



STATEMENT

OF

DAVID MAURSTAD

ASSISTANT ADMINISTRATOR, FEDERAL INSURANCE DIRECTORATE
FEDERAL EMERGENCY MANAGEMENT AGENCY
U.S. DEPARTMENT OF HOMELAND SECURITY

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UNITED STATES HOUSE OF REPRESENTATIVES

“The Reauthorization of the National Flood Insurance Program: FEMA’s Perspective”

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Good morning, Chairman Davidson, Ranking Member Cleaver, and other members of the Subcommittee. My name is David Maurstad, and I am the Assistant Administrator for the Federal Insurance Directorate and Senior Executive of the National Flood Insurance Program (NFIP) at the Federal Emergency Management Agency (FEMA). I thank you for the opportunity to testify today in support of reauthorization and reform of FEMA's NFIP.

Flooding is the most common and costly natural hazard in the United States, and has occurred in more than 98% of counties and territories in the country over time. Although just one inch of flood water can cause up to \$25,000 of damage in a home, flooding is not covered under most homeowners' standard insurance policies. With more frequent and intense flood events occurring, flood risk is becoming more severe across the nation. In Calendar Year 2022, the NFIP paid over \$3.8 billion to policyholders for flood damage. Flooding also results from many disasters, and we continue to see not just riverine and coastal flooding, but flooding in burn areas that have recently experienced wildland fires and from torrential rainfall as well.

Every year, thousands of families across the country are affected by these incidents. Families that live at the margins struggle with recovery the most and are usually the last to recover if ever. Flood insurance is an essential part of that recovery. I respectfully request that Congress expeditiously reauthorize and reform the NFIP to ensure the long-term viability of this essential program, along the lines that I will describe.

Congress established the NFIP in 1968 to encourage communities to make wise land-use decisions, and, in return for the community enacting floodplain management ordinances consistent with federal standards, the NFIP makes available flood insurance that allows people to protect homes in flood-prone areas.

For more than 50 years, the NFIP has been critical to the nation's resilience, however, much of the NFIP continues to operate on a construct developed over 50 years ago. Today, as our changing climate poses a serious threat to our nation and as the number and severity of disasters continue to grow, the NFIP requires structural changes.

On September 30, 2023, the NFIP's statutory authority to sell and renew flood insurance policies will expire. Since the NFIP's last multi-year reauthorization expired on September 30, 2017, the NFIP has experienced 25 short-term extensions and 3 brief lapses. The short-term extensions are disruptive and cause existing and potential policyholders to lose confidence in the NFIP.

To maintain this vital program and to rebuild and retain the trust of millions of Americans who rely on the NFIP, a multi-year reauthorization with comprehensive program reforms is imperative.

Last year, the Administration submitted 17 reform proposals embodying certain foundational principles that we believe should drive NFIP reform. And we will be submitting the proposals again this Congress. Today, I will speak to four of these key principles: ensure more Americans are covered by flood insurance, build the nation's climate resilience, reduce disaster suffering, and establish a sound and transparent financial framework for the NFIP.

First, ensure that more Americans are covered by flood insurance by making insurance more affordable to low- and moderate-income policyholders. Flood insurance is unaffordable for some low- and moderate-income policyholders. Under the current law, FEMA does not have the authority to establish and charge premiums based on a policyholder's ability to pay. Although the NFIP currently offers mandatory discounts and cross-subsidies based on factors unrelated to risk, those discounts and subsidies do not take into consideration the policyholder's financial need and, in fact, can make risk communication difficult; people may equate lower cost with lower risk. Reforms that address affordability, such as the use of a targeted assistance program, can offer low- and moderate-income, current and prospective NFIP policyholders a graduated risk premium discount while providing them with knowledge of the full-risk price to communicate a property's true flood risk.

Second, build the nation's climate resilience by communicating risk in real time and providing Americans with tools to manage flood risk. NFIP can expand the ways it communicates risk to current and prospective policyholders through reforms that increase the scale and frequency of flood mapping and incorporate emerging priorities and technologies into the flood hazard and flood risk identification. Anywhere it rains, it can flood, and raising awareness of true flood risk enables people to make informed decisions about their family and property. Home buyers and renters may lack awareness about flood risk when they complete real estate transactions. Reforms that would require states to establish minimum flood-risk reporting obligations for sellers and lessors before residential transactions close would address this challenge. As climate change continues to make disasters more frequent and intense, it is vital that we provide people with the tools they need to protect themselves financially as well as physically.

Additionally, we need to reform how we measure and communicate flood risk. The nation's evolving risks require flood hazard information that is more robust than the special flood hazard area (SFHA) and 1-percent annual chance flood elevation.

Third, reduce disaster suffering and mitigate risk by addressing extreme repetitive loss properties. Previous losses are a significant indicator of risk, meaning that if a property flooded before, there is a high likelihood that it will flood again. Since 1978, over 350,000 structures have had two or more paid losses and more than 3,000 structures have suffered 10 or more losses. The NFIP must have better tools to address insured structures that have experienced multiple flood claims. These repetitive loss and severe repetitive loss properties are responsible for a disproportionate share of overall losses and have a high risk of future flooding. About 2.6% of insured properties are considered unmitigated repetitive loss properties. Continuing to cover these types of structures without question contributes to the NFIP's financial challenges and can increase the risk that families living in those structures will face threats to their lives, health, and safety. Reforming the NFIP to institute an objective threshold to deny coverage to the most egregiously flood-prone structures would discourage unmitigated rebuilding in areas with a history of flooding and reduce financial risk to the NFIP, while ensuring that coverage is still widely available to individuals, families, and businesses who might not be eligible for private market coverage.

Fourth, institute a sound financial framework that allows the NFIP to balance affordability and fiscal soundness. Without this in place, the longevity and sustainability of the program is at risk. Congress authorized FEMA to borrow from the U.S. Treasury up to \$30 billion to pay claims. The NFIP currently carries \$20.5 billion in debt to the U.S. Treasury and anticipates paying \$619 million in interest expenses in Fiscal Year 2023 – this means we are using current premiums to pay for past claims. As currently structured, the program is unable to pay this debt back in full. Canceling the NFIP’s debt provides the program with a solid foundation that can support financial reforms around borrowing authorities, future interest, enhanced liquidity, and an “upper limit” for the size of an NFIP event. These types of reforms address fundamental structural challenges and are essential to building a viable NFIP.

It is critical that Congress provide urgently needed multi-year reauthorization and concurrently reform the NFIP. Comprehensive and transformative reform is necessary to transition the NFIP to a sustainable program that balances affordability and fiscal soundness, builds climate resilience, and reduces risk, loss, and disaster suffering.

On behalf of the Administration, FEMA looks forward to working with Congress to develop a long-term solution that addresses the needs of the NFIP, its policyholders, and the nation.

Thank you again for the opportunity to discuss this important issue, and I would be pleased to answer any questions that you may have.