

October 25, 2018

The Honorable Paul D. Ryan
Speaker
U.S. House of Representatives
H-232 The Capitol
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
H-204 The Capitol
Washington, DC 20515

Dear Speaker Ryan and Leader Pelosi:

The undersigned organizations write in support of H.R. 5381, the “Government Risk and Taxpayer Exposure Reduction Act of 2018” or the “GRATER Act of 2018,” and we ask that the House pass the bill as a stand-alone measure or part of other legislation. The House Oversight and Government Reform Committee passed the bill by voice vote on September 27. The bill would require an evaluation of federal risk and potential risk transfer opportunities while encouraging initiatives to transfer federal risk to the capital markets and reinsurance where appropriate and authorized by law. As a result of any risk transfer, the bill intends that federal program beneficiaries, taxpayers, federally-backed programs, and the private sector would benefit.

If the bill is fully realized, federal program beneficiaries likely would benefit from improved program risk management and funding certainty, particularly in the aftermath of anomalous events resulting in the need for unanticipated and unappropriated, increased costs. Taxpayers would be relieved from carrying the full financial burden of risks currently retained by the federal government. The capital markets and reinsurance can help federal programs and operations improve risk-management, resilience, and to deleverage through risk-sharing, reducing both liability and cost. Finally, the private sector assuming appropriate federally-backed risk can more effectively manage this risk by better leveraging, investing, diversifying, and growing federal resources.

Private sector businesses, families, and individuals have utilized de-risking opportunities provided by private capital. In recent years, some U.S. federal programs also prudently have used some of these same opportunities to reduce risk. By way of example, under the previous and current Administrations, Federal Emergency Management Agency’s (FEMA) National Flood Insurance Program (NFIP); the Federal Housing Finance Agency’s (FHFA) credit risk transfer programs (CRT) for the Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac; and the Export-Import Bank of the United States (EXIM) have launched risk transfer programs. Most notably, the 2017 NFIP risk transfer program, in the aftermath of the 2017 catastrophic storms, resulted in private reinsurers paying out \$1.042 billion to the NFIP. These programs potentially can serve as a model for other federal programs and risks ultimately borne by the taxpayer.

The undersigned organizations are poised to work with you, Congress, and the Administration to maximize utilization of the private market where it is willing and able to assume risk.

Americans for Tax Reform (ATR)

Center for Freedom and Prosperity (CF&P)

FreedomWorks

National Taxpayers Union (NTU)

R Street Institute (“R Street”)

Reinsurance Association of America (RAA)

Taxpayers for Common Sense (TCS)

The American Consumer Institute

The Council of Insurance Agents & Brokers (CIAB)