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Before the Subcommittee on Housing and Insurance

Committee on Financial Services

United States House of Representatives

“Mitigation and Multiple Loss Properties: Factors Influencing the High Cost of Flooding”

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Chairman Flood, Ranking Member Cleaver, and Members of the Subcommittee,

Thank you for the opportunity to testify today on the critical challenges of rising flood risks and costs and multiple loss properties.

Floods are among the most frequently occurring and costly disasters in the United States. The National Flood Insurance Program (NFIP) was designed with a dual mission: to provide insurance where the private market could not, and to reduce risk through mitigation and land-use controls. Today, the program underwrites more than **\$1 trillion in coverage for roughly 4.7 million policyholders** in more than 23,000 participating communities nationwide.¹ Yet the system is under profound strain from rising losses, climate-driven risk, and legacy design flaws. Households face escalating premiums, coverage gaps, and financial instability. The challenge before us is not merely the cost of flooding—it is whether the NFIP is meeting its core mission to protect families and reduce risk.

Reform NFIP to Better Serve Policyholders

The NFIP must both insure and reduce risk, but today it does neither optimally. Comprehensive reform requires long-term reauthorization to end the cycle of short-term extensions that create market instability. Reform must include modernized flood mapping, stronger floodplain management standards, and consumer-facing transparency so that families understand their risk and coverage.

The program’s structural weaknesses directly affect policyholders. Repetitive loss properties drive disproportionate costs. In the private sector, while there are some limitations based on state regulation, private carriers have discretion about what risks they assume and frequently choose

¹Fed. Emergency Mgmt. Agency, Flood Insurance Data—Policies in Force, Insurance in Force, and Communities Participating in NFIP, <https://agents.floodsmart.gov/flood-maps-and-data/flood-insurance-data> (last visited Mar. 2026).

not to renew coverage on the riskiest policies on their books. However, FEMA has never denied flood insurance coverage to any eligible structure. Since 1978, nearly 100,000 structures have had two or more paid losses; nearly 1,000 have suffered 10 or more losses.² As of December 2021, FEMA had paid more than \$35 billion in claims to properties with two or more losses.³ Over the past thirty years, one of every six dollars paid out in claims has gone to a building with a history of multiple floods.⁴

Yet a Department of Homeland Security Office of Inspector General audit found that **73 percent of severe repetitive loss properties**—more than **27,000 homes**—remained unmitigated as of 2019.⁵ A 2023 RAND Corporation analysis further confirmed that the number of one- to four-family multiple loss properties newly identified per year has been increasing, with roughly 1,200 severe repetitive loss and 4,900 repetitive loss properties added annually during the period 2012 to 2021.⁶ Outdated mapping and pricing can distort risk signals, and mitigation remains poorly integrated into program design.

Risk Rating 2.0 represents an important and overdue step toward actuarial soundness within the NFIP. The new methodology more accurately prices individual property risk by incorporating a broader set of variables—including flood frequency, distance to water sources, and property characteristics—rather than relying solely on flood zone designation and elevation certificates. Critically, the updated approach redistributes risk in ways that are more equitable: under the prior rating structure, lower-value homes in the same flood zone as higher-value homes were effectively subsidizing those higher-value properties, because premiums were tied to replacement cost coverage that was not proportional to relative risk. Risk Rating 2.0 corrects this structural distortion by more closely aligning premiums with actual risk. However, pricing risk

²Fed. Emergency Mgmt. Agency, *Improve Resiliency: Excessive Loss Properties*, at 2, https://www.fema.gov/sites/default/files/documents/fema_NFIP-improve-resiliency-item-10-excessive-loss-properties.pdf.

³*Id.*

⁴*Id.*

⁵U.S. Dept. of Homeland Sec., Office of Inspector Gen., *Audit of FEMA's Management of Severe Repetitive Loss Properties*, OIG-20-68 (Sept. 2020), <https://www.oig.dhs.gov/reports/2020/fema-not-effectively-administering-program-reduce-or-eliminate-damage-severe-repetitive-loss-properties/oig-20-68-sep20>.

