

Opening Statement The Honorable Spencer Bachus at the Hearing entitled "The Flood Insurance Reform and Modernization Act of 2007, H.R. 1682"

June 12, 2007

Thank you, Chairwoman Waters, for holding this important hearing on H.R. 1682, the Flood Insurance Reform and Modernization Act of 2007. Floods are among the most frequent and costly natural disasters in terms of human hardship and economic loss. In fact, 75 percent of federal disaster declarations are related to flooding. Insurance against flooding is generally not available in the private insurance market because the high risk makes the cost too prohibitive.

In the past several years, even before the costly 2005 hurricane season, the Committee on Financial Services has spent a considerable amount of time and effort on legislation to reauthorize and reform the NFIP which led to the enactment of the "Bunning-Bereuter-Blumenauer Flood Insurance Reform Bill of 2004" which reauthorized the NFIP through September 2008.

Claims resulting from Hurricanes Katrina and Rita challenged the solvency of the NFIP and necessitated several additional pieces of legislation in the 109th Congress. In order to pay claims for existing policies, the NFIP was forced to borrow \$17.6 billion from the Treasury, an amount it estimates it will never be able to repay. While the NFIP is designed to be "actuarially sound," it does not collect sufficient premiums to build up reserves for unexpected catastrophes, and approximately 24 percent of policyholders pay subsidized rates.

In addition to the NFIP's financial woes, the 2005 storms shed light on the problem of outdated flood maps, which resulted in many homeowners in the Gulf region being unaware their home was located in a floodplain. Additionally, many homes that experienced flooding from Hurricane Katrina were not located in areas that are currently required to carry flood insurance.

These are just a few of the many issues that will, no doubt, be part of the debate as we consider H.R. 1682, the Flood Insurance Reform and Modernization Act of 2007. Let me commend Chairman Frank, Chairwoman Waters, Ranking Member Judy Biggert and Congressman Richard Baker for their efforts thus far on crafting a bill to address many of the NFIP challenges and I look forward to working with them as we consider this legislation to reform and modernize this important program.

###