornadoes

[42] https://www.richmond.com/weather/remnants-of-hurricane-florence-gave-the-richmond-area-its-first/article_a4828a8c-cfc1-539f-a0de-4d797dd1ddd8.html

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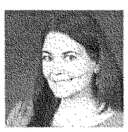

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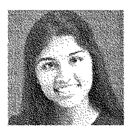

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About CoreLogic

CoreLogic (NYSE: CLGX) is a leading global property information, analytics and data-enabled services provider. The company's combined data from public, contributory and proprietary sources includes over 4.5 billion records spanning more than 50 years, providing detailed coverage of property, mortgages and other encumbrances, consumer credit, tenancy, location, hazard risk and related performance information. The markets CoreLogic serves include real estate and mortgage finance, insurance, capital markets, and the public sector. CoreLogic delivers value to clients through unique data, analytics, workflow technology, advisory and managed services. Clients rely on CoreLogic to help identify and manage growth opportunities, improve performance and mitigate risk. Headquartered in Irvine, Calif., CoreLogic operates in North America, Western Europe and Asia Pacific. For more information, please visit corelogic.com.

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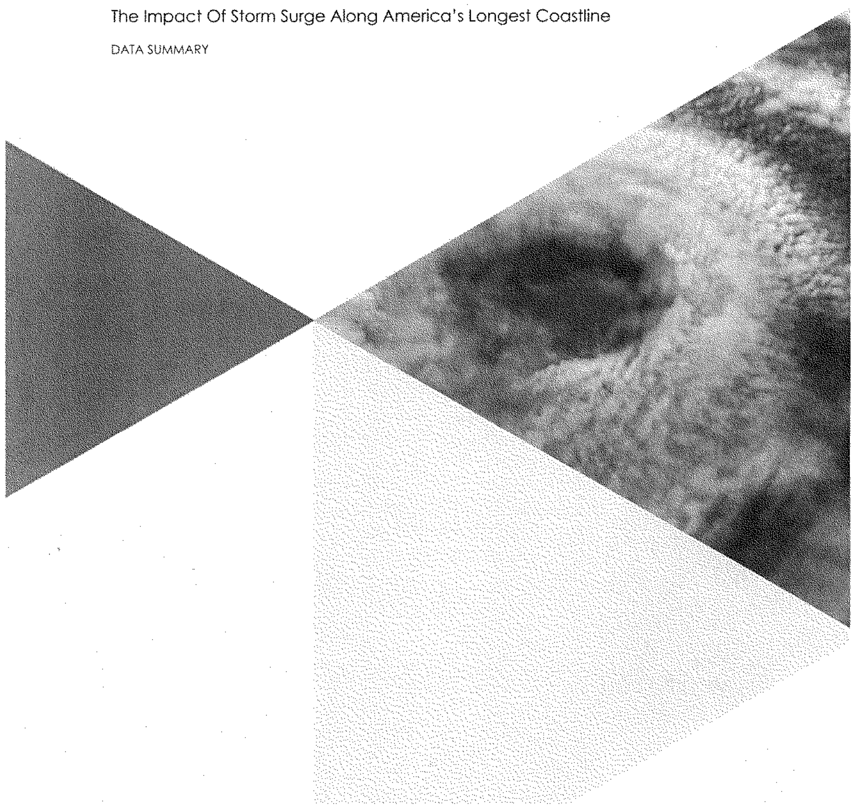
The 2018 CoreLogic Storm Surge Report

The Impact Of Storm Surge Along America's Longest Coastline

DATA SUMMARY



Executive Summary

The weather has a significant effect on both residential and commercial properties as well as how insurance coverage is assessed. This impact is vast and leaves a lasting impression on the insurance industry and the economics of regions affected by severe weather, including the number of homes damaged and the cost to rebuild. For that reason, it is important to analyze meteorological, geographic and oceanic data to understand what areas may be at risk.

CoreLogic® has published its 2018 CoreLogic Storm Surge Report, an annual evaluation of the number and associated reconstruction cost value (RCV) of single-family residential homes in the U.S. that are vulnerable to storm surge from the Gulf of Mexico and Atlantic basins. This year's report shows that more than 6.9 million homes along the Atlantic and Gulf Coasts are at potential risk of damage from hurricane storm surge inundation with a total reconstruction cost value (RCV) of more than $1.6 trillion (Table 1).

Regionally, the Atlantic Coast has more than 3.9 million homes at risk of storm surge with an RCV of more than $1 trillion (Table 2), an increase of around $30 billion compared to 2017. The Gulf Coast has more than 3 million homes at risk with over $609 billion in potential exposure to total destruction damage, with over $16 billion increase compared to 2017. Areas with less coastal exposure but with lower elevations that extend inland tend to have more total homes at risk because the surge water can travel farther inland. Additionally, due to market conditions and previous storm surge damage, construction costs can increase despite having a lower number of at-risk homes compared to other states or Core-Based Statical Areas (CBSAs).

Addendum

The 2018 CoreLogic Storm Surge Report and the following addendum provides the following data and analysis for the 19 states which border the Gulf and Atlantic Coasts. It does not include Pacific basin storms due to the relatively low impact of these weather events on properties along the coasts of Hawaii, California, Oregon and Washington.

1. The number of homes at risk of storm surge flooding. By state and Core-Based Statistical Area (CBSA). There are 19 states and 86 CBSAs evaluated.
2. The reconstruction cost value (RCV) for at-risk homes. RCV figures represent the cost to completely rebuild a property in case of damage – including labor and materials by geographic location – assuming the worst-case scenario at 100-percent destruction.
3. The probabilistic loss analysis of the storm surge from Hurricanes Harvey and Irma.
4. A pre-season forecast for 2018.

Table of Contents

Table 1 – Total Number of Homes at Risk Nationally and Estimated Reconstruction Cost Value

Note: The numbers on Tables 1 and 2 are cumulative, increasing in value from extreme to low. This is based on the explanation that Category 5 storms are low risk because they are least likely to occur, but will cause more storm surge flooding inland than higher-risk, lower Category storms.

Storm Surge Risk Level (Storm Category)	Total Homes Potentially Affected	Total Estimated RCV (U.S. Dollars)
Extreme (Category 1-5 storm)	806,735	$191,170,832,774
Very High (Category 2-5 storm)	2,509,236	$608,263,801,243
High (Category 3-5 storm)	4,557,089	$1,088,338,913,877
Moderate (Category 4-5 storm)	6,050,936	$1,442,435,751,572
Low (Category 5 storm)	6,942,499	$1,620,652,870,673

Source: CoreLogic 2018

There are more than 6.9 million homes at risk for hurricane storm surge damage on the Atlantic and Gulf Coasts (Table 1). These 6.9 million homes have a total reconstruction cost value (RCV) of more than $1.6 trillion (Table 1). Reconstruction cost estimates increased 6.6 percent from 2017 due to higher regional construction, equipment and labor costs.

Homes are categorized by five risk levels: Low (homes affected only by a Category 5 storm), Moderate (homes affected by Category 4 and 5 storms), High (homes affected by Category 3, 4 and 5 storms), Very High (homes affected by Category 2, 3, 4 and 5 storms), Extreme (homes affected by Category 1-5 storms).

Table 2 – Residential Property Exposure by Coastal Region

Regional Risk	Atlantic Coast Homes	Atlantic Coast RCV (U.S. Dollars)	Gulf Coast Homes	Gulf Coast RCV (U.S. Dollars)
Extreme	456,688	$122,684,450,321	350,047	$68,486,382,453
Very High	1,438,100	$398,084,569,726	1,071,136	$210,179,231,517
High	2,506,545	$672,405,046,607	2,050,544	$415,933,867,270
Moderate	3,460,837	$916,771,265,997	2,590,099	$525,664,485,575
Low	3,924,023	$1,011,558,178,641	3,018,476	$609,094,692,032

Source: CoreLogic 2018

The Atlantic Coast has more than 3.9 million homes at risk of storm surge with an RCV of more than $1 trillion (Table 2), an increase of around $30 billion compared to 2017. The Gulf Coast has more than 3 million homes at risk with over $609 billion in potential exposure to total destruction damage (Table 2), with more than a $16 billion increase compared to 2017.

Table 3 – At Risk Home Totals by State

Note: The numbers on Tables 3 and 4 are cumulative, increasing in value from extreme to low. This is based on the explanation that Category 5 storms are low risk because they are least likely to occur, but will cause more storm surge flooding inland than higher-risk, lower Category storms.

Rank	State	Extreme	Very High	High	Moderate	Low*
1	Florida	351,093	1,064,674	1,752,603	2,292,791	2,774,175
2	Louisiana	72,256	207,442	624,521	747,111	817,480
3	Texas	39,109	117,558	253,947	384,944	543,847
4	New Jersey	95,659	278,539	382,065	471,353	N/A
5	New York	75,238	224,558	347,236	462,380	N/A
6	Virginia	26,960	94,378	246,824	366,478	409,129
7	South Carolina	35,934	126,997	209,026	294,239	347,030
8	North Carolina	32,282	95,286	160,831	210,233	259,718
9	Massachusetts	11,048	46,558	102,189	157,898	N/A
10	Georgia	8,887	50,409	105,735	141,518	152,559
11	Maryland	17,824	60,553	99,056	125,417	N/A
12	Mississippi	9,261	30,353	60,620	90,010	101,720
13	Pennsylvania	932	20,815	56,830	83,808	N/A
14	Connecticut	7,167	28,497	46,618	67,207	N/A
15	Alabama	6,379	17,306	32,331	44,744	57,973
16	Delaware	8,901	24,649	40,048	56,418	N/A
17	Rhode Island	1,876	8,153	17,312	26,484	N/A
18	Maine	5,645	7,960	11,851	18,150	N/A
19	New Hampshire	284	4,551	7,446	9,753	N/A

Source: CoreLogic 2018

*The low risk category refers to Category 5 hurricanes, which are not common along the northeastern Atlantic Coast. States in that region are designated as N/A for this category due to the extremely low probability of a Category 5 storm affecting these areas.

