Testimony of Roy E. Wright

President & CEO
Insurance Institute for Business & Home Safety (IBHS)

"Reauthorization of the National Flood Insurance Program: Improving Community Resilience"

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Members of the Committee, thank you for the opportunity to speak with you today about flooding, mitigation, and resilience. My name is Roy Wright, and I am President & CEO of the Insurance Institute for Business & Home Safety (IBHS). IBHS is a 501(c)(3) organization, enabled by the property insurance industry's investment, to conduct building safety research that leads to real-world solutions for home and business owners, helping to create more resilient communities.

Before joining IBHS, I served at the Federal Emergency Management Agency (FEMA), where I was the Federal Insurance Administrator, the chief executive of the National Flood Insurance Program (NFIP). Complementing these insurance responsibilities, I led the agency's Federal Insurance and Mitigation Administration and directed the resilience programs addressing earthquake, fire, flood, and wind risks.

Severe weather disrupts lives, displaces families, and drives financial loss. IBHS delivers top-tier science and translates it into action so we can prevent avoidable suffering, strengthen our homes and businesses, inform the insurance industry, and support thriving communities. The perils we study at IBHS are part of the natural world in which we live, but social and economic disasters occur when these perils meet human populations that live or work in harm's way. To break the cycle of destruction, it is essential to address all aspects of the building performance chain: where you build, how you design and construct, and how well you maintain and repair. As a building science institute, IBHS focuses on the ways that weather behaves, what makes homes and businesses vulnerable, and how our buildings can be more resilient. We exist to help ensure that the places where people live, learn, work, worship, and gather are safe, stable, and as strong as the best science can equip them to be.

As noted, IBHS is enabled by the investment of our Members, property insurers and reinsurers. The core perils studied at the IBHS Research Center in Richburg, SC are wind, wind-driven rain, hail, and wildfire. A set of IBHS member companies also provide critical services to the NFIP by writing and servicing NFIP flood insurance policies as part of the Write Your Own program. IBHS Members that participate in the Write Your Own program are proud to help bring flood insurance to millions of Americans.

Today, drawing in part from my experiences at FEMA, I would like to speak with you about flood. With generational investments from the Inflation Reduction Act and the Infrastructure Investment and Jobs Act putting significant funds into mitigation programs across the federal government, the question is not whether more federal funding is needed – it is how we can spend those funds most wisely. Urban communities experiencing coastal flooding make the news, but flooding is a national – not regional – problem. Suburban and rural communities across the Nation experience flooding, and many lack the expertise and resources to address the risk or even seek out federal aid. We can do better by them. We can do better *for* them.

When we direct meaningful resources to the right projects in the right communities, we can reduce flood risk and reduce the price of flood insurance. To this end, I will speak to the role of mitigation in FEMA's current approach to rating, Risk Rating 2.0; the most cost-effective type of mitigation in the flood context; and the critical role that the Community Disaster Resilience Zones Act can play in guiding and prioritizing investments in flood mitigation.

First, however, let me address squarely the one before you now: reauthorization. Nearly one year ago, on May 25, 2022, I testified the following before the House Committee on Financial Services' Subcommittee on Housing, Community Development, and Insurance: "If the work of reauthorization was easy, Congress would have passed a simple, long-term re-authorization years ago."

What was true one year ago is, sadly, still true today. Congress will be wrapping up seven years of reauthorization this fall. Unfortunately for flood insurance consumers and those responsible for leading the program, Congress has delivered those seven years of reauthorization *in 25 small chunks*. A reasonable, multi-year reauthorization would be best for the NFIP, best for the Write Your Own insurers that help make the program function, and, most importantly, *best for the consumers that depend on the NFIP for flood insurance.* As I asserted one year ago, Congress must pass long-term reauthorization that provides the program with political stability.

