

**WITNESS TESTIMONY HOUSING SUBCOMMITTEE
TWO FLOODS AND YOU ARE OUT OF THE TAXPAYER'S POCKET ACT
JULY 19, 2001
CONGRESSMAN DOUG BEREUTER**

GOOD MORNING. THANK YOU MADAME CHAIRWOMAN FOR HAVING THIS SUBCOMMITTEE HEARING ON THE SUBJECT OF THE NATIONAL FLOOD INSURANCE PROGRAM (NFIP). IN APRIL OF THIS YEAR, CONGRESSMAN EARL BLUMENAUER (D-OR) AND I REINTRODUCED THE "TWO FLOODS AND YOU ARE OUT OF THE TAXPAYER'S POCKET ACT (H.R. 1428)." THIS LEGISLATION, WHICH IS THE SAME LEGISLATION THAT WE INTRODUCED IN THE 106TH CONGRESS, REPRESENTS A CONTINUATION OF MY LONG-TERM INTEREST AND MY PAST EFFORTS IN THE HOUSE TO REDUCE THE EXTRAORDINARY COSTS OF REPETITIVE LOSSES FROM THE NFIP AS ADMINISTERED BY FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA).

AT THE OUTSET, I WOULD LIKE TO THANK MR. BLUMENAUER FOR HIS DEDICATION AND DEVOTION TO THE PRINCIPLES AND DETAILS OF THIS LEGISLATIVE EFFORT. I WOULD ALSO NOTE THAT DURING THE 106TH CONGRESS, FEMA, UNDER THE DIRECTION OF DIRECTOR JAMES LEE WITT, WAS INVOLVED IN ASSISTING US IN DRAFTING OUR LEGISLATION AND WAS SUPPORTIVE OF OUR LEGISLATION. FURTHERMORE, I WOULD ALSO LIKE TO EXTEND MY APPRECIATION TO CONGRESSMAN KEN BENTSEN (D-TX), AND CONGRESSMAN RICHARD BAKER (R-LA), WHO ARE ALSO TESTIFYING TODAY, FOR THEIR EFFORTS AND CONCERN ABOUT THE FUNCTIONING OF THE NFIP.

IF ENACTED, THE "TWO FLOODS AND YOU ARE OUT OF THE TAXPAYER'S POCKET ACT" WILL HELP TURN THE TIDE AGAINST THE HUGE COSTS ASSOCIATED WITH REPETITIVE LOSS PROPERTIES. THE POLICYHOLDERS OF MANY OF THESE REPETITIVE LOSS PROPERTIES ARE CURRENTLY NOT BEING CHARGED THE ACTUARIALLY SOUND RATES UNDER THE NFIP. THIS LEGISLATION ADDRESSES REPETITIVE LOSS PROPERTY IN A SIMPLE, STRAIGHTFORWARD MANNER; THE OWNER OF A REPETITIVE LOSS PROPERTY WILL BE CHARGED THE ACTUARIAL, RISK-BASED RATES FOR THEIR NATIONAL FLOOD INSURANCE POLICY IF TWO CONDITIONS ARE MET. FIRST, TWO OR MORE NFIP CLAIMS MUST HAVE BEEN PAID ON AN INDIVIDUAL

PROPERTY WHICH IS THEREBY DEFINED AS A REPETITIVE LOSS PROPERTY. SECOND, THE POLICYHOLDER OF THE PROPERTY HAS REFUSED A BUYOUT, ELEVATION, OR OTHER FLOOD MITIGATION MEASURE FUNDED BY FEMA.

