**June 13, 2017**

**U.S. House of Representatives**
**Committee on Financial Services Committee**
**2129 Rayburn House Office Building**
**Washington, DC 20515**
**(202) 225-7502**

**RE: Markup of H.R. 1422, H.R. 1558, H.R. 2246, H.R. 2565, H.R. 2868, H.R. 2875 and H.R. 2874**

Chairman Hensarling, Ranking Member Waters and members of the committee,

We write to express our support for the package of bills set to come before the committee to reform and reauthorize the National Flood Insurance Program: H.R. 1422, H.R. 1558, H.R. 2246, H.R. 2565, H.R. 2868, H.R. 2875 and H.R. 2874. These bills represent a comprehensive approach to reform a program that is nearly $25 billion in debt to American taxpayers.

Price signals convey important information in a free market. In the realm of insurance, price signals allow society to better evaluate, mitigate and manage risk. Because the National Flood Insurance Program historically has charged subsidized or otherwise distorted rates for coverage, it has failed to convey accurate information to property owners and developers about the true risks they face, which can have and has had disastrous consequences.

We believe the legislation currently before the committee address many of our highest priorities for NFIP reform, including continuing to move toward risk-based rates; encouraging private sector competition, including by phasing out coverage for mansions and new construction where private insurance options already exist; requiring the NFIP to buy reinsurance and explore other forms of risk transfer to better protect taxpayers; increased attention to mitigation; more accurate mapping; and addressing affordability through targeted state-based programs that will not further harm the program's solvency.

We do not believe encouraging private insurance would result in "cherry-picking" of only the lowest-risk properties. The experience in Florida with its Citizens Property Insurance Corp. takeouts demonstrates that private market companies are interested in higher-risk properties, which offer the opportunity for larger returns. Moreover, the program is already an undiversified high-risk cohort, given that only about

5 percent of U.S. households currently carry flood insurance. Shrinking an already broken and unsustainable program can only benefit taxpayers.

While there are some provisions that give us concern, particularly the proposal to cap the rate charged to any individual policy at $10,000 per year, taken together, these bills represent significant progress in addressing serious issues in the National Flood Insurance Program, which has been on the Government Accountability Office's high-risk list every year since 2006.

Sincerely,

R.J. Lehmann
Senior Fellow
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Steve Ellis
Vice President
Taxpayers for Common Sense