

HOUSE FINANCIAL SERVICES SUBCOMMITTEE CONSIDERS NFIP REAUTHORIZATION

EXECUTIVE SUMMARY

Today, the House Financial Services Subcommittee on Housing and Insurance held a [hearing \(memorandum\)](#) to consider the reauthorization of the National Flood Insurance Program (NFIP) with **Mr. David Maurstad**, Assistant Administrator of the Federal Insurance Directorate at the Federal Emergency Management Agency (FEMA). All committee members and Mr. Maurstad agreed on the necessity of a long-term reauthorization of the NFIP with reforms to the Program's financial organization and its services to policyholders, however, no specific legislation was discussed during the hearing. There was also significant debate surrounding FEMA's use of its Risk Rating 2.0 tool to determine policy premiums, as several committee members from both sides of the aisle raised concerns that their constituents' premiums were increasing without sufficient explanation from the NFIP.

OPENING STATEMENTS

Subcommittee Chair Warren Davidson (R-OH) expressed concerns with the state of the NFIP as it is currently \$20.5 billion in debt, noting that reauthorization legislation could provide an opportunity to implement reforms to the program. He stated that Congress must assume a greater role in overseeing the NFIP following a long period of short-term reauthorizations that have maintained the status quo. Chair Davidson highlighted his own legislation, the National Flood Insurance Program Extension Act ([H.R.1392](#)), which is a short-term extension of the Program's authority to provide more time to develop comprehensive reauthorization proposals. The Chair also characterized the Risk Rating 2.0 tool adopted by FEMA as a "good first step" towards long-term NFIP viability.

Subcommittee Ranking Member Emanuel Cleaver (D-MO) warned that natural disasters such as hurricanes are growing stronger and more frequent, resulting in costlier flooding. He argued that the current NFIP is "fiscally unsustainable" in the wake of increasing flooding risks. The Ranking Member expressed support for bipartisan cooperation on flood insurance reform policies.

Full Committee Chair Patrick McHenry (R-NC) emphasized the need for comprehensive reforms to the NFIP.

Full Committee Ranking Member Maxine Waters (D-CA) cautioned against a "clean" reauthorization of the Program that would maintain the status quo for flood insurance.

WITNESS TESTIMONY

Mr. David Maurstad ([testimony](#)), Assistant Administrator of the Federal Insurance Directorate at the Federal Emergency Management Agency (FEMA), explained that short-term reauthorizations to the Program are disruptive and have led to three brief lapses in policy coverage. He stated that a 10-year reauthorization with reforms is critical to improving operations, citing FEMA's [policy proposals](#) to Congress for consideration. Mr. Maurstad shared four principles that guide these proposals: (1) ensure that more homes are covered by flood insurance by making insurance more affordable to low- and moderate-income policyholders; (2) build the nation's climate resilience by communicating risk in real time and providing Americans with tools to manage flood risk; (3) reduce disaster suffering and mitigate risk by addressing extreme repetitive loss properties; and (4) institute a sound financial framework that allows the NFIP to balance affordability and fiscal soundness.

DISCUSSION AND QUESTIONS

General NFIP Operations

- Chair Davidson inquired about the NFIP's future absent reforms from a longer-term reauthorization effort. Mr. Maurstad explained that if no actions are taken, there is a two percent chance that the NFIP will reduce its deficit in the next 10 years. If FEMA's proposals are adopted, the chance of deficit reduction is 81 percent, according to Mr. Maurstad's projection.
- Ranking Member Cleaver and Mr. Maurstad discussed FEMA's proposals to enhance affordability for lower-income policyholders including a means-tested assistance program.
- **Rep. Scott Fitzgerald (R-WI)** questioned the possibility of NFIP offering direct-to-consumer flood insurance plans. Mr. Maurstad noted that FEMA is exploring a direct-to-consumer-model but emphasized that insurance agents would still play a role in that process to provide assistance to individual policyholders.
- In response to a question from Ranking Member Waters, Mr. Maurstad acknowledged that cancellation of the NFIP's current debt is one of FEMA's legislative proposals in order to establish a sound financial foundation for reforms.
- Ranking Member Waters inquired about the NFIP's work of balancing competing demands for resources from various regions of the country. Mr. Maurstad commented that FEMA works with its regional offices to identify flood-prone communities that might face more risk than other areas.
- **Rep. Nydia Velázquez (D-NY)** and Mr. Maurstad agreed that short-term extensions of the NFIP create the risk for future lapses in policy coverage.
- **Rep. Bill Posey (R-FL)** expressed concerns with the high costs of developing flood maps and proposed that FEMA use existing maps from other federal agencies such as the Department of Defense.
- **Rep. Rashida Tlaib (D-MI)** and Mr. Maurstad discussed FEMA's proposals to expand flood insurance policies to low-income families.