Table 4 – Reconstruction Cost Value of At Risk Homes by State

Rank	State	Extreme	Very High	High	Moderate	Low*
1	Florida	$68,993,319,371	$214,615,495,959	$353,434,047,211	$458,546,265,943	$552,417,823,248
2	New York	$29,069,437,198	$92,192,934,548	$142,653,686,948	$190,523,945,573	N/A
3	Louisiana	$15,058,006,592	$44,361,573,373	$141,431,122,080	$169,398,148,734	$186,089,070,917
4	New Jersey	$27,210,934,630	$83,140,546,592	$116,378,523,825	$146,074,429,226	N/A
5	Texas	$6,544,802,706	$20,281,149,088	$46,590,193,249	$73,689,714,628	$103,257,560,067
6	Virginia	$6,889,209,422	$23,532,519,915	$57,147,551,590	$84,231,366,445	$95,057,016,309
7	South Carolina	$10,365,743,962	$33,689,536,077	$52,352,428,765	$70,363,340,488	$80,775,388,252
8	North Carolina	$6,502,998,590	$19,557,292,731	$33,348,232,464	$43,887,698,767	$54,356,018,315
9	Massachusetts	$2,980,187,240	$13,363,727,998	$29,309,257,327	$46,442,774,460	N/A
10	Georgia	$2,740,063,841	$13,213,068,236	$24,703,010,004	$31,744,968,374	$33,763,709,156
11	Maryland	$4,349,256,919	$14,483,853,619	$23,474,382,707	$29,806,926,424	N/A
12	Connecticut	$2,559,481,204	$9,608,686,921	$15,452,737,215	$22,111,853,493	N/A
13	Mississippi	$1,977,375,919	$6,157,332,097	$11,913,778,331	$17,373,187,675	$19,557,738,154
14	Pennsylvania	$216,076,484	$4,664,438,284	$13,120,822,659	$19,444,951,459	N/A
15	Delaware	$2,635,651,997	$7,021,080,076	$11,463,739,373	$16,078,182,995	N/A
16	Alabama	$1,203,825,492	$3,124,223,041	$5,789,839,450	$7,962,250,197	$10,139,735,934
17	Rhode Island	$528,745,488	$2,408,462,659	$5,093,849,517	$7,809,201,093	N/A
18	Maine	$1,281,230,692	$1,914,444,383	$2,960,376,784	$4,634,377,599	N/A
19	New Hampshire	$64,485,027	$933,435,646	$1,721,334,378	$2,312,167,999	N/A

Source: CoreLogic 2018

*The low risk category refers to Category 5 hurricanes, which are not common along the northeastern Atlantic Coast. States in that region are designated as N/A for this category due to the extremely low probability of a Category 5 storm affecting these areas.

At the state level, Florida has the most coastal exposure and has the most susceptibility to storm surge flooding of the 19 states analyzed, with more than 2.7 million at-risk homes across the five risk categories (Table 3). Louisiana ranks second with over 817,000 at-risk homes, Texas ranks third with more than 543,000 at-risk homes, and New Jersey ranks fourth with over 471,000 at-risk homes. Since the number of homes at risk strongly correlates with the accompanying RCV, Florida also has the highest RCV at over $552 billion (Table 4). Notably, New York ranks second in RCV with over $190 billion, despite its fifth-place ranking in number of homes at risk, due to the density of the residential population near the coast and high construction costs in this state. Louisiana and New Jersey are also near the top of the list for RCV, with Louisiana totaling more than $186 billion and New Jersey totaling over $146 billion. Texas sits in fifth place for RCV, at more than $103 billion.

Table 5 – Top 15 Metropolitan Areas for Storm Surge Risk

Rank	Metropolitan Area	Total Homes at Risk of Storm Surge	Total Estimated RCV
1	Miami, FL	788,679	$156,109,638,962
2	New York, NY	726,048	$277,316,495,768
3	Tampa, FL	459,082	$79,154,913,706
4	New Orleans, LA	395,975	$95,278,109,445
5	Virginia Beach, VA	389,938	$90,904,781,082
6	Fort Myers, FL	318,950	$63,465,095,946
7	Houston, TX	284,622	$57,652,653,916
8	Bradenton, FL	254,535	$49,231,359,219
9	Naples, FL	186,100	$39,684,021,652
10	Jacksonville, FL	171,332	$38,495,385,153
11	Philadelphia, PA	165,300	$41,317,614,113
12	Charleston, SC	149,900	$37,938,251,071
13	Myrtle Beach, SC	128,155	$22,792,717,625
14	Boston, MA	126,263	$34,937,253,340
15	Beaumont, TX	121,379	$21,026,736,810
	Total	**4,666,258**	**1,105,305,027,808**

Source: CoreLogic 2018

Due to the concentration of residences in and around large metro areas, 15 CBSAs account for 67.2 percent of the 6.9 million total at-risk homes and 68.2 percent of the total $1.6 trillion RCV (Table 5). This reinforces the idea that the location of future storms will be integral to understanding the potential for catastrophic damage. A low-intensity storm in a densely populated, residential urban area can do significantly more damage than a higher-intensity hurricane along a sparsely inhabited coastline. The Miami metro area, which includes Fort Lauderdale and West Palm Beach, has the most homes at risk, totaling over 788,000 with an RCV of more than $156 billion. By comparison, the New York metro area has slightly fewer homes at risk at just over 726,000, but a significantly higher RCV totaling more than $277 billion, a 5 percent increase compared to 2017.

Table 6 – Storm Surge Damage from Hurricane Harvey

Texas Counties	Dollar contribution from Total Storm Surge Damage in Texas	Percent contribution from Total Storm Surge Damage in Texas
Galveston	$197.8 million	31%
Harris	$139.1 million	22%
Aransas	$136.6 million	22%
Nueces	$125.4 million	20%

Source: CoreLogic 2018

Table 7 – Storm Surge Damage from Hurricane Irma

Florida Counties	Dollar contribution from Total Storm Surge Damage in Florida	Percent contribution from Total Storm Surge Damage in Florida
Saint Johns	$444.3 million	14%
Miami-Dade	$331.5 million	10%
Broward	$287.3 million	9%
Brevard	$256.5 million	8%
Collier	$243.1 million	8%

Source: CoreLogic 2018

CoreLogic created event footprints for wind, storm surge and inland flooding for Hurricane Harvey and Hurricane Irma in the CoreLogic probabilistic risk modeling platform, RQE® (Risk Quantification and Engineering). The total flood damage for Hurricane Harvey, including both inland and storm surge flooding, was between $40 billion and $59 billion – inclusive of both uninsured and insured residential and commercial properties. Hurricane Irma's overall flood damage for both residential and commercial properties was estimated to be between $29 billion and $46 billion.

Table 8 – Total Number of Hurricanes in Texas from 1900 to Present

SSHWS Category	1	2	3	4	5	Total
Number of Storms	19	7	7	5	0	38

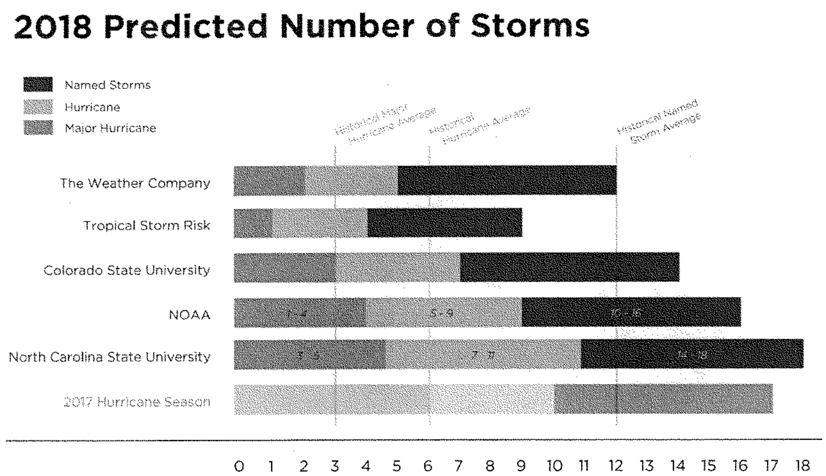
Source: CoreLogic 2018

Table 9 – Total Number of Hurricanes in Florida from 1900 to Present

SSHWS Category	1	2	3	4	5	Total
Number of Storms	24	16	16	11	2	69

Source: CoreLogic 2018

Table 10 – 2018 Hurricane Season Outlook



Source: CoreLogic 2018
*Last updated May 30

Early forecasts for the 2018 Atlantic basin hurricane season are mixed, with The Weather Company forecast indicating slightly lower than average activity and the National Oceanic and Atmospheric Administration (NOAA) forecast indicating a near- or above-normal season.

Understanding The Data

The risk of storm surge flooding is not uniform along the coasts or limited only to states with a reputation for more frequent hurricane activity such as Florida or Louisiana. Every state with a coastline that borders the Gulf or the Atlantic has at least one area of extreme storm surge risk. As the 2018 analysis shows, the total number of homes and the related RCV has increased over the past year.

No matter the total number of hurricanes predicted, it is important to consider a strong hurricane that occurs in a less densely populated area – or even a small storm that tracks through a densely populated area – could generate catastrophic storm surge. When evaluating potential damage, the number of storms that occur is not as significant as the intensity and track of where they occur. For example, areas with less coastal exposure but with lower elevations that extend inland tend to have more total homes at risk because the surge water can travel farther inland. Additionally, due to market conditions and previous storm surge damage, construction costs can increase despite having a lower number of at-risk homes compared to other states or Core-Based Statical Areas (CBSAs).

Probabilistic modeling of hurricane perils provides risk managers with greater insight as to what could happen in a season, so they can better plan and manage their businesses.

Methodology

The analysis in the 2018 CoreLogic Storm Surge Report encompasses single-family residential structures less than four stories, including mobile homes, duplexes, manufactured homes and cabins (among other non-traditional home types). This is not an indication that there will be no damage to residential units greater than four stories, as there may be associated wind or debris damage. However, including all high-rise residential units in the analysis would inaccurately skew the actual number of houses at risk, as elevated structures are not as susceptible to damage from surge waters.

Year-over-year changes between the number of homes at risk and the RCV can be the result of several variables, including new home construction, improved public records, enhanced modeling techniques, fluctuation in labor, equipment and material costs – even a potential rise in sea level. For that reason, direct year-over-year comparisons should be warily considered. To estimate the value of property exposure of single-family residences, CoreLogic uses its RCV methodology which estimates the cost to rebuild the home in the event of a total loss and is not to be confused with property market values or new construction cost estimation. Reconstruction cost estimates more accurately reflect the actual cost of damage or destruction of residential buildings that would occur from hurricane-driven storm surge, since they include the cost of materials, equipment and labor needed to rebuild. These estimates also factor in geographical pricing differences (although actual land values are not included in the estimates). The values in this report are based on 100 percent (or "total"), destruction of the residential structure. Depending on the amount of surge water from a given storm, there may be less than 100 percent damage to the residence, which would result in a lower realized RCV.