I SUPPORT H.R. 1428 FOR NUMEROUS REASONS; HOWEVER, THE FOLLOWING REASONS ARE THE MOST SIGNIFICANT GROUNDS FOR MY SUPPORT:

- 1. POLICYHOLDERS OF REPETITIVE LOSS PROPERTIES ARE ABLE TO TAKE ADVANTAGE OF AND ABUSE THE NFIP BY MAKING CLAIM AFTER CLAIM ON THE SAME FLOOD-PRONE PROPERTIES;**
- 2. FEDERAL TAXPAYER MONEY WILL BE SAVED UNDER H.R. 1428 BY REDUCING THE NFIP'S UNPAID DEBT TO THE U.S. TREASURY;**
- 3. THE FEDERAL GOVERNMENT IS ENCOURAGING DEVELOPMENT BY GIVING SUBSIDIZED FLOOD INSURANCE TO THESE HIGH-RISK AREAS;**
- 4. IT IS PREDICTED THAT THE UNITED STATES WILL EXPERIENCE MORE HURRICANES AND OTHER STORMS IN THE IMMEDIATE FUTURE DECADES THEREBY RESULTING IN AN EVEN GREATER NUMBER OF REPETITIVE CLAIMS; AND**
- 5. THERE IS A DEMOGRAPHIC TREND OF INDIVIDUALS LIVING CLOSER TO UNITED STATES COASTLINES WHICH WILL PROBABLY RESULT IN A GREATER NUMBER OF REPETITIVE LOSS CLAIMS.**

TODAY, I WOULD LIKE TO USE THIS OPPORTUNITY TO EXPLAIN, IN GREATER DETAIL, THESE FIVE REASONS FOR MY SUPPORT OF H.R. 1428. FIRST, I SUPPORT THIS LEGISLATION DUE TO THE WIDESPREAD ABUSE AMONG SOME POLICYHOLDERS OF THE NFIP WHO OWN REPETITIVE LOSS PROPERTIES AND WHO ARE NOT PAYING THE ACTUARIAL RATE FOR THEIR FLOOD INSURANCE. FEMA HAD IDENTIFIED OVER 45,000 INSURED PROPERTIES NATIONWIDE UNDER NFIP WHICH WOULD BE CATEGORIZED AS REPETITIVE LOSS PROPERTIES (USING FEMA'S DEFINITION OF TWO OR MORE FLOOD

INSURANCE LOSSES OF \$1,000 OR MORE WITHIN ANY TEN-YEAR PERIOD). OF THESE 45,000 PROPERTIES, APPROXIMATELY 10,000 HAVE EXPERIENCED EITHER FOUR OR MORE FLOOD LOSSES OR TWO TO THREE FLOOD LOSSES THAT CUMULATIVELY EXCEEDED THE VALUE OF THE PROPERTY. THIS SUBSET OF PROPERTIES IS COSTING THE NFIP OVER \$80 MILLION ANNUALLY.

UNDER THE NFIP, A REGIONAL CROSS-SUBSIDY IS FLOWING FROM THE POLICYHOLDERS IN NON-REPETITIVE LOSS AREAS OF THE COUNTRY TO THOSE POLICYHOLDERS IN REPETITIVE LOSS AREAS OF THE COUNTRY. IN FEMA'S DEFENSE, IT DOES NOT HAVE THE CONGRESSIONALLY MANDATED TOOLS TO ADDRESS THE COSTS OF REPETITIVE LOSS. THE "TWO FLOODS AND YOU ARE OUT OF THE TAXPAYER'S POCKET ACT" WILL GIVE FEMA THE AUTHORITATIVE TOOLS TO REDUCE REPETITIVE LOSS AND TO STOP THIS FEDERAL HANDOUT AND COST-SHIFTING TO OTHER NFIP POLICY-HOLDERS.

SECOND, OUR LEGISLATION, H.R. 1428, WILL SAVE FEDERAL TAXPAYERS BY REDUCING THE NFIP UNPAID DEBT TO THE U.S. TREASURY. SINCE 1994, FEMA HAS BEEN FORCED TO BORROW OVER \$2 BILLION FROM THE U.S. TREASURY TO COVER NFIP CLAIMS AND OPERATING EXPENSES.

