

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: March 6, 2017

Subject: March 9, 2017, Housing and Insurance Subcommittee Hearing Entitled “Flood Insurance Reform: FEMA’s Perspective”

On Thursday, March 9, 2017, at 10:00 a.m. in Room 2128 of the Rayburn House Office Building, the Housing and Insurance Subcommittee will hold a hearing entitled “Flood Insurance Reform: FEMA’s Perspective.” 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 witness:

- Mr. Roy Wright, Deputy Associate Administrator, Federal Insurance and Mitigation Administration, Federal Emergency Management Agency, U.S. Department of Homeland Security

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.

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Currently, the NFIP has about 5.1 million policies providing over \$1.2 trillion in coverage in almost 22,000 communities in 56 jurisdictions. 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.