To evaluate storm surge risk at the local level, CoreLogic uses the designation of Core-Based Statistical Areas (CBSAs), which are often referred to as metropolitan areas (>50,000 people), or micropolitan areas (<50,000 people), as defined by the U.S. Office of Management and Budget. The CBSA represents an urban center and the adjacent regions that are tied to that center socioeconomically. The specific areas identified in this report are named by primary urban center, though each may contain additional urban areas.

The high-resolution, granular modeling for underwriting individual risk allows enhanced understanding of the risk landscape and damage potentials. CoreLogic offers high-resolution solutions with a view of hazard and vulnerability consistent with the latest science for more realistic risk differentiation. The high-resolution storm surge modeling using 10m digital elevation model (DEM) and parcel-based geocoding precision from PxPoint™ facilitate a realistic view of the risk.

Sources:

1. "Slightly above average 2018 Atlantic hurricane season predicted by CSU team", https://source.colostate.edu/slightly-above-average-2018-atlantic-hurricane-season-predicted-by-csu-team/
2. "2017 Atlantic Hurricane Season Forecast Calls for Less Activity Than 2016", http://weather.com/storms/hurricane/news
3. U.S. Census Bureau, Core Based Statistical Area definition, Office of Management and Budget, 2017.

About CoreLogic

CoreLogic (NYSE: CLGX) is a leading global property information, analytics and data-enabled services provider. The company's combined data from public, contributory and proprietary sources includes over 4.5 billion records spanning more than 50 years, providing detailed coverage of property, mortgages and other encumbrances, consumer credit, tenancy, location, hazard risk and related performance information. The markets CoreLogic serves include real estate and mortgage finance, insurance, capital markets, and the public sector. CoreLogic delivers value to clients through unique data, analytics, workflow technology, advisory and managed services. Clients rely on CoreLogic to help identify and manage growth opportunities, improve performance and mitigate risk. Headquartered in Irvine, Calif., CoreLogic operates in North America, Western Europe and Asia Pacific. For more information, please visit corelogic.com.

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For questions, analysis or interpretation of the data, contact Alyson Austin at newsmedia@corelogic.com or Caitlin New at corelogic@ink-co.com. Data provided may not be modified without the prior written permission of CoreLogic. Do not use the data in any unlawful manner. This data is compiled from public records, contributory databases and proprietary analytics, and its accuracy is dependent upon these sources.

CoreLogic

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1-SSR-053018-01

CUNA Credit Union National Association

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99 M Street SE
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March 12, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

Thank you for holding the hearing entitled, "Preparing for the Storm: Reauthorization of the National Flood Insurance Program." The Credit Union National Association (CUNA) represents America's state and federal credit unions and the 115 million members that they serve.

Credit unions play an increasingly important role in the housing finance market and, as a result, have a vested interest in the ongoing stability of the National Flood Insurance Program. Many credit union members, throughout the United States, live in communities designated as Special Flood Hazard Areas subject to mandatory flood insurance requirements and many of those same members rely upon the coverage offered under the program to insure against the risk of a natural disaster occurring.

For far too long, the National Flood Insurance Program has been the source of uncertainty and instability in the housing sector due to repeated lapses in the Program's reauthorization and short-term extensions. Accordingly, CUNA has consistently encouraged Congress to work on a long-term solution to enhance the affordability and ultimate sustainability of the National Flood Insurance Program in order to restore certainty to the market. This hearing, which includes consideration of multiple proposals to reform, provide for a longer reauthorization of, and enhance the financial stability of the Flood Insurance Program, represents an important first step in the 116th Congress towards adopting meaningful legislation that can truly benefit credit unions and their members.

It is vital that flood insurance premiums remain affordable so that families in those parts of the country where flood insurance is required are not deprived of the opportunity to own a home. That result can only be accomplished by enacting reforms to secure a sustainable National Flood Insurance Program that can operate alongside a robust private flood insurance market in order to best serve the interests of the nation's housing market for years to come.

Conclusion
On behalf of America's credit unions and their 115 million members, thank you for your consideration of our views on this important issue.

Sincerely,

Jim Nussle
President & CEO

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National Association of Federally-Insured Credit Unions

March 12, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

Re: Tomorrow's Hearing on Flood Insurance Reauthorization

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I write in regard to tomorrow's hearing entitled "Preparing for the Storm: Reauthorization of the National Flood Insurance Program." We are happy to see the Committee working towards a multi-year reauthorization of the National Flood Insurance Program (NFIP) before the May 31st deadline.

NAFCU supports a long-term reauthorization of the NFIP. The recent reauthorizations of the NFIP that have amounted to only short-term extensions, with brief program lapses, have created a high level of uncertainty for the millions of families who rely on flood insurance policies. This market uncertainty puts a damper on the lending volume of our nation's credit unions and the economic activity of their members.

We are pleased to see that the Committee is considering program improvements including: addressing the affordability of flood insurance; raising the coverage limits; providing funds for improved mapping technology; mitigating fraud and abuse within the claims system; and taking steps to continue the financial solvency of the program to maintain market stability. We would caution against any legislation that raises annual premium rates too rapidly, as this may lead to attrition in the program and further long-term uncertainty for lenders.

We urge the Committee to move legislation forward as quickly as possible. On behalf of our nation's credit unions and their 115 million members, we thank you and the Committee for your important work on this matter. Should you have any questions or require additional information, please do not hesitate to contact me or Max Virkus, NAFCU's Associate Director of Legislative Affairs, at 703-842-2261 or mvirkus@nafcu.org.

Sincerely,

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Committee on Financial Services

NATIONAL MULTIFAMILY HOUSING COUNCIL

NATIONAL APARTMENT ASSOCIATION

March 13, 2019

The Honorable Maxine Waters
Chairman
House Financial Services Committee
2330 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
House Financial Services Committee
2335 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud the Committee for beginning the review and the reauthorization process for the National Flood Insurance Program (NFIP) early in this Congress. We appreciate the Committee exploring the issues facing the NFIP early this year in advance of the program's needed reauthorization before May 31, 2019. We strongly support the efforts of Congress to ensure the NFIP is functioning properly and our communities are protected.

For more than 20 years, NMHC and NAA have partnered to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of nearly 170 state and local affiliates, NAA encompasses over 72,000 members representing more than 8.8 million apartment homes throughout the United States and Canada.

Like the broader real estate community NMHC and NAA understand that the future stability of the property insurance market and its ability to withstand the continued occurrence of catastrophic events must remain a top concern of our sector. With floods being the most common natural disaster in the United States, the NFIP ensures that affordable flood insurance is available at all times, in all market conditions for every at-risk rental property. These include more than just high-rise multifamily properties in urban centers and extend across every state to include rental homes of all sizes and types. Ensuring that all rental properties continue to have access to affordable, quality flood insurance through the NFIP is a top priority for our membership to not only protect their property investment but to help manage the increasing costs of providing housing that is affordable.

We acknowledge that the NFIP comes with its challenges and agree that further reforms are necessary to protect the long-term financial viability of the program. It took several catastrophic weather events to force the NFIP into negative fiscal standing and returning it to solid footing cannot happen overnight. We believe that many of the reforms included in both the Biggert-Waters Flood Insurance Reform Act and the Homeowner Flood Insurance Affordability Act of 2014 will help slowly return the program to solvency. To that end, outlined below are the multifamily industry's priorities as we move towards reform and reauthorization of the NFIP this year. We believe these proposals could offer significant improvements to the efficiency, affordability, and long-term health of the NFIP.

- **Long-Term Authorization** – The NFIP has been operating on a series of short-term extensions that began in 2008. The stop-gap measures continually create an environment of uncertainty for multifamily property owners and managers who rely on this program for coverage in the absence of a high level of private sector participation. In the unfortunate times of a lapse in NFIP authorization, many real estate transactions across both the residential and commercial sectors cannot legally be closed without this critical protection in place. NMHC and NAA strongly urge Congress to prevent disruption in the marketplace and pass a long-term reauthorization of the NFIP that maintains the government's backstop before it is set to expire on May 31, 2019. We also urge Congress to protect the ability of all property owners to enter the NFIP market should they so choose or should there be no private market readily available for sufficient, affordable coverage.

- **Mapping** - It is common for apartment owners to have their properties misclassified as being in high-risk flood zones, or Special Flood Hazard Areas (SFHA). Yet, the process for property owners to challenge those designations and the maps on which they are based is overly complex and financially burdensome. The onus is wrongly on property owners to prove maps inaccurate, who incur engineering and surveying expenses and spend vast amounts of time to appeal under the current system. Inaccurate maps not only have financial repercussions for existing property owners but also have a chilling effect on development in inaccurately zoned areas, which is problematic in a time of a rental housing shortage. NMHC and NAA encourage Congress to provide sufficient resources to coordinate and build upon efforts such as the U.S. Geological Service's 3D Elevation Program (3DEP) that could provide increased accuracy to existing tools currently used to determine risk and premium levels under the NFIP. Additionally, we recommend Congress require FEMA improve the efficiency of the overall mapping process to reduce cycle time and costs and improve the mapping appeals process to make it more affordable, transparent, and less time-consuming for both communities and property owners.

- **Flood Risk Mitigation** - FEMA currently administers several mitigation grant programs in an effort to reduce damage, claims, and overall risk in the event of a natural disaster such as flooding. NMHC and NAA strongly support pre-disaster mitigation programs to lessen fiscal pressure upon the NFIP and taxpayers more broadly. That said, while apartment communities are not explicitly excluded from eligibility for existing FEMA funds, the grant programs are overwhelmingly focused on primary, single-family homes. Even further, FEMA has only recently focused attention on the importance of mitigation efforts for properties that cannot benefit from traditional mitigation techniques like building elevation. Consistent with the requirements under the Homeowner Flood Insurance Affordability Act of 2014, FEMA issued advisory guidelines to property owners on alternative methods of mitigation. Unfortunately, many of the recommendations made are impractical for apartment communities and the majority would not afford any flood insurance premium reduction despite the large cost of implementation. NMHC and NAA urge Congress to require FEMA to undertake further actuarial work and issue alternative guidance specific to multifamily property owners that is both realistic, cost effective and would result in premium reductions under the NFIP. Additionally, NMHC and NAA would ask that Congress direct FEMA to expand the focus of existing mitigation programs to better include multifamily properties or consider establishing a multifamily specific mitigation grant program to address the unique challenges faced by rental property owners.

cc: Members of the House Financial Services Committee

- **Business Interruption Coverage** - Property owners fortunate enough to be able to purchase flood insurance through the private sector also frequently purchase Business Interruption coverage to help restart operations and defray the financial impacts surrounding the relocation of business services, resident relocations, and other expenses. For those property owners who are unable to secure adequate or affordable private sector coverage, NMHC and NAA urge Congress to support the creation of Business Interruption Coverage as an additional policy option under the NFIP for multifamily and commercial policies. This coverage would allow property owners to resume normal operations more quickly and get residents back into their homes after a disaster in a timelier manner.