I CERTAINLY KNOW OF NO PRIVATE INSURANCE COMPANY THAT CAN LONG STAY IN BUSINESS IF IT DISREGARDS GOOD ACTUARIAL PRACTICES. AMERICAN TAXPAYERS ARE PAYING THE COSTS FOR THOSE INDIVIDUALS WHO CHOOSE TO LIVE IN HIGH FLOOD RISK AREAS AND WHO FAIL TO TAKE THE PRUDENT MITIGATION ACTIONS. THIS BILL WILL HELP TO ENSURE THE FUTURE SOLVENCY OF THE NFIP AND TO REDUCE THE NEED FOR THE NFIP TO BORROW FROM THE TREASURY.

MOREOVER, THIS BILL WILL ALSO SAVE SUBSTANTIAL TAXPAYER MONEY IN THE COSTS OF FEDERAL DISASTER RELIEF ASSISTANCE AS MANY PROPERTIES WILL BE BOUGHT OUT, AND REMOVED FROM FEDERAL DISASTER-AID PRONE AREAS. IN ADDITION, H.R. 1428 EXPLICITLY PROVIDES THAT MANY TYPES OF FEDERAL DISASTER RELIEF ASSISTANCE WILL NOT BE GIVEN TO THE OWNERS OF REPETITIVE LOSS PROPERTIES IF THEY REFUSE TO ACCEPT MITIGATION ASSISTANCE.

THIRD, MY SUPPORT FOR THIS LEGISLATION IS BASED ON THE

FACT THAT THE NFIP GIVES SUBSIDIZED FLOOD INSURANCE TO DISASTER PRONE AREAS. THE FEDERAL GOVERNMENT IS ENCOURAGING DEVELOPMENT IN THESE AREAS. THE QUESTION NEEDS TO BE ASKED WHETHER REBUILDING IS MERITED IN REPETITIVE LOSS HIGH RISK AREAS? I BELIEVE IN MANY CASES THE ANSWER WILL BE “NO.”

FOURTH, I SUPPORT H.R. 1428 BECAUSE OF A PREDICTED FUTURE CHANGE IN WEATHER PATTERNS. DR. WILLIAM GRAY, A HIGHLY RESPECTED PROFESSOR OF ATMOSPHERIC SCIENCE AT COLORADO STATE UNIVERSITY, PREDICTED THAT OVER THE NEXT FEW DECADES THE EAST COAST AND GULF COAST WILL BE SUBJECT TO MORE FREQUENT FORCEFUL TROPICAL STORMS, INCLUDING HURRICANES. DUE TO THE NUMBER OF REPETITIVE LOSS PROPERTIES ON THE COASTS, ADDITIONAL HURRICANES WILL RESULT IN HUGE NUMBERS AND AMOUNTS OF ADDITIONAL CLAIMS UNDER THE NFIP. IT IS IMPERATIVE THAT THE NFIP IS CHANGED BEFORE THE EYE OF YET ANOTHER HURRICANE IS UPON US.

LASTLY, THE DEMOGRAPHIC REALITY IS THAT MILLIONS OF AMERICANS FIND THEMSELVES LIVING CLOSER TO AN OCEAN THAN EVER BEFORE. ACCORDING TO THE UNITED STATES CENSUS BUREAU, WITHIN THE NEXT 10 YEARS, 75 PERCENT OF THE UNITED STATES POPULATION WILL LIVE WITHIN 100 MILES OF THE U.S. COASTLINE. DUE TO THIS DEMOGRAPHIC FACTOR, THE TIME IS RIPE TO CHANGE THE RATE STRUCTURE OF THE NFIP NOW.

IN SUMMARY, THE TITLE OF THE LEGISLATION IS “TWO FLOODS AND YOU ARE OUT OF THE TAXPAYER’S POCKET ACT.” WE NEED TO STOP TREADING THROUGH THE WATER OF REPETITIVE LOSS AFTER REPETITIVE LOSS. THIS LEGISLATION IS THE RIGHT THING TO DO AT THE RIGHT TIME. I LOOK FORWARD TO THE OTHER TESTIMONY TODAY AND TO WORKING WITH THE HOUSING SUBCOMMITTEE ON THE REFORM OF THE NATIONAL FLOOD INSURANCE PROGRAM. THANK YOU.