

Ranking Member Pat Toomey (R-Pa.)  
Opening Statement  
Full Committee Hearing  
June 16, 2022 at 10:00 AM

---

Mr. Chairman, thank you.

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

Since then, Congress has repeatedly reauthorized the program on a short-term basis. I hope this Committee can work out a long-term NFIP reauthorization, so that we don't have our twenty-second extension in five years.

Simply put, NFIP is a broken, subsidization program. Since 2000, NFIP has borrowed from the Treasury in 11 out of 22 years. That means that half the time, this unsustainable “insurance” program requires additional federal taxpayer funds to subsidize policyholders.

Today, NFIP's current debt to the Treasury stands at \$20.5 billion, and that excludes the \$16 billion that was arbitrarily forgiven in 2017.

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

Well, the answer is relatively straightforward. NFIP systemically underprices flood insurance.

Regrettably, it is the policies of Congress—not FEMA—that are the root causes of NFIP challenges. FEMA has worked to improve NFIP by implementing a new price rating for flood insurance premiums—known as Risk Rating 2.0—that better aligns policyholders' premiums with their actual flood risk.

Risk Rating 2.0 is producing rates that are more equitable by phasing out most NFIP subsidies. 23% of policyholders, over a million families, were overpaying for flood insurance. These families will now see a decrease in their monthly premiums under Risk Rating 2.0—compared to only 3.8% of

policyholders who will have an increase of greater than \$20 per month to their premiums.

Risk Rating 2.0 is an important step in the right direction to not only a fairer NFIP but also a more fiscally sound NFIP. Congress should work towards strengthening Risk Rating 2.0 and eliminate any subsidies that do not align price with risk.

As I stated at our NFIP hearings a year ago, I stand ready to work with the Chairman and my colleagues to enact another long-term reauthorization bill. I'd like to reiterate several of my priorities for reauthorization.

First, we should encourage more private capital in the form of private policies and private reinsurance. My home state of Pennsylvania has been a leader on this front.

To my knowledge, there are roughly 15,000 private flood policies in Pennsylvania. Private flood insurance brings more capacity to the market and may bring better products. My top priority for NFIP reauthorization is to eliminate any barriers that exist to obtaining private flood insurance.

Second, "do no harm." We should be protecting the transition to actuarially sound premiums. Any effort to slow or interrupt that progress must be rejected, including proposals to lower the 18% rate cap on premiums.

Third, if subsidies persist, they must be better targeted. FEMA is proposing a new Means-Tested Assistance Program for current and future low- and moderate-income households.

I am open to finding ways to help current low-income homeowners afford flood insurance. Today, properties with subsidized NFIP premiums are overwhelmingly located in our wealthiest communities, and subsidized NFIP premiums are rare in lower-income communities. However, let me make clear that any means-tested subsidy should replace existing cross-subsidies within NFIP.

I acknowledge that over the past 50 years, NFIP has acclimated homeowners to a world in which these cross-subsidies exist. But adding another subsidy on top of existing cross-subsidies moves us further away from actuarially sound premiums.

And fourth, we should improve communication with homeowners and homebuyers so that they understand the flood risk of properties. A small step is to raise awareness on the true flood risk to new homeowners and renters.

I was glad to see FEMA recently submit to Congress a NFIP reauthorization package that includes several encouraging proposals. One proposal would prohibit coverage for a new category of excessive loss properties, which are properties that have flooded multiple times. This is an inherently good policy that is worthy of consideration.

As a general principle, we should not provide flood insurance subsidies that encourage people to live in flood prone areas. While excessive loss properties are not the majority of homes in NFIP, they do constitute a highly disproportionate share of losses. And it sends the wrong message when taxpayers are continuously footing the bill to bailout properties in these risky areas.

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

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

In its current form, NFIP is bad for taxpayers who must bail it out year after year. I stand ready to work with my colleagues to make it better.