- **Streamline and Enhance the Efficiency of NFIP Policies** - Current mandatory purchase requirements require multifamily property owners secure coverage for each structure on their properties that lie in an at-risk flood zone. Often, this means that multifamily owners must secure a separate NFIP policy for multiple buildings throughout the same apartment community, all of which require separate deductibles and policy renewals. NMHC and NAA urge Congress to provide a property owner the option to secure just one "umbrella" NFIP policy with combined coverage for each of their at-risk structures on a given property or throughout their portfolio. This change would greatly streamline and enhance the business efficiency of using the NFIP.

- **Align NFIP Single Family & Multifamily Claim Reimbursement** - Currently commercial and multifamily property owners receive Actual Cash Value (ACV) for claim payments from FEMA while single-family homeowners and condominiums receive Replacement Cost Value (RCV) for their losses. The discrepancy places commercial and multifamily property owners at a disadvantage because they often suffer the same, if not more, flood damage. NMHC and NAA encourage Congress to direct FEMA to move NFIP multifamily and commercial coverage from ACV to RCV claim reimbursement.

- **Foster a More Viable Private Flood Market** - NMHC and NAA believe that a more viable private flood insurance market would serve a benefit to both property owners through increased competition and enhanced market efficiencies while reducing financial demands on taxpayers. The Final Rule that was recently issued by several federal banking regulators regarding private flood insurance as required by Biggert-Waters is a positive step in the right direction. An outstanding issue that Congress should look to address is ensuring both private and NFIP coverage satisfies the federal government's requirement of "continuous coverage" and protects policyholders from seeing rate hikes should they wish to return to the NFIP coverage at a later date. NMHC and NAA encourage Congress to consider including continuous coverage protections for property owners in the overall flood insurance reauthorization package.

cc: Members of the House Financial Services Committee

We thank you for the opportunity to present the views of the multifamily industry as you begin deliberations to reauthorize and reform the NFIP. The NFIP serves an important purpose and is a valued and necessary risk management tool for apartment owners and managers. We stand ready to support the efforts of Congress to make the necessary improvements to the program to ensure its long-term success.

Sincerely,

Douglas M. Bibby	Robert Pinnegar
President	President & CEO
National Multifamily Housing Council	National Apartment Association

cc: Members of the House Financial Services Committee

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March 13, 2019

The Honorable Chairwoman Maxine Waters
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Ranking Member Patrick McHenry
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the National Association of Mutual Insurance Companies (NAMIC), I write regarding the Committee on Financial Services hearing titled, "Preparing for the Storm: Reauthorization of the National Flood Insurance Program" on March 13, 2019. The NFIP protects over five million policyholders from the risk of flood, and as Americans across the nation continue to recover from the devastating effects of recent catastrophic flooding, we thank you for your continued work on this vital issue.

NAMIC is the oldest property/casualty insurance trade association in the country, with more than 1,400-member companies representing 41 percent of the total market. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC member companies serve more than 170 million policyholders and write more than $253 billion in annual premiums. Our members account for 54 percent of homeowners, 43 percent of automobile, and 35 percent of the business insurance markets. Through our advocacy programs, we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

The NFIP's authorization is next set to expire on May 31, 2019, one day before the start of the 2019 Hurricane Season, and avoiding a lapse in the program's authorization is critical to policyholders across the nation. As the committee begins contemplating legislation to reauthorize the program, NAMIC would like to share our views on steps necessary to properly reform the NFIP, which remains on a fiscally unsustainable path and has left policyholders in limbo as they are strung along from one short-term extension to the next.

NAMIC shares the goal of a fiscally sustainable program that ensures affordable flood insurance coverage is available, and achieving this will require a gradual move toward actuarially sound rates that reflect the risk of flooding for a given property, along with a mechanism to address affordability for those in need of assistance. Further, reauthorization legislation should take steps to foster private-sector participation and ensure maximum WYO participation. Policies that would reduce WYO participation in the NFIP or complicate claims processing would limit options for consumers and ultimately raise costs for the government as more and more policies move to the NFIP-Direct program.

NFIP reauthorization legislation should also make a serious investment in mitigation efforts to address repetitive loss properties and reduce the long-term losses to the program. The below fundamental areas must be addressed to truly fix the critical problems plaguing the NFIP.

1. **Long Term Reauthorization**
   The NFIP has been reauthorized on a short-term basis 10 times since September 2017, creating uncertainty for consumers at the same time a series of unprecedented natural disasters has caused catastrophic flooding across the nation. Reauthorizing the program on a long-term basis is critical to providing long-term certainty to the millions of policyholders and the many sectors of our economy that rely on a functioning NFIP.

2. **Actuarially Sound Rates**
   Inadequate rates that do not reflect the actual costs of living in a high-risk flood zone is the source of many of the NFIP's problems. This has the effect of encouraging poor land use and development in high-risk areas, thereby increasing the total potential losses that will be incurred in the event of a flood. During the over 50 years that the NFIP has been in place, there has been a large population increase in flood-prone coastal states, which now account for a very large portion of the NFIP portfolio. The NFIP must continue to move toward risk-based rates if it is to have any chance of being a solvent program.

3. **Addressing Affordability**
   Affordability is a critical part of flood insurance reform. While NAMIC believes the program must move toward actuarial rates, such a move could create affordability issues for some homeowners. To reduce potential issues, NAMIC believes rate increases should be phased-in over a number of years to prevent an instant and undue hardship for homeowners currently paying subsidized rates. NAMIC recognizes that there will be some who will need assistance because even rate increases phased-in over time could prove too costly. As such, NAMIC supports establishing a targeted, need-based program to assist homeowners facing affordability issues. However, any subsidies that the government believes are necessary must be fully transparent. Subsidies cannot continue to be hidden within the insurance mechanism, and homeowners should be fully aware of the real risks of where they live.

4. **Increasing Private-Sector Involvement**
   The largest impediment to increasing private-sector involvement is without a doubt the subsidized rates of the NFIP. Since private-sector insurance companies must charge risk-based rates to remain viable, it is difficult to compete with the subsidized rates of the NFIP. In fact, one of the many challenges to encouraging homeowners to take steps to mitigate flood losses is that hidden NFIP subsidies have led them to believe their risk of flooding is far less than it is. For any effort to increase private-sector participation in the flood insurance marketplace to be successful, it must address the fact that, unless the subsidy issue is addressed, companies will be asked to sell a similar product at, in many cases, a much higher price. There are other issues, that if solved, could allow the private

market to offer more choices to policyholders. For instance, private insurers are prohibited from accessing FEMA's historical loss data that is essential for any insurer to begin to assess flood insurance risk.

5. **Increasing Mitigation Efforts**
   Mitigation efforts are very important to improving the solvency of the NFIP. Mitigation activities would protect homeowners' property and possessions, as well as reduce the costs of claims associated with the NFIP. Mitigation measures, such as elevating structures, have been proven to protect properties from damage caused by flooding, and they have the potential to save $6 in recovery costs for every $1 of investment. However, the upfront costs of such measures may be beyond the means of some homeowners, and Congress should consider creating a program that would make mitigation grants and loans available to qualifying property owners. Additionally, any reform legislation should address the issue of repetitive loss properties. NAMIC believes an increase to FEMA's repetitive loss buyout authority would help end the cycle of rebuilding and repairing properties that continuously suffer severe flood damage. In some cases, the most efficient way of dealing with these properties is to simply buy out the homeowner, allowing them to relocate to a safer area.

Conclusion

NFIP reauthorization is extremely important to homeowners, businesses, and many sectors of our economy, but reauthorization without meaningful reforms will continue to lead the NFIP down the road of perpetual uncertainty. As your committee works to reauthorize and reform the program, NAMIC strongly encourages you to include these measures in any legislation to end the cycle of loss and rebuilding that has left many Americans still vulnerable to flooding. If my staff or I can be of assistance, please don't hesitate to contact me.

Sincerely,

Jimi Grande

Jimi Grande
Senior Vice President, Government Affairs
National Association of Mutual Insurance Companies

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STATEMENT

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REINSURANCE ASSOCIATION OF AMERICA

STATEMENT FOR THE RECORD

UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES

HEARING ON

"PREPARING FOR THE STORM: REAUTHORIZATION OF THE NATIONAL FLOOD INSURANCE PROGRAM"

MARCH 13, 2019

The Reinsurance Association of America (RAA) appreciates Chairwoman Maxine Waters, Ranking Member Patrick McHenry, and other Committee on Financial Services (Committee) members' interest in the U.S. property casualty (re)insurance industry. Thank you for holding today's hearing entitled, "Preparing for the Storm: Reauthorization of the National Flood Insurance Program." The RAA is the leading trade association of property and casualty reinsurers doing business in the United States. RAA membership is diverse, including reinsurance underwriters and intermediaries licensed in the U.S. and those that conduct business on a cross border basis. The RAA represents its members before state, federal and international bodies.

RAA supports a long-term reauthorization of the National Flood Insurance Program (NFIP) and reforms that:

- Continue to strengthen NFIP's financial framework and resiliency so that it can pay claims, particularly after catastrophic events;
- Remove impediments to consumer choice and confirm consumer protections; and
- Modernize the statute to give FEMA additional tools to encourage additional private market participation, including capital, in NFIP to benefit consumers and taxpayers.

From a reinsurance perspective, this statement highlights our top priorities for flood insurance reform. As a member, RAA also supports the SmarterSafer coalition's reform proposals, and RAA supports legislation to create a state flood mitigation revolving fund program (see attached).

Support NFIP Reinsurance Program

We appreciate that the discussion draft bills under consideration during today's hearing preserve the Federal Emergency Management Agency's (FEMA's) NFIP Reinsurance Program. The RAA has long advocated for the NFIP to utilize the private market to help manage the financial burden of the NFIP's catastrophic flood risk by providing financial backing for the government's flood risk, protecting taxpayers, and helping the program to be more resilient and pay claims. In 2019, for the third consecutive year, FEMA has successfully administered its NFIP Reinsurance Program that transfers risk from the NFIP to the capital markets, specifically through reinsurance placements and a catastrophe bond issuance. The benefits of FEMA's risk transfer program were made clear in 2017 when FEMA paid a total premium of $150 million for $1.042 billion of reinsurance coverage it placed with the private reinsurance sector. Following the devastating Hurricane Harvey flooding, FEMA collected from the private reinsurance sector the full $1.042 billion, which helped pay NFIP policyholder claims, improved NFIP's financial viability, and protected taxpayers.