RISK RATING 2.0

Risk Rating 2.0 aimed to make the NFIP's approach to setting flood insurance premiums more closely resemble the methodologies used for underwriting property risk across the covered perils insured in the United States. We are now more than a year into the implementation of Risk Rating 2.0, and this objective is being accomplished. The price of flood insurance is being tied to the risk of the properties being insured — just like other perils and other lines of insurance. (It is good and right when a government-run program follows the business and actuarial practices used across the private-sector property insurance industry.)

There is no greater risk communication tool than a pricing signal.

Insurance is founded on the principle that price is driven by risk — whether it is due to the higher replacement cost of the structure, the escalated value of the home, or a more precise understanding of the flood risk on a given parcel. Rates must be grounded in sound actuarial practices. For some households, this means reductions in the price of flood insurance. For others, those who live in high-risk areas, policyholders are seeing rising prices that reflect that risk. In a time when so many point to the effects of climate change and its growing effect on severe weather's impact on our homes, we cannot say that the flood risk is growing *and* then expect the price of that risk to be cheaper. That does not compute.

Indeed, one of the intended goals of Risk Rating 2.0 is transparency and communication—for FEMA to better communicate flood risk realities. While the price of flood insurance is sending the intended signal about rising flood risk across the Nation, more should be done to help understand that risk—to peel back the veils and identify what is driving risk and, crucially, how to mitigate it in meaningful ways.

- Floodplain managers, mitigation professionals, mitigation service providers, and consumers need to understand what specific factors are driving risk rate and how to bend that risk curve down;
- Builders, developers, and property owners with financial resources must understand why they should invest in flood resilience on the front end, so taxpayers do not have to foot the bill on the back end; and
- Policymakers, particularly at the local level, need to know how to best direct limited resources that will make a difference for their communities.

As with any major program update, the levers in the system likely require adjustment during implementation. Within the individual home and community mitigation domains, decision makers require more insight. I encourage FEMA to provide tools so these stakeholders can understand the most significant drivers of flood risk for specific properties and communities, and how different mitigation actions, at the property or community level, would lower the dial of risk and lead to reduced pricing.

COST-EFFECTIVE MITIGATION INVESTMENTS

The built environment should be constructed to withstand the natural perils we know to exist. Federal dollars spent on housing and other structures should only be spent once — especially when we know how to build in ways that withstand Mother Nature's fury. And make no mistake: the solutions to make our homes, schools, businesses, and other structures stronger, safer, and more resilient to severe weather are not just knowable, they are known. Particularly at a time when generational investments are making our housing and other infrastructure greener, we must couple that with actions that will ensure our new energy and water efficient structures are sufficiently resilient to withstand all knowable risks.

IBHS is in the business of conducting building science research that cannot be done elsewhere, identifying vulnerabilities in our homes and businesses that are susceptible to severe weather. We have identified solutions that make roofs stronger and homes better able to withstand hurricanes, tornadoes, and severe convective storms. We have developed a suite of mitigation actions that, when undertaken collectively, meaningfully drives down risk of wildfire ignition. The science on flood mitigation is more straightforward than the other natural perils:

- build higher and stronger (elevate),
- get out of the way of the water (relocate), or
- redirect the water (drainage and flood infrastructure projects).

While the science is clear, the path to bring these solutions to flood-prone homes and communities is far less clear.

Both elevation and buy-outs are expensive. Two recent initiatives will help. First, the Safeguarding Tomorrow through Ongoing Risk Mitigation (STORM) Act creates a mechanism by which states can create revolving loan funds to help communities pay for expensive mitigation actions. Second, FEMA's Swift Current Initiative explores incorporating repetitive loss home acquisition programs (buyouts) into the disaster recovery timeframe. This would be a hugely constructive step. FEMA buy-outs of repetitive loss properties have historically taken years – often culminating five years after the event, during which time there could be multiple floods, multiple claims, and multiple disruptions to the homeowner's life. It is neither good financial policy nor good people policy. I am hopeful Swift Current will break this cycle of wasted resources and disrupted lives.

