



FEMA

The Honorable Jeb Hensarling
United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

March 6, 2017

Dear Chairman Hensarling:

Thank you for your correspondence dated February 28, 2017, to the Department of Homeland Security, Federal Emergency Management Agency (FEMA). In your letter, you requested data related to the current financial costs of NFIP annual premiums on homeowners. Please find our response to your questions below:

- 1) *As of the end of 2016, what was the total number of contracts for flood insurance that the NFIP had in force for residential policyholders residing in one- to four-unit family homes?*
The NFIP had 3,593,977 one- to four-unit residential contracts in force at the end of 2016.
- 2) *Of that amount, what percentage of those contract holders paid annual premiums of \$2,000 or less in 2016?*
94.1% of one- to four-unit family residential contract holders paid \$2,000 or less in premiums in 2016.
- 3) *Of that amount, what percentage of those contract holders paid annual premiums of \$5,000 or less in 2016?*
99.6% of one- to four-unit family residential contract holders paid \$5,000 or less in premiums in 2016.
- 4) *What is the total number of contract holders who paid annual premiums in excess of \$10,000 in 2016, and what percentage of those contracts were for 1-4 family residences?*
There were 11,879 contract holders who paid \$10,000 or more in premiums in 2016, of these contracts 7.0% insured one- to four-unit family residences.

Please note that premiums include community rating system adjustments as well as Increased Cost of Compliance premiums, but exclude fees and surcharges. The cost of a flood insurance policy, borne by the policyholder, would include fees and surcharges.

I hope this information is helpful to you in addressing your concerns. If you need additional information or assistance, please have a member of your staff contact FEMA's Congressional Affairs Division at (202) 646-4500.

Sincerely,

Roy H. Wright
Deputy Associate Administrator for Federal Insurance

The Honorable Jeb Hensarling
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cc: Regional Administrator, FEMA Region III



FEMA

March 14, 2017

The Honorable Jeb Hensarling
Chairman, Committee on Financial Services
United States House of Representatives

2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Hensarling:

Thank you for your correspondence dated March 9, 2017, to the Department of Homeland Security, Federal Emergency Management Agency (FEMA). In your letter, you requested data related to the current financial costs of National Flood Insurance Program (NFIP) annual premiums on homeowners. Please find our response to your questions below:

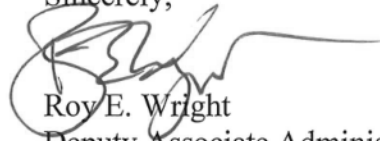
- 1) *As of the end of 2016, what was the total number of contracts for flood insurance that the NFIP had in force for residential policyholders residing in one- to four-unit family homes?*
The NFIP had 3,593,977 one- to four-unit residential contracts in force at the end of 2016.
- 2) *Of that amount, what percentage of those contract holders paid annual premiums of \$2,000 or less in 2016?*
94.1% of one- to four-unit family residential contract holders paid \$2,000 or less in premiums in 2016.
- 3) *Of that amount, what percentage of those contract holders paid annual premiums of \$5,000 or less in 2016?*
99.6% of one- to four-unit family residential contract holders paid \$5,000 or less in premiums in 2016.
- 4) *Of that amount, what is the total number of those contract holders who paid annual premiums in excess of \$10,000 in 2016, and what percentage of the total number contract holders residing in one- to four- unit family homes did they comprise?*
There were 11,879 contract holders who paid \$10,000 or more in premiums in 2016, of which 830 were contracts on 1-4 family homes. Of the 3,593,977 total contracts on 1-4 family homes, 0.023% pay a premium of \$10,000 or more. Please note that 1-4 family homes does not include all individual condo units.

Premiums include community rating system adjustments as well as Increased Cost of Compliance premiums, but exclude fees and surcharges. The cost of a flood insurance policy, borne by the policyholder, would include fees and surcharges.

The Honorable Jeb Hensarling
Page 2

I hope this information is helpful to you in addressing your concerns. If you need additional information or assistance, please have a member of your staff contact FEMA's Congressional Affairs Division at (202) 646-4500.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy E. Wright", with a long horizontal flourish extending to the right.

Roy E. Wright
Deputy Associate Administrator
for Insurance and Mitigation

cc: Regional Administrator, FEMA Region III

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

March 31, 2017

The Honorable W. Craig Fugate
Administrator
U.S. Department of Homeland Security
Federal Emergency Management Agency
500 C Street SW
Washington, D.C. 20472

Dear Administrator Fugate:

Re: Committee Intent to Control Congressional Records

I write on behalf of the Committee on Financial Services of the U.S. House of Representatives ("Committee") to inform you and the Federal Emergency Management Agency ("Agency") of the Committee's practices and procedures during the 115th Congress.