Confirm Consumer Protections

RAA supports H.R. 1666, legislation introduced on March 11, 2019, by Representatives Kathy Castor (D-FL) and Blaine Luetkemeyer (R-MO) to amend the National Flood Insurance Act of 1968 to "consider any period during which a property was continuously covered by private flood insurance to be a period of continuous coverage, including for the purposes of NFIP subsidies."[1] In the previous two congresses, similar legislation had broad bipartisan support. In 2016, by a vote of 419-0, the House passed a similar provision as part of H.R. 2901 and, in 2017, by a vote of 58-0, the Committee passed a similar provision as part of H.R. 1422.

Flood insurance uncertainty for consumers, as it relates to continuous coverage and potential rate increases by the NFIP, are an impediment to consumers buying private flood insurance and limit consumers' choices. Insurance agents and brokers have stated that "...the risk of a substantial NFIP rate increase should the consumer later wish to return to the NFIP often makes insurance agents and brokers hesitant to recommend private flood insurance policies."[2] It is important that Congress and FEMA provide consumers with clarity about continuous coverage compliance so that current and future NFIP policyholders are confident that they have complied with the law's continuous coverage requirements by having an NFIP or private flood insurance policy. For example, if a consumer leaves the NFIP to secure a private flood policy with better coverage and a better price and later re-assumes an NFIP policy, so long as the consumer had continuous coverage, that NFIP policy should be at the same rate and terms as if the consumer had continuously maintained an NFIP policy.

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[1] 7/14/2017, Summary, Congressional Research Service, Library of Congress, https://www.congress.gov/bill/115th-congress/house-bill/1422?q=%7B%22search%22%3A%5B%22H.R.+1422%22%5D%7D&s=1&r=3

[2] 3/12/2018, "Written Statement for the Testimony of Christopher Heidrick on behalf of The Independent Insurance Agents & Brokers of America," https://financialservices.house.gov/uploadedfiles/hhrg-116-ba00-wstate-heidrickc-20190313.pdf

Modernize 1968 NFIA Part A Authority

When enacted in 1968, over 50 years ago, the National Flood Insurance Act (NFIA) incorporated two approaches to providing consumers with flood insurance, Part A and Part B. As the private flood insurance market continues to develop with reforms Congress has made to Part B, particularly those enacted in 2012 and 2014, Congress also should modernize Part A of the NFIA and clarify that FEMA can use its authorities simultaneously with the Part B program. Re-purposing and modernizing the statutory language in Part A would give FEMA additional tools to partner with private insurers, facilitate the participation of private insurers in NFIP on a risk-sharing basis, further improve NFIP's viability, increase the NFIP's resources to pay claims, and increase flood insurance opportunities for consumers. Part A reforms also can lead to a stronger public-private partnership, give private insurers experience in underwriting flood risk, and help close the flood insurance coverage gap.

The Part A statutory language currently authorizes the FEMA Administrator (Administrator) to facilitate and assist the creation of a pool of insurers on a risk sharing basis with the Federal government to provide flood insurance through their network of agents and policyholder relationships. Under the statute, the Administrator defines the qualifications of insurers for the pool and risk capital to be provided. The Administrator is authorized to enter into a contractual relationship with the pool defining the insured risk to be retained and the government's risk through its reinsurance of the pool. Pursuant to the statute, the financial arrangement recognizes that the NFIP provides some subsidies to certain policyholders.

The current NFIP program, which is authorized under NFIA Part B, provides that the Federal government through the NFIP would fully bear the insured risk and that insurers could be retained as fiscal agents of the NFIP with no risk bearing role. (The recent exception to that is NFIP's Reinsurance Program referenced above.)

The RAA specifically recommends that Congress modernize Part A of the NFIA by:

- Setting a goal for the Administrator to exercise authority under Parts A and B to increase affordable flood insurance options for consumers, expand the number of households with flood insurance, encourage private sector risk bearing while maintaining the solvency and integrity of the program and facilitate the development of a private sector market;
- Providing flexibility and more options beyond the original, singular pool authorized in 1968, to allow the Administrator to establish one or more risk sharing pools as well as arrangements with individual insurers;
- Clarifying that the Administrator can exercise its authority under Part A in tandem with the current Part B program;
- Retaining the Administrator's full discretion with regard to exercising its authority under Part A as well as the terms of the risk sharing, financial arrangements, and relationship to the NFIP; and
- Confirming that participating insurers also could offer flood insurance to their new or existing policyholders.

Conclusion

The above-mentioned reforms can further facilitate the development of a private market and improve the viability of NFIP. The reinsurance market is interested and has the capacity to underwrite flood insurance risk, including extreme flood risk, in both the public NFIP program, private market, and any future public-private flood insurance partnerships. Actions taken in recent years by some states, such as Florida, have demonstrated the interest and benefits of private insurers assuming a broad cross-section of risk, and the same would result from the above flood insurance reforms. Reinsurers stand ready to partner with both the private- and public-sectors as the flood market transitions.

The RAA looks forward to working with Chairwoman Waters, Ranking Member McHenry, and Committee members on legislation as it continues to develop. Thank you for your consideration of our position.

ATTACHMENT

NATIONAL SUPPORT FOR THE STATE FLOOD MITIGATION REVOLVING FUND:

American Planning Association
American Rivers
American Society of Civil Engineers
Association of State Floodplain Managers
Consumer Mortgage Coalition
Ecological Restoration Business Association
Enterprise Community Partners
Insurance Institute for Business & Home Safety
National Institute of Building Sciences
Natural Hazard Mitigation Association
Natural Resources Defense Council
Property Casualty Insurance Association of America
Reinsurance Association of America
Smart Home America
St. Bernard Project
The Nature Conservancy
The Pew Charitable Trusts
Union of Concerned Scientists
U.S. Resiliency Council

THE PROBLEM

Flooding is the costliest and most common natural disaster in the U.S., claiming lives, damaging households and businesses, and straining government agencies that provide flood response and relief. Since 2000, flood-related disasters have cost over $750 billion. The federal government and states need to pursue more investment before disasters strike to help protect our communities and lower the cost burden on American taxpayers in future floods.

THE VALUE OF FLOOD MITIGATION

According to a 2018 report by the National Institute of Building Sciences, for every dollar spent on hazard mitigation, the nation saves $6. In the case of riverine flood, projects involving acquisition or demolition of flood-prone buildings save $7 for every dollar invested. The benefits come largely from avoided property damage, casualties associated with storms, and savings when businesses and communities quickly return to normal following a flood event.

Despite these findings, the federal apprpach to flood disasters continues to focus on response and recovery while underinvesting in preparation. In too many instances, infrastructure or homes are rebuilt as they were, only to flood again. Investments in pre-disaster mitigation have historically failed to meet demand, perpetuating this cycle of loss and repair. Although the federal government spent $277.6 billion from 2005 to 2014 on overall disaster assistance, the Federal Emergency Management Agency (FEMA) has spent just $600 million on its Pre-Disaster Mitigation grant program over the same time period.

NEEDED: A NEW FEDERAL-STATE PARTNERSHIP

The federal government can break the cycle of paying to repeatedly rebuild by increasing investments *before* disasters strike. FEMA and other federal agencies, however, cannot solve this problem alone. Localities and states are key decision-makers for policies that affect flood risk, with clear authorities to guide new development away from hazardous areas and enforce building standards that will protect lives and property.

A cost-sharing partnership, capitalized, in part, with federal monies administered by states, and tailored to unique local needs, could provide a long-term, self-sustaining source of financing for a wide range of projects. Since its inception in 1987, for example, the Clean Water State Revolving Fund has leveraged $41 billion in federal investments and 7.6 billion in corresponding state contributions for $118 billion in high priority water quality projects. The revolving loan fund model, also used successfully for drinking water treatment facilities, energy efficiency projects, and economic development, could address the nation's flood preparation needs as well.

THE SOLUTION

Legislation introduced in Congress for a State Flood Mitigation Revolving Fund program (S. 1507) would create a new partnership with states to provide low-interest loans for projects that save lives and dollars.

With federal backing and local engagement, this legislation would allow each state to select and implement the types of mitigation projects best suited to the unique flood hazards it faces. Projects supported by the individual state revolving funds could include elevations and flood proofing of public buildings, businesses, and residences; improvements to stormwater management; assistance to local residents who wish to move out of harm's way; or converting frequently flooded areas into open space amenities.

With billions of dollars and countless lives at risk, and following yet another year of record-breaking storms and floods, now is the time for Congress to act.

MORE SUPPORT FOR THE STATE FLOOD MITIGATION REVOLVING FUND:

CA

American Planning Association – California Chapter
American Planning Association – San Diego Chapter
California Coastkeepers Alliance
California Nevada Cement Association
Friends of the LA River
Greater Irvine Chamber of Commerce
Huntington Beach Chamber of Commerce
Klamath Riverkeeper
Los Angeles Area Chamber of Commerce
Los Angeles Waterkeeper
North Orange County Chamber of Commerce
Orange County Business Council
San Francisco Chamber of Commerce
Sequoia Riverlands Trust

GA

Altamaha Riverkeeper
American Planning Association – Georgia Chapter
Center for a Sustainable Coast
Coosa River Basin Initiative
St. Marys Riverkeeper
Georgia Association of Floodplain Management

IA

Food Bank of Iowa
Iowa State Association of Counties
Iowa Floodplain and Stormwater Management Association

ID

American Planning Association – Idaho Chapter
Association of Idaho Cities

IL

Association of Illinois Soil and Water Conservation Districts

MN

Minnesota Coalition for the Homeless

MO

Great Rivers Habitat Alliance
Great Rivers Greenway

NC

North Carolina Conservation Network
North Carolina Association of Floodplain Managers
North Carolina Housing Coalition

NY

Orleans County Chamber of Commerce
Regional Plan Association

PA

10,000 Friends of Pennsylvania
Pennsylvania Association of State Floodplain Managers

SC

Coastal Conservation League
Municipal Association of South Carolina
South Carolina Insurance Association
The Nature Conservancy of South Carolina

TN

Greater Nashville Regional Council
Nashville Civic Design Center
Tennessee Renewable Energy and Economic Development Council
Tennessee Small Business Alliance
The Housing Fund
Vanderbilt Engineering Center for Transportation and Operational Resiliency
Walk Bike Nashville

TX

Bay Area Houston Economic Partnership
Concerned Citizens of Texas
Cypress Creek Flood Prevention
Resource Environmental Solutions, LLC
Houston Northwest Chamber of Commerce
Lake Travis Fire Rescue
Resource Environmental Solutions, LLC
West Isle Property Owners Association
West Houston Association

WI

The Association of Wisconsin Regional Planning Commissions
League of Wisconsin Municipalities
The Wisconsin Land and Water Conservation Association
Wisconsin EMS Association
American Planning Association – Wisconsin Chapter

March 13, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The U.S. Chamber of Commerce thanks you for holding the hearing entitled, "Preparing for the Storm: Reauthorization of the National Flood Insurance Program" and greatly welcomes many of your proposed efforts to secure a long-term reauthorization of the National Flood Insurance Program (NFIP). However, the Chamber has also long been a leading voice in the fight against frivolous litigation and believes that some elements of the draft "National Flood Insurance Program Administrative Reform Act of 2019," could have significant unintended, yet problematic, consequences.