- **Rep. Brittany Pettersen (D-CO)** asked how FEMA's [Flood After Fire](#) outreach program educates families on the flooding risks that develop after wildfires. Mr. Maurstad noted that this program has been effective so far in providing resources to allow families in communities that experience wildfires to purchase flood insurance, and FEMA plans to continue the program.
- In response to an inquiry from Rep. Pettersen, Maurstad emphasized that a federally mandated flood risk disclosure would be beneficial to renters and homeowners.
- **Reps. Nikema Williams (D-GA) and Sylvia Garcia (D-TX)** both inquired as to whether FEMA has fully developed its proposed means-tested assistance programs. Mr. Maurstad stated that FEMA has only outlined the program so far, but Congress could launch means-tested assistance by mandating regulations through a broader reauthorization package.
- **Rep. Ritchie Torres (D-NY)** asked whether FEMA tracks the noncompliance of homes purchased with federal loans that do not hold mandatory NFIP policies, to which Mr. Maurstad responded that the agency does not. He said that the individual third-party lenders would have that data.

Risk Rating 2.0

- In response to a request from Chair Davidson to describe the NFIP's current flood mapping appeals process under Risk Rating 2.0, Mr. Maurstad stated that policyholders can engage with their local governments to ensure that their community is accurately represented in the flood map. He added that policyholders can also contact FEMA directly to request a flood map amendment.
- **Rep. Monica De La Cruz (R-TX)** asked how the NFIP plans to more efficiently provide accurate premiums, to which Mr. Maurstad responded that Risk Rating 2.0 has streamlined the premium development process.
- When prompted by Rep. Velázquez, Mr. Maurstad committed to exploring the analysis of Risk Rating 2.0 data for multifamily housing units that is separate from data on single-family homes.
- **Reps. Posey, Andrew Garbarino (R-NY), and Ritchie Torres (D-NY)** all requested additional information on the data algorithms that produce Risk Rating 2.0 policies, but Mr. Maurstad contended that FEMA has already provided documents outlining the algorithm. Mr. Maurstad did acknowledge that the Government Accountability Office (GAO) is currently conducting a review of Risk Rating 2.0 that should conclude in the next few months.
- **Rep. Mike Lawler (R-NY)** asked how FEMA will balance its aims of financial solvency and affordable insurance coverage as some premiums have increased following implementation of Risk Rating 2.0. Mr. Maurstad countered that the total cost of premiums following Risk Rating 2.0 has not increased, explaining that individual policies have changed with the tool's use of risk analysis.

Private Flood Insurance Market

- Ranking Member Cleaver questioned how the NFIP assists homeowners who have lost private flood insurance coverage after experiencing severe flooding. Mr. Maurstad said that

the NFIP seeks to close the gap of uninsured homeowners and could allow NFIP policyholders who explore private market coverage to return to their original federal policies if FEMA's legislative proposals are enacted.

- In response to a question from **Rep. Erin Houchin (R-IN)**, Mr. Maurstad stated that FEMA's legislative proposals would support the growth of the private market.

Other

- **Rep. Steven Horsford (D-NV)** used his time to urge the committee to hold a hearing on housing access and affordability.