As you may be aware, the Committee has legislative and oversight jurisdiction over the Agency, pursuant to U.S. House of Representatives Rule X.1(h). Accordingly, the Committee's Members and staff may communicate with you and your Agency in connection with various legislative, oversight, and investigative matters. Because of the often sensitive and confidential nature of such communications, and in order to ensure the unfettered flow of information necessary to assist the Committee in performing its important legislative and oversight functions, the Committee intends to retain control of all such communications, and will be entrusting them to your agency only for use in handling those matters. Likewise, any documents created or compiled by your agency in connection with any responses to such Committee communications, including but not limited to any replies to the Committee, are also records of the Committee and remain subject to the Committee's control.

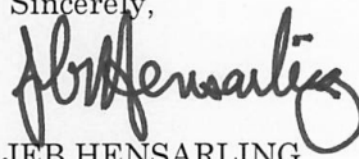
All such documents and communications constitute congressional records, not "agency records," for purposes of the Freedom of Information Act, and remain subject to congressional control even when in the physical possession of the Agency. As such, they should be segregated from agency records, and access to them should be limited to Agency personnel who need such access for purposes of providing information or assistance to the Committee. Additionally, such congressional records are subject to the absolute protections of the Speech or Debate Clause of the Constitution, U.S. Const. art. I, § 6, cl. 1.

Accordingly, the Committee expects that the Agency will decline to produce any such congressional records in response to a request under the Freedom of Information Act or any other provision of law or agreement, on the grounds that such documents (i) are not the Agency's documents to produce, and (ii) are constitutionally privileged, in addition to any other grounds the Agency may assert.

It is the Committee's policy to include a legend on its legislative, oversight, and investigative correspondence to the Agency reflecting its intent to retain control of all such communications and responsive documents. The legend is included as a matter of best practice, but accidental failure to include the legend on a particular legislative, oversight, or investigative communication is immaterial, because the Committee intends to retain control over all such communications and any documents created or compiled in response thereto.

To ensure that the Agency and the Committee efficiently communicate in the future regarding the maintenance, confidentiality, and disposition of the Committee's congressional records, by no later than April 28, 2017, please respond to the Committee in writing to confirm that your Agency will decline to produce any congressional records in response to a request under the Freedom of Information Act or any other provision of law or agreement, that your Agency will discuss said request with the Committee, that your Agency has policies and procedures in place to address this issue, and that these policies and procedures have been shared with appropriate Agency personnel. If you have any questions regarding this request, please have your staff contact Brett Sisto of the Committee staff at (202) 225-7502. We look forward to working with them in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeb Hensarling", written over the printed name.

JEB HENSARLING
Chairman

cc: The Honorable Maxine Waters, Ranking Member



FEMA

February 17, 2017

The Honorable Maxine Waters
U.S. House of Representatives
Washington, DC 20515

Dear Representative Waters:

Thank you for your letter of January 11, 2017, seeking a better understanding of the present limited restriction against National Flood Insurance Program (NFIP) participating carriers selling competing flood insurance policies for coverages available under the NFIP. We very much appreciate your ongoing support for the NFIP.

Under the present Financial Assistance/Subsidy Arrangement (Arrangement) between FEMA and the Write Your Own (WYO) companies, the NFIP markets and promotes flood insurance. This Arrangement drives potential policyholders to the WYOs to sell and service the NFIP policies for a pre-determined fee and without any underwriting or loss risk to the WYO.

As you have noted in your letter, the limited restriction against allowing WYOs to sell certain competing products is a longstanding condition of participation in the NFIP. Article XIII, the "Restriction on Other Flood Insurance", of the Arrangement has existed in a substantially similar form since the creation of the Write Your Own program and the first Arrangement was published in 1984.

Because the Arrangement is strictly between FEMA and the WYO companies, it places no restriction on licensed insurance agents—who are the point of sale for consumers. Independent agents can sell whatever flood insurance product they choose to their customers. There are WYO companies today that sell and service products that are in excess of the NFIP policy. In some cases, WYO companies offer a non-NFIP endorsement to a homeowner policy. FEMA supports all of those instances, because our primary concern is to ensure all individuals are adequately insured commensurate to their flood risk, regardless of insurance type.

The Restriction on Other Flood Insurance has a strong historical basis:

- NFIP policyholder data generated and used by WYOs constitute federal records subject to the Privacy Act of 1974. The Privacy Act prohibits the Government from disclosing personally-identifiable information to external entities.

- While WYOs have access to NFIP policyholder data for the limited purpose of selling and administering federal flood insurance, removing the Arrangement's Restriction on Other Flood Insurance would not negate the Privacy Act limitations on the use of personally-identifiable information in the sale of private flood insurance. We anticipate that WYOs may be encouraged to share NFIP policyholder data with affiliates for the purpose of marketing and selling private lines of flood insurance