The NFIP is a key component of helping to mitigate financial damage and encourage resiliency after a catastrophe. The Chamber believes that much of the draft strikes an appropriate balance of providing affordable access to this critical coverage through the NFIP while also allowing the private flood insurance market to take shape – the combination of which is critical to ensuring that American homes and businesses have the coverage that they need.

While the Chamber believes a reasonable claims process is important, elements of the claims provisions in this draft legislation may result in additional, unnecessary, and expensive litigation. If unaddressed, the new causes of action and penalties created by the claims provisions would create a litigation windfall for trial lawyers, rather than the intended protections for consumers and the NFIP. Companies participating in the Write-Your-Own (WYO) program are essential to serving NFIP policyholders but participation in the program has dropped significantly from 115 companies in 2000 down to 56 companies today – increased costs such as additional litigation could further discourage companies from participating.

The Chamber is specifically concerned that provisions of the "National Flood Insurance Program Administrative Reform Act of 2019" would:

- *Permit FEMA to direct litigation strategy.* In its current form, this package would undoubtedly undermine private litigants' privileged relationships with their attorneys. Erosion of the attorney-client privilege by government agencies is an area of longstanding concern for the entire business community.

- *Create ambiguous penalties and causes of action that would spur frivolous litigation.* In particular, the package uses the term "knowingly," which has been interpreted differently by the various circuit courts and defined differently throughout the U.S. Code, without setting forth a clear meaning. Portions of the bill could also be construed to create new private rights of action.

- *Establish rigorous statutory timelines for the consideration of claims.* Plaintiffs' lawyers routinely manipulate rigid timelines in order to create opportunities for litigation.

- *Allow claimants to file lawsuits prior to exhaustion of administrative remedies, including the FEMA appeals process.* Explicitly requiring claimants to pursue other relief before initiating an NFIP-related suit would allow FEMA to correct any erroneous denials or underpayments without creating litigation costs. This would also prevent lawyers from leveraging premature litigation to secure larger-than-warranted settlements or claim payments at the program's expense.

The Chamber looks forward to working with the Committee and Congress to expeditiously reauthorize the National Flood Insurance Program.

Sincerely,

Neil L. Bradley
Senior Vice President & Chief Policy Officer
U.S. Chamber of Commerce

Lisa A. Rickard
President
U.S. Chamber Institute for Legal Reform

cc: Members of the Committee on Financial Services

American Property Casualty Insurance Association

United States House of Representatives

House Financial Services Committee

"Preparing for the Storm:

Reauthorization of the National Flood Insurance Program"

March 13, 2019

Statement of the American Property Casualty Insurance Association

Introduction

The American Property Casualty Insurance Association (APCIA) respectfully submits this statement to the House Financial Services Committee for its hearing entitled "Preparing for the Storm: Reauthorization of the National Flood Insurance Program." Flooding has long been, and continues to be, the most significant cause of property damage resulting from natural disasters in the United States. Yet, time and time again following natural disasters, we find that a majority of Americans are uninsured or underinsured as it relates to flood damage.

APCIA represents nearly 60 percent of the U.S. property casualty insurance and reinsurance market with the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members protect families, communities, and businesses in the U.S. and across the globe. Our members write 91 percent of the private flood insurance in the U.S. and 76 percent of the flood insurance provided by companies through the Write-Your-Own (WYO) program, in partnership with the Federal Government. APCIA offers a unique perspective on these important issues; and we look forward to working with this Committee as it considers reauthorization and reform legislation.

The National Flood Insurance Program (NFIP) is an important component of a broader strategy to address the nation's needs with regards to flood prevention and flood insurance. APCIA strongly supports a long-term reauthorization of the NFIP and we are pleased that the Chairwoman's draft would provide the benefit of stability through a five-year reauthorization of the NFIP. Additionally, we appreciate the focus that the Chairwoman has shined on the important issues of mapping, mitigation, and resiliency; efforts that have proven to protect lives and property as well as save taxpayers and policyholders money.

While APCIA continues to review many of the specific proposals contained in the draft bills released March 8, we offer the following general comments on the important issues that were addressed and provide additional views on how to achieve the goals of improving resiliency and increasing the number of consumers that are insured against devastating flooding. We anticipate providing additional comments on several of the specific proposals after we have been able to discuss the language with our membership.

Improve the NFIP for Policyholders, Taxpayers, and Industry Partners

A long-term reauthorization of the NFIP is essential to provide stability and certainty to NFIP policyholders and industry partners. A lapse in reauthorization of the NFIP has caused significant economic damage as it prevents many real estate closings, while presenting policyholders with few choices to protect their largest financial asset. A long-term reauthorization allows the NFIP to continue to provide uninterrupted service to over five million flood insurance policyholders and provides stability and predictability for consumers, WYO insurance companies, and the real estate market.

The NFIP is an important program; however, APCIA does understand that there is room for reforms. We welcome these conversations and recognize that while FEMA has made significant strides since the last long-term reauthorization to improve the program through administrative reforms, there is still some work that needs to be done through legislation. Among the APCIA supported administrative changes FEMA has undertook is the transferring of a portion of its risk to the reinsurance and capital markets.

One area where FEMA continues to make improvements is the underwriting of flood insurance risk. APCIA supports more accurate risk-based rating for flood insurance as being developed in FEMA's "Risk Rating 2.0" program. The pricing of risk is vital to managing that risk and communicating exposure to loss to market participants and consumers. Thus, communicating true risk through accurate pricing is essential. That said, as our members are the companies on the ground working with consumers, they are mindful that affordability is a paramount concern for some consumers, and we look forward to working with Congress to address the issue.

Along these lines, improving and strengthening the WYO program will allow the insurance companies that are on the ground administering this program to better educate consumers and market NFIP policies. This growth in the engagement of the private sector will result in increasing take-up rates and closing the uninsured gap that is evidenced time and again after a major storm.

Unfortunately, over the last several years, we have seen a steady and dramatic decrease in the number of private insurers willing to participate in the WYO program due to burdensome requirements, and an increase in reputational risk due to government action. In order to continue to encourage private sector delivery of NFIP policies, it is important that WYO companies not face any additional cuts to the reimbursement rate or increased litigation risk. As the Committee is aware, FEMA, via the WYO arrangement, cut the WYO reimbursement rate for 2019, and APCIA was pleased to see that the draft reform and reauthorization legislation does not include any additional cuts.

APCIA does have some concerns about the draft proposals that make significant changes to the NFIP claims handling process. APCIA appreciates the need for a transparent, efficient claims handling and appeals process. However, we fear the proposed legislative changes, as drafted, would likely result in an increase in litigation, increasing costs under the program and directly discourage private insurers from participating in the WYO program. That said, we look forward to working with the members of this Committee, including the legislation's sponsor, to try to find an appropriate balance between the need for transparency and the practical implication of proposed reforms.

Improve Flood Resilience

The importance of mitigation cannot be understated when it comes to addressing our nation's risk for flood-related property damage. The National Institute of Building Sciences (NIBS) recently issued the Natural Hazard Mitigation Saves: 2018 Interim Report. Generally, the report found a benefit cost ratio of "$6 for every $1 spent through mitigation grants funded through select federal agencies."[1] When it comes to flooding the benefit cost ratio could be as high as 7:1.

In order to effectively mitigate against a particular risk, that risk needs to be clearly identified. When it comes to flooding, accurate flood insurance maps are critical not only for risk assessment for property owners, but tools that communities rely upon in establishing smart floodplain management through zoning and building codes.

Reliable, up-to-date and accurate maps are a foundational component of risk identification, communication and pricing. As such, FEMA should update flood maps expeditiously, and timely communicate those changes. Using modern methods to ensure accurate mapping continues to be a goal of FEMA; and APCIA strongly believes that Congress should appropriate the necessary funds for this purpose. APCIA is encouraged by the focus that the Committee's draft places on the accurate flood maps, including the use of technologies such as Light Detection and Ranging (LIDAR) surveys, which can produce high-resolution accurate maps. In addition to the mapping provisions released by this Committee, APCIA appreciates the focus that Rep. Gonzalez and Rep. Mooney have placed on this issue in the past.

Once we have current and reliable flood insurance maps, the Federal Government and communities must use these to prioritize the limited resources they have to ensure a resilient and protected community. As the NIBS data shows, mitigating on the front end can save lives, reduce property damage, and limit taxpayer exposure in terms of disaster relief spending after a catastrophe strikes. Money spent on mitigation is money well spent and for that reason, APCIA is encouraged by the Committee's attention to mitigation.

