

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: March 13, 2017

Subject: March 16, 2017, Housing and Insurance Subcommittee Hearing Entitled
“Flood Insurance Reform: A Community Perspective”

On Thursday, March 16, 2017, at 2:00 p.m. in Room 2128 of the Rayburn House Office Building, the Housing and Insurance Subcommittee will hold a hearing entitled “Flood Insurance Reform: A Community Perspective.” This hearing will examine the National Flood Insurance Program (NFIP). Accordingly, witnesses will provide a community-level perspective on flood insurance, including reforms to the NFIP that would provide more transparency in claims processes and payments, better encourage flood resiliency, and further develop a private flood insurance market that compliments or exceeds the current NFIP model.

This will be a one-panel hearing with the following witness:

- Ms. Melissa H. Luckman, Esq., Assistant Clinical Visiting Professor of Law and Director of the Disaster Relief Clinic, Touro Law Center
- Mr. Aram V. Terchunian, President, First Coast Corporation
- Mr. Chad Berginnis, Executive Director, Association of State Floodplain Managers
- Mr. Evan Hecht, CEO, The Flood Insurance Agency

Background on the NFIP

In 1968, Congress created the NFIP, which is administered by the Federal Emergency Management Authority (FEMA) and provides flood insurance to policyholders in the United States and its territories. Residents and business owners in participating communities are able to buy flood insurance through insurance agents and companies that participate as third-party administrators in the NFIP’s Write Your Own (WYO) program.

Property owners can purchase flood insurance through the NFIP only if their communities participate in the NFIP. To participate in the NFIP, communities must agree to mitigate flood risks. For example, participating communities must adopt building codes that require new structures built in floodplains (high-risk areas) to be protected against flooding or to be elevated above the 100-year floodplain level. FEMA calculates flood insurance premiums according to average expected annual losses resulting from a natural disaster event with a probability of occurring once every 100 years.

Currently, the NFIP has about 5.1 million policies providing over \$1.2 trillion in coverage in 22,235 communities in all 50 states and 6 territories. The NFIP has an outstanding debt of \$24.6 billion borrowed from taxpayers, with \$5.825 billion remaining of its total temporary \$30.425 billion Treasury borrowing authority.