While these advances are welcome, it remains the case that there is no way to *efficiently* tackle meaningful flood mitigation actions at a property-level. (Property-level mitigation actions *are* the first order projects for wind and wildfire risk.) A single flood elevation or relocation project changes the experiences for a single family, yet it does not bend down the risk curve. Neighborhood-scale endeavors are best. Elevate a full block of homes and the entire neighborhood returns after the water recedes. Buy-out a couple blocks of a subdivision to leave room for the water and the first responders don't need to approach the area during the flood – there will be no one requiring rescue.

Neighborhood-scale and infrastructure flood mitigation investments work. When the punishing winds and associated storm surge of Hurricane Ida barreled toward New Orleans, we held our collective breaths and wondered: would the billions in flood infrastructure hold back the water? The answer, thankfully, was yes. While too many homeowners experienced devastating *and preventable* losses from Ida's winds, the flood systems worked and homes in New Orleans were spared flood damage.

A final note on investing in flood resilience. Using mitigation grants to reduce risk to existing structures and communities is inherently reactive. Grants help us address previously made choices – both where and how we built our homes and communities. We need to become more proactive in our approach to flood resilience – this means more and better planning, mapping, floodplain management standards, and building codes.

We cannot keep putting structures in harm's way, and then question why we keep having billion-dollar floods. Unless we drive down tomorrow's risks today, we will stay trapped in a cycle of asking our children to pay for our short-sighted choices.

Directing Resources Where They Are Most Needed

Even with the increased efficiencies of mitigation flood risk at a community scale, there is still more need – more risk – than even the generational investment of recent legislation can address. Hard choices must be made.

Fortunately, we have a new tool to identify the communities that have the highest risk and the highest need. I commend the 117th Congress for passing the Community Disaster Resilience Zones (CDRZ) Act, which established a statutory structure to identify and designate those communities that are both most in need and at risk to natural hazards including riverine and coastal flooding. It also authorizes the President to provide CDRZ-designated communities with assistance and funding for pre-disaster mitigation planning and projects to increase resilience against the identified hazards.

According to sociological research, disabled, elderly, low income, and other vulnerable people are less likely to prepare for disasters, evacuate safely, avoid physical or psychological trauma, or recover quickly and fully. Low-income residents account for a meaningful percentage of the population in many coastal communities and other areas that face flood risk, often living in the most vulnerable types of housing. CDRZ will help to identify the communities that need investment in community-scale mitigation actions the most, and help to direct resources toward those communities.

To repeat a point I made earlier, there will never be enough taxpayer money to pay for the flood mitigation we need in this country. The power of the CDRZ approach is that it can facilitate a whole-of-government approach, bringing together the entire federal family of departments and agencies; state, local, tribal, and territorial entities; and – critically – the philanthropic and private sectors. In implementing CDRZ, FEMA should bring together these partners to build coalitions of stakeholders that will help the communities that need it most, including rural and suburban communities that are too often left behind when it comes to federal mitigation grants.

CDRZ holds even more potential should Congress expand its usage to encourage investment by the private sector. When private investment is incentivized in these resilience zones, we will be less reliant on government grant funding to solve these problems.

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In closing, I will return to insurance – the basis of today's hearing. Informed deployment of community-scale mitigation investments will do more than reduce the damage, disruption, and dislocation that too often accompanies significant flooding. Just as low-income households are least able to withstand the physical dangers of natural disasters, they are likewise least able to withstand the associated financial burdens – including the cost of flood insurance. Under Risk Rating 2.0, flood mitigation investments made in communities should drive down both flood risk and the cost of flood insurance. Together with means-tested subsidies that provide financial assistance without masking the real risk, community-scale flood investments can help lessen the financial burden of flood insurance.

I thank you for the recognizing the importance of both physical and financial resilience as Americans continue to contend with devastating floods across our country. I appreciate the opportunity to share some of our ideas with you today.