In addition to mitigation efforts by individual property owners, two of the most effective tools to increase the overall resiliency of a community are strong, uniform building codes and responsible land use policies that promote public safety and reduce the severity of property damage. The Insurance Institute for Business and Home Safety (IBHS) conducted a study following Hurricane Charley in 2004. IBHS found that homes impacted by Hurricane Charley

[1] National Institute of Building Sciences, "Natural Hazard Mitigation Saves: 2018 Interim Report," (2018) Page 1. https://cdn.ymaws.com/www.nibs.org/resource/resmgr/mmc/NIBS_MSv2-2018_Interim-Report.pdf

that were built to the most modern standard of the building code incurred a 40% reduction in the frequency and a 60% reduction in the severity of property damage compared to homes constructed to older building code standards.[2]

More recently, the Florida Department of Business and Professional Regulations did a comprehensive investigation of building damage after hurricane Irma struck in 2017. That report concluded, in part, that:

> "Since Hurricane Irma was not a design-level hurricane, few structural failures should be expected in code-compliant houses. In our assessments we found no systemic failures of structural systems in single-family houses built in accordance to the 2001 Florida Building Code (i.e. houses built after March 2002). Conversely, we observed many structural failures in the pre-Florida building code houses (i.e. homes built before March 2002). Nearly 40% of the pre-2002 houses surveyed in the Florida Keys had structural damage (defined as damage to roof or wall structural members and roof sheathing). ..."[3]

That same report went on to note that "[e]levated houses generally performed well against storm surge and flood inundation. Breakaway walls in lower enclosures were often damaged as expected." There should be no doubt that strong building codes and mitigation work to make communities and individuals more resilient. One of the key issues following every major event is making sure that properties are then reconstructed or built to new standards, and that those standards are up-to-date due to the adoption of current building codes and accurate flood maps.

Expand and Enhance Consumer Options

Far too few property owners purchase flood insurance. FEMA estimates that more than 40 million properties may be at risk of flooding. Yet, there are just over five million NFIP policyholders in the U.S. In 2016, the United States experienced 19 major flooding events, with total losses estimated at $15 billion of which only $4.3 billon was insured.[4] It is clear that a protection gap exists when it comes to flood insurance.

Increasing the number of homeowners and business owners that purchase flood insurance is an important objective for APCIA that we believe could be addressed by promoting ways to give consumers more options when it comes to flood insurance. That includes encouraging the growth of the private flood insurance market to compliment the NFIP by providing tailored coverage to property owners. Additionally, more competition provides more product choices (e.g., coverages, limits, deductibles), and eventually lower premiums for consumers and businesses as more companies vie for flood insurance business.

For this reason, APCIA was encouraged by the final rule that the five federal lending regulators recently published that clarified the acceptance of private flood insurance and implemented the requirement that lenders accept certain private flood insurance policies. Unfortunately, APCIA is concerned that regulations imposed by FEMA regarding continuous coverage could suppress the

[2] Insurance Institute for Business & Home Safety, https://disastersafety.org/ibhs-public-policy/building-codes/
[3] http://www.floridabuilding.org/fbc/publications/PrevattUF_FBC_2017_2018_FinalReport-Irma.pdf
[4] http://www.iii.org/fact-statistic/catastrophes-us

benefits that consumers would receive under this new rule. To that end, APCIA fully supports the legislation recently introduced by Rep. Castor and Rep. Luetkemeyer to ensure that consumers who choose to exercise their right to explore the private sector flood insurance marketplace are not unfairly punished if they decide to later re-purchase an NFIP policy. While APCIA believes that the growth in the private sector will ultimately be gradual, the marketplace is already responding as evidenced by the experience in Pennsylvania.

Recently the Pennsylvania insurance commissioner, Jessica Altman, announced that the number of private market flood insurance policies in Pennsylvania has risen significantly. The Governor directed the insurance department to educate consumers about the increasing availability of private flood coverage in February 2016, and since then there has been continued urging homeowners, business owners, and renters to shop around in the increasingly competitive flood insurance market to protect their homes, businesses, and properties. As a result, the number of private flood policies has grown to nearly one in seven flood insurance policies in the state.

Encouraging property owners to purchase flood is an important component to strengthening not only their own, but also the nation's resistance and resiliency due to flooding. It is through the prism of the potential impact on the growth of the private flood insurance market that APCIA is carefully reviewing provisions such as changes to the NFIP coverage limits and eliminating fee and surcharges for particular properties.

Conclusion

A stable NFIP will benefit all interested stakeholders including: policyholders, taxpayers, WYO companies, and the real estate market. A long-term reauthorization of the program is key to the program's stability, along with increased investments in accurate mapping and mitigation. Accurate maps are a critical component in the proper assessment of risk and will indirectly encourage more private market participation in flood insurance. Mitigation investments clearly pay dividends by promoting public safety and reducing property damage following flood events. APCIA appreciates the opportunity to submit these comments for the House Financial Services Committee hearing on "Preparing for the Storm: Reauthorization of the National Flood Insurance Program." APCIA is ready and willing to provide any assistance to today's hearing participants on flood insurance issues.

NMHC NATIONAL MULTIFAMILY HOUSING COUNCIL NAA NATIONAL APARTMENT ASSOCIATION

March 13, 2019

The Honorable Maxine Waters
Chairman
House Financial Services Committee
2330 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
House Financial Services Committee
2335 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The National Multifamily Housing Council (NMHC) and National Apartment Association (NAA) applaud the Committee for beginning the review and the reauthorization process for the National Flood Insurance Program (NFIP) early in this Congress. We appreciate the Committee exploring the issues facing the NFIP early this year in advance of the program's needed reauthorization before May 31, 2019. We strongly support the efforts of Congress to ensure the NFIP is functioning properly and our communities are protected.

For more than 20 years, NMHC and NAA have partnered to provide a single voice for America's apartment industry. Our combined memberships are engaged in all aspects of the apartment industry, including ownership, development, management and finance. NMHC represents the principal officers of the apartment industry's largest and most prominent firms. As a federation of nearly 170 state and local affiliates, NAA encompasses over 72,000 members representing more than 8.8 million apartment homes throughout the United States and Canada.

Like the broader real estate community NMHC and NAA understand that the future stability of the property insurance market and its ability to withstand the continued occurrence of catastrophic events must remain a top concern of our sector. With floods being the most common natural disaster in the United States, the NFIP ensures that affordable flood insurance is available at all times, in all market conditions for every at-risk rental property. These include more than just high-rise multifamily properties in urban centers and extend across every state to include rental homes of all sizes and types. Ensuring that all rental properties continue to have access to affordable, quality flood insurance through the NFIP is a top priority for our membership to not only protect their property investment but to help manage the increasing costs of providing housing that is affordable.

We acknowledge that the NFIP comes with its challenges and agree that further reforms are necessary to protect the long-term financial viability of the program. It took several catastrophic weather events to force the NFIP into negative fiscal standing and returning it to solid footing cannot happen overnight. We believe that many of the reforms included in both the Biggert-Waters Flood Insurance Reform Act and the Homeowner Flood Insurance Affordability Act of 2014 will help slowly return the program to solvency. To that end, outlined below are the multifamily industry's priorities as we move towards reform and reauthorization of the NFIP this year. We believe these proposals could offer significant improvements to the efficiency, affordability, and long-term health of the NFIP.

- **Long-Term Authorization** – The NFIP has been operating on a series of short-term extensions that began in 2008. The stop-gap measures continually create an environment of uncertainty for multifamily property owners and managers who rely on this program for coverage in the absence of a high level of private sector participation. In the unfortunate times of a lapse in NFIP authorization, many real estate transactions across both the residential and commercial sectors cannot legally be closed without this critical protection in place. NMHC and NAA strongly urge Congress to prevent disruption in the marketplace and pass a long-term reauthorization of the NFIP that maintains the government's backstop before it is set to expire on May 31, 2019. We also urge Congress to protect the ability of all property owners to enter the NFIP market should they so choose or should there be no private market readily available for sufficient, affordable coverage.

- **Mapping** - It is common for apartment owners to have their properties misclassified as being in high-risk flood zones, or Special Flood Hazard Areas (SFHA). Yet, the process for property owners to challenge those designations and the maps on which they are based is overly complex and financially burdensome. The onus is wrongly on property owners to prove maps inaccurate, who incur engineering and surveying expenses and spend vast amounts of time to appeal under the current system. Inaccurate maps not only have financial repercussions for existing property owners but also have a chilling effect on development in inaccurately zoned areas, which is problematic in a time of a rental housing shortage. NMHC and NAA encourage Congress to provide sufficient resources to coordinate and build upon efforts such as the U.S. Geological Service's 3D Elevation Program (3DEP) that could provide increased accuracy to existing tools currently used to determine risk and premium levels under the NFIP. Additionally, we recommend Congress require FEMA improve the efficiency of the overall mapping process to reduce cycle time and costs and improve the mapping appeals process to make it more affordable, transparent, and less time-consuming for both communities and property owners.

- **Flood Risk Mitigation** - FEMA currently administers several mitigation grant programs in an effort to reduce damage, claims, and overall risk in the event of a natural disaster such as flooding. NMHC and NAA strongly support pre-disaster mitigation programs to lessen fiscal pressure upon the NFIP and taxpayers more broadly. That said, while apartment communities are not explicitly excluded from eligibility for existing FEMA funds, the grant programs are overwhelmingly focused on primary, single-family homes. Even further, FEMA has only recently focused attention on the importance of mitigation efforts for properties that cannot benefit from traditional mitigation techniques like building elevation. Consistent with the requirements under the Homeowner Flood Insurance Affordability Act of 2014, FEMA issued advisory guidelines to property owners on alternative methods of mitigation. Unfortunately, many of the recommendations made are impractical for apartment communities and the majority would not afford any flood insurance premium reduction despite the large cost of implementation. NMHC and NAA urge Congress to require FEMA to undertake further actuarial work and issue alternative guidance specific to multifamily property owners that is both realistic, cost effective and would result in premium reductions under the NFIP. Additionally, NMHC and NAA would ask that Congress direct FEMA to expand the focus of existing mitigation programs to better include multifamily properties or consider establishing a multifamily specific mitigation grant program to address the unique challenges faced by rental property owners.

cc: Members of the House Financial Services Committee

- **Business Interruption Coverage** - Property owners fortunate enough to be able to purchase flood insurance through the private sector also frequently purchase Business Interruption coverage to help restart operations and defray the financial impacts surrounding the relocation of business services, resident relocations, and other expenses. For those property owners who are unable to secure adequate or affordable private sector coverage, NMHC and NAA urge Congress to support the creation of Business Interruption Coverage as an additional policy option under the NFIP for multifamily and commercial policies. This coverage would allow property owners to resume normal operations more quickly and get residents back into their homes after a disaster in a timelier manner.

- **Streamline and Enhance the Efficiency of NFIP Policies** - Current mandatory purchase requirements require multifamily property owners secure coverage for each structure on their properties that lie in an at-risk flood zone. Often, this means that multifamily owners must secure a separate NFIP policy for multiple buildings throughout the same apartment community, all of which require separate deductibles and policy renewals. NMHC and NAA urge Congress to provide a property owner the option to secure just one "umbrella" NFIP policy with combined coverage for each of their at-risk structures on a given property or throughout their portfolio. This change would greatly streamline and enhance the business efficiency of using the NFIP.