⁶Noreen Clancy et al., RAND Corp., *One- to Four-Family Properties with Multiple Losses Insured by the National Flood Insurance Program: Property Characteristics, Community Demographics, and Mitigation Strategies* vii (2023), https://www.rand.org/pubs/research_reports/RRA2462-1.html.

accurately only improves program sustainability and household resilience if it is paired with robust investment in hazard mitigation. Actuarially sound premiums that remain unaffordable because underlying risk has not been reduced through mitigation will erode coverage participation and shift costs back to taxpayers through disaster assistance. The two reforms are inseparable: better pricing must be matched by better investment in risk reduction.

At the same time, one proven tool within NFIP demonstrates that stronger standards can stabilize risk. Through FEMA’s Community Rating System, **more than 1,700 communities** earn premium discounts for their residents by going beyond minimum NFIP requirements. As of 2024, CRS communities provide discounts to **more than 3 million policyholders**.⁷ These discounts are tied to actions such as adopting and enforcing more protective, forward-looking development codes, preserving open space in floodplains, improving stormwater management, and conducting public outreach—all of which help reduce and stabilize flood risk over time.

Congress should shift NFIP toward a risk-reduction-first model that links premiums, mitigation, land-use decisions, and programs like CRS, and expands mitigation financing through revolving funds, buyouts, and elevation programs.

Break the Borrowing Cycle: Debt Forgiveness

NFIP has accumulated substantial debt due to catastrophic events. The NFIP carried **nearly \$21 billion in debt** to the U.S. Treasury at the start of 2024, even after Congress forgave **\$16 billion in 2017**.⁸ Following Hurricanes Helene and Milton, FEMA exercised its borrowing authority again, drawing an additional **\$2 billion** in early 2025.⁹ This borrowing structure forces the program to service past debt and can distort premiums, undermining affordability.

This debt does not reflect actuarial failure alone—it reflects catastrophic events like Hurricanes Katrina, Sandy, Harvey, and Maria that exceeded any actuarially-based insurance design, and public policy choices about how we manage disaster risk. Congress should forgive NFIP’s

⁷Fed. Emergency Mgmt. Agency, Community Rating System Discount: Frequently Asked Questions (Sept. 2024), <https://agents.floodsmart.gov/sites/default/files/media/document/2025-07/fema-nfip-community-rating-system-discount-faq-09-2024.pdf>.

⁸Cong. Research Serv., IF10988, National Flood Insurance Program: Selected Issues and Legislation (2024), <https://www.congress.gov/crs-product/IF10988>.

⁹Id.

legacy debt and reset the program financially so it can price risk more rationally and invest in forward-looking mitigation.

Advance Affordability—The Core Priority

Risk-based pricing is actuarially important, but unaffordable premiums undermine coverage and resilience. Lower-income households are less likely to carry flood insurance despite often living in higher-risk areas, leaving them financially vulnerable and increasing federal disaster assistance costs.

Affordability requires a two-part strategy. First, invest in mitigation to structurally reduce risk and premiums over time. The 2019 Natural Hazard Mitigation Saves report from the National Institute of Building Sciences (NIBS) found that federal mitigation grants yield a benefit-cost ratio of **\$6 for every \$1 invested** across all hazards.¹⁰ For riverine flood-specific acquisition and buyout grants in particular, the same study found an even higher benefit-cost ratio of approximately **7:1**: the \$11.5 billion in federally funded riverine flood mitigation grants analyzed in that study are projected to ultimately save the United States \$82 billion in avoided property losses, additional living expenses, and other costs.¹¹ We must prioritize repetitive loss and severe repetitive loss properties, scale buyouts and property-level mitigation, and expand federal-state-local financing tools including revolving mitigation funds and pre-disaster grants.

Second, create means-tested assistance for households facing genuine hardship. For many families, actuarially sound premiums represent unaffordable burdens that force impossible choices. Policy tools should include means-tested premium assistance or vouchers, monthly payment options, and protections prioritizing primary residences over investment properties. Affordability support should be targeted, transparent, and time-limited where possible—but it is essential to maintaining coverage and community resilience.

