

## MEMORANDUM

**To:** Members of the Committee on Financial Services

**From:** FSC Majority Staff

**Date:** January 7, 2016

**Subject:** January 12, 2016, Housing and Insurance Subcommittee Hearing Entitled “Opportunities and Challenges Facing the National Flood Insurance Program”

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On Tuesday, January 12, 2016, at 10:00 a.m. in Room 2128 of the Rayburn House Office Building, the Housing and Insurance Subcommittee will hold a hearing entitled “Opportunities and Challenges Facing the National Flood Insurance Program.” This hearing will examine the National Flood Insurance Program (NFIP). Accordingly, it will provide an opportunity to review the current government flood insurance model, the technological changes since 1968 that could improve the NFIP, and how the private sector could develop a private flood insurance market that compliments the current NFIP model.

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

- Stephen Ellis, Vice President, Taxpayers for Common Sense
- Christopher W. Heidrick, Heidrick & Company Insurance and Risk Management Services, LLC, on behalf of the Independent Insurance Agents and Brokers of America, Inc.
- Patty Templeton-Jones, Executive Vice President and Chief Program Advocate, Wright National Flood Insurance Company, on behalf of the Property Casualty Insurers Association of America ; and
- Tom Woods, 2015 Chairman of the Board, National Association of Home Builders

### **Background on the National Flood Insurance Program**

In 1968, Congress created the National Flood Insurance Program (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 5.3 million policies providing over \$1.3 trillion in coverage in almost 22,000 communities in 56 jurisdictions that participate in the program.<sup>1</sup> As of October 2015, the NFIP had an outstanding debt of \$23 billion borrowed from the U.S. Treasury, with \$7.425 billion remaining of its total temporary \$30.425 billion Treasury borrowing authority.

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<sup>1</sup> Testimony of Brad Kieserman, Deputy Associate Administrator for Federal Insurance, Federal Insurance and Mitigation Administration, Federal Emergency Management Agency, “The National Flood Insurance Program: Oversight of Superstorm Sandy Claims,” hearing before the Financial Services Subcommittee on Housing and Insurance, June 2, 2015, *available at* <http://financialservices.house.gov/uploadedfiles/hhrg-114-ba04-wstate-bkieserman-20150602.pdf>