- **Align NFIP Single Family & Multifamily Claim Reimbursement** - Currently commercial and multifamily property owners receive Actual Cash Value (ACV) for claim payments from FEMA while single-family homeowners and condominiums receive Replacement Cost Value (RCV) for their losses. The discrepancy places commercial and multifamily property owners at a disadvantage because they often suffer the same, if not more, flood damage. NMHC and NAA encourage Congress to direct FEMA to move NFIP multifamily and commercial coverage from ACV to RCV claim reimbursement.

- **Foster a More Viable Private Flood Market** - NMHC and NAA believe that a more viable private flood insurance market would serve a benefit to both property owners through increased competition and enhanced market efficiencies while reducing financial demands on taxpayers. The Final Rule that was recently issued by several federal banking regulators regarding private flood insurance as required by Biggert-Waters is a positive step in the right direction. An outstanding issue that Congress should look to address is ensuring both private and NFIP coverage satisfies the federal government's requirement of "continuous coverage" and protects policyholders from seeing rate hikes should they wish to return to the NFIP coverage at a later date. NMHC and NAA encourage Congress to consider including continuous coverage protections for property owners in the overall flood insurance reauthorization package.

cc: Members of the House Financial Services Committee

We thank you for the opportunity to present the views of the multifamily industry as you begin deliberations to reauthorize and reform the NFIP. The NFIP serves an important purpose and is a valued and necessary risk management tool for apartment owners and managers. We stand ready to support the efforts of Congress to make the necessary improvements to the program to ensure its long-term success.

Sincerely,

Douglas M. Bibby
President
National Multifamily Housing Council

Robert Pinnegar
President & CEO
National Apartment Association

cc: Members of the House Financial Services Committee

NAMIC
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March 13, 2019

The Honorable Chairwoman Maxine Waters
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Ranking Member Patrick McHenry
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

On behalf of the National Association of Mutual Insurance Companies (NAMIC), I write regarding the Committee on Financial Services hearing titled, "Preparing for the Storm: Reauthorization of the National Flood Insurance Program" on March 13, 2019. The NFIP protects over five million policyholders from the risk of flood, and as Americans across the nation continue to recover from the devastating effects of recent catastrophic flooding, we thank you for your continued work on this vital issue.

NAMIC is the oldest property/casualty insurance trade association in the country, with more than 1,400-member companies representing 41 percent of the total market. NAMIC supports regional and local mutual insurance companies on main streets across America and many of the country's largest national insurers. NAMIC member companies serve more than 170 million policyholders and write more than $253 billion in annual premiums. Our members account for 54 percent of homeowners, 43 percent of automobile, and 35 percent of the business insurance markets. Through our advocacy programs, we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

The NFIP's authorization is next set to expire on May 31, 2019, one day before the start of the 2019 Hurricane Season, and avoiding a lapse in the program's authorization is critical to policyholders across the nation. As the committee begins contemplating legislation to reauthorize the program, NAMIC would like to share our views on steps necessary to properly reform the NFIP, which remains on a fiscally unsustainable path and has left policyholders in limbo as they are strung along from one short-term extension to the next.

NAMIC shares the goal of a fiscally sustainable program that ensures affordable flood insurance coverage is available, and achieving this will require a gradual move toward actuarially sound rates that reflect the risk of flooding for a given property, along with a mechanism to address affordability for those in need of assistance. Further, reauthorization legislation should take steps to foster private-sector participation and ensure maximum WYO participation. Policies that would reduce WYO participation in the NFIP or complicate claims processing would limit options for consumers and ultimately raise costs for the government as more and more policies move to the NFIP-Direct program.

NFIP reauthorization legislation should also make a serious investment in mitigation efforts to address repetitive loss properties and reduce the long-term losses to the program. The below fundamental areas must be addressed to truly fix the critical problems plaguing the NFIP.

1. **Long Term Reauthorization**
   The NFIP has been reauthorized on a short-term basis 10 times since September 2017, creating uncertainty for consumers at the same time a series of unprecedented natural disasters has caused catastrophic flooding across the nation. Reauthorizing the program on a long-term basis is critical to providing long-term certainty to the millions of policyholders and the many sectors of our economy that rely on a functioning NFIP.

2. **Actuarially Sound Rates**
   Inadequate rates that do not reflect the actual costs of living in a high-risk flood zone is the source of many of the NFIP's problems. This has the effect of encouraging poor land use and development in high-risk areas, thereby increasing the total potential losses that will be incurred in the event of a flood. During the over 50 years that the NFIP has been in place, there has been a large population increase in flood-prone coastal states, which now account for a very large portion of the NFIP portfolio. The NFIP must continue to move toward risk-based rates if it is to have any chance of being a solvent program.

3. **Addressing Affordability**
   Affordability is a critical part of flood insurance reform. While NAMIC believes the program must move toward actuarial rates, such a move could create affordability issues for some homeowners. To reduce potential issues, NAMIC believes rate increases should be phased-in over a number of years to prevent an instant and undue hardship for homeowners currently paying subsidized rates. NAMIC recognizes that there will be some who will need assistance because even rate increases phased-in over time could prove too costly. As such, NAMIC supports establishing a targeted, need-based program to assist homeowners facing affordability issues. However, any subsidies that the government believes are necessary must be fully transparent. Subsidies cannot continue to be hidden within the insurance mechanism, and homeowners should be fully aware of the real risks of where they live.

4. **Increasing Private-Sector Involvement**
   The largest impediment to increasing private-sector involvement is without a doubt the subsidized rates of the NFIP. Since private-sector insurance companies must charge risk-based rates to remain viable, it is difficult to compete with the subsidized rates of the NFIP. In fact, one of the many challenges to encouraging homeowners to take steps to mitigate flood losses is that hidden NFIP subsidies have led them to believe their risk of flooding is far less than it is. For any effort to increase private-sector participation in the flood insurance marketplace to be successful, it must address the fact that, unless the subsidy issue is addressed, companies will be asked to sell a similar product at, in many cases, a much higher price. There are other issues, that if solved, could allow the private

market to offer more choices to policyholders. For instance, private insurers are prohibited from accessing FEMA's historical loss data that is essential for any insurer to begin to assess flood insurance risk.

5. **Increasing Mitigation Efforts**
   Mitigation efforts are very important to improving the solvency of the NFIP. Mitigation activities would protect homeowners' property and possessions, as well as reduce the costs of claims associated with the NFIP. Mitigation measures, such as elevating structures, have been proven to protect properties from damage caused by flooding, and they have the potential to save $6 in recovery costs for every $1 of investment. However, the upfront costs of such measures may be beyond the means of some homeowners, and Congress should consider creating a program that would make mitigation grants and loans available to qualifying property owners. Additionally, any reform legislation should address the issue of repetitive loss properties. NAMIC believes an increase to FEMA's repetitive loss buyout authority would help end the cycle of rebuilding and repairing properties that continuously suffer severe flood damage. In some cases, the most efficient way of dealing with these properties is to simply buy out the homeowner, allowing them to relocate to a safer area.

Conclusion

NFIP reauthorization is extremely important to homeowners, businesses, and many sectors of our economy, but reauthorization without meaningful reforms will continue to lead the NFIP down the road of perpetual uncertainty. As your committee works to reauthorize and reform the program, NAMIC strongly encourages you to include these measures in any legislation to end the cycle of loss and rebuilding that has left many Americans still vulnerable to flooding. If my staff or I can be of assistance, please don't hesitate to contact me.

Sincerely,

Jimi Grande

Jimi Grande
Senior Vice President, Government Affairs
National Association of Mutual Insurance Companies

March 13, 2019

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairwoman Waters and Ranking Member McHenry:

The U.S. Chamber of Commerce thanks you for holding the hearing entitled, "Preparing for the Storm: Reauthorization of the National Flood Insurance Program" and greatly welcomes many of your proposed efforts to secure a long-term reauthorization of the National Flood Insurance Program (NFIP). However, the Chamber has also long been a leading voice in the fight against frivolous litigation and believes that some elements of the draft "National Flood Insurance Program Administrative Reform Act of 2019," could have significant unintended, yet problematic, consequences.

The NFIP is a key component of helping to mitigate financial damage and encourage resiliency after a catastrophe. The Chamber believes that much of the draft strikes an appropriate balance of providing affordable access to this critical coverage through the NFIP while also allowing the private flood insurance market to take shape – the combination of which is critical to ensuring that American homes and businesses have the coverage that they need.

While the Chamber believes a reasonable claims process is important, elements of the claims provisions in this draft legislation may result in additional, unnecessary, and expensive litigation. If unaddressed, the new causes of action and penalties created by the claims provisions would create a litigation windfall for trial lawyers, rather than the intended protections for consumers and the NFIP. Companies participating in the Write-Your-Own (WYO) program are essential to serving NFIP policyholders but participation in the program has dropped significantly from 115 companies in 2000 down to 56 companies today – increased costs such as additional litigation could further discourage companies from participating.

The Chamber is specifically concerned that provisions of the "National Flood Insurance Program Administrative Reform Act of 2019" would:

- *Permit FEMA to direct litigation strategy.* In its current form, this package would undoubtedly undermine private litigants' privileged relationships with their attorneys. Erosion of the attorney-client privilege by government agencies is an area of longstanding concern for the entire business community.

- *Create ambiguous penalties and causes of action that would spur frivolous litigation.* In particular, the package uses the term "knowingly," which has been interpreted differently by the various circuit courts and defined differently throughout the U.S. Code, without setting forth a clear meaning. Portions of the bill could also be construed to create new private rights of action.

- *Establish rigorous statutory timelines for the consideration of claims.* Plaintiffs' lawyers routinely manipulate rigid timelines in order to create opportunities for litigation.

- *Allow claimants to file lawsuits prior to exhaustion of administrative remedies, including the FEMA appeals process.* Explicitly requiring claimants to pursue other relief before initiating an NFIP-related suit would allow FEMA to correct any erroneous denials or underpayments without creating litigation costs. This would also prevent lawyers from leveraging premature litigation to secure larger-than-warranted settlements or claim payments at the program's expense.

The Chamber looks forward to working with the Committee and Congress to expeditiously reauthorize the National Flood Insurance Program.

Sincerely,

Neil L. Bradley
Senior Vice President & Chief Policy Officer
U.S. Chamber of Commerce

Lisa A. Rickard
President
U.S. Chamber Institute for Legal Reform

cc: Members of the Committee on Financial Services

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