¹⁰Multi-Hazard Mitigation Council, Nat'l Inst. of Bldg. Sci., *Natural Hazard Mitigation Saves: 2019 Report 2–3* (Dec. 2019) [hereinafter NIBS 2019], https://nibs.org/wp-content/uploads/2025/04/NIBS_MMC_MitigationSaves_2019.pdf. The 2019 report found a benefit-cost ratio (BCR) of 6:1 for federal mitigation grants, and a BCR of 7:1 specifically for federally funded riverine flood acquisition grants.

¹¹Nat'l Inst. of Bldg. Sci., *Mitigation Saves up to \$13 per \$1 Invested* (Apr. 2025), https://nibs.org/wp-content/uploads/2025/04/ms_v4_overview.pdf.

Address Multiple Loss Properties Directly

A small share of properties is driving outsized fiscal exposure. Over a 30-year period, FEMA helped communities mitigate more than 50,000 properties; however, the number of nonmitigated repetitive loss properties grew.¹² Rebuilding repeatedly flooded homes in place perpetuates household instability and program losses. Congress should prioritize voluntary buyouts and relocation, establish mandatory mitigation pathways after repeated claims, and support stronger land-use restrictions in the highest-risk areas. We cannot insure our way out of repeatedly flooded properties—we must reduce exposure.

Improve Flood Risk Disclosure

Effective risk reduction requires that property owners, renters, and prospective buyers can access accurate, actionable information about flood risk. Currently, flood risk disclosure requirements vary dramatically across states, and many households purchase or rent properties without understanding the true risk of flooding or the cost implications for insurance.¹³ This gap in disclosure perpetuates the concentration of uninsured and underinsured households in high-risk areas and undermines the market signals necessary for rational investment and risk management decisions.

Federal standards for flood risk disclosure at the point of sale and lease would better equip households to make informed decisions, reduce surprise losses, and help align private market behaviors with true risk. Research has documented that flood damage to properties imposes significant unpriced costs on homeowners and mortgage lenders that are not fully reflected in purchase prices or standard insurance requirements.¹⁴ Disclosure reform, paired with improved

¹²U.S. Gov't Accountability Office, GAO-20-509, *National Flood Insurance Program: Congress Should Consider Updating the Mandatory Purchase Requirement* (2020), <https://www.gao.gov/products/gao-20-509>.

¹³Anna Weber, Natural Res. Def. Council, *Losing (More) Ground: Updated Severe Repetitive Loss Data* (Jan. 8, 2024), <https://www.nrdc.org/bio/anna-weber/losing-more-ground-updated-severe-repetitive-loss-data>.

¹⁴D.D. Evans, L.A. Hunley & B. Katz, *Unpriced Costs of Flooding: An Emerging Risk for Homeowners and Lenders*, Milliman Insight (Jan. 28, 2022), <https://us.milliman.com/en/insight/Unpriced-costs-of-flooding-an-emerging-risk-for-homeowners-and-lenders>.

mapping and insurance transparency, is a low-cost, high-impact complement to the structural NFIP reforms described above.

Conclusion

The three bills under consideration—H.R. 6256 (Floodplain Enhancement and Recovery Act), the proposal to prohibit NFIP coverage for severe repetitive loss properties, and the Community Flood Resilience Act—collectively signal recognition that the current approach—perpetually subsidizing risk without reducing it—is fiscally and socially unsustainable. However, the central principle must guide all three: the federal government should not indefinitely subsidize risk, but it must actively manage the transition out of it.

NFIP reform must deliver three outcomes: a financially stable program through structural reform; real risk reduction through a mitigation-first strategy; and affordable coverage for households through means-tested support. If we fail to act, we will continue a cycle of rising costs, declining coverage, and increasing taxpayer exposure. If we get this right, we can build a system that protects both policyholders and the federal balance sheet.

Thank you, and I welcome your questions.