OPEN LETTER TO CONGRESS: Protect Taxpayers by Enacting Free Market Reforms to the National Flood Insurance Program

Dear Senator,

We write to you as representatives of conservative, free-market and taxpayer-protection groups who are deeply concerned that Congress has yet to enact reforms to the unsustainable National Flood Insurance Program.

Statutory authorization for the 50-year-old NFIP was scheduled to expire Sept. 30 and has been extended temporarily as part of subsequent continuing resolutions. Because the program continues to serve a central role in insuring roughly 5 million policyholders nationwide against the risk of flood, we urge the Senate to follow the lead of the House, which in November voted to extend the program for five years as part of H.R. 2874, the 21st Century Flood Reform Act.

However, it is essential that any long-term reauthorization of NFIP must address the structural problems that have led it to borrow in excess of $40 billion from U.S. taxpayers in recent years. A September 2017 report from the Congressional Budget Office finds the program runs an annual structural deficit of $1.4 billion, accruing $5.7 billion in annual costs but just $4.3 billion in annual revenues. Notably, CBO found that 85 percent of NFIP properties exposed to coastal storm surge pay less than the full risk-based rate and that these policies account for most of the program's expected annual shortfall.

The 21st Century Flood Reform Act makes several significant reforms. It would more rapidly phase out subsidies for properties with a history of repetitive losses, which account for just 2 percent of NFIP policies but nearly a quarter of the program's claims. Under the bill, subsidized policies with three or more claims would see premiums rise at least 15 percent annually until they reflect the full risk of loss. Moreover, property owners with cumulative claims that exceed 150 percent of the maximum coverage amount would be denied coverage if they refuse to implement flood-mitigation efforts.

The House-passed bill also would shift more flood risk off the backs of taxpayers and onto private insurance markets. It does this in part by requiring FEMA to purchase reinsurance on an annual basis. Last year, FEMA's $150 million purchase of reinsurance proved a major benefit to taxpayers when the NFIP ended up using all $1.042 billion of coverage. The bill also incorporates a bipartisan proposal identical to Sen. Dean Heller's Flood Insurance Market Parity and Modernization Act, which would clarify that private flood insurance may be used to satisfy federal lending requirements for mortgages in designated flood hazard areas. A July 2017 report from the actuarial firm Milliman found that 69 percent of Louisiana policyholders, 77 percent of Florida policyholders and 92 percent of Texas policyholders could find more affordable options in the private market than through the NFIP.

Other pro-taxpayer provisions of the House-passed legislation include a required annual independent actuarial review of the NFIP, as well as reforms to the Write Your Own program—which the Government Accountability Office has targeted as deficient—that would limit WYO companies' allowance to 27.9 percent of premiums.

Some have criticized the House bill for not doing enough to deal with mitigation and mapping issues. To address any potential shortcomings, we encourage the Senate to enhance the 21st Century Flood Reform Act by including provisions of the Sustainable, Affordable, Fair and Efficient National Flood Insurance Program (SAFE NFIP) Reauthorization Act—cosponsored by Sens. John Kennedy, Marco Rubio and Thad Cochran, among others—that would require FEMA to include property-level elevation data in its mapping by using Light Detection and Ranging (LIDAR) surveys or similar technology. This would not only improve the maps' accuracy, but also would relieve homeowners from having to obtain costly elevation certificates.

We also agree that more can be done to encourage mitigation. In a recent report, the National Institute of Building Sciences found that $6 in future disaster costs are saved for every $1 invested in natural hazard mitigation. We would note that the separate $81 billion disaster assistance bill the House passed in December already sets aside $12 billion in mitigation funding through the Community Development Block Grant program. That legislation would prove a natural pairing with long-term reforms to the NFIP.

We understand the Senate has a full docket. But in light of last year's storms and the program's mounting debt, making effective reforms to the National Flood Insurance Program should be an uncontroversial measure that earns broad support. As the *Wall Street Journal* intoned in a recent editorial, "if Republicans can’t impose even the most modest changes to a drowning federal program, one wonders what the point of a majority is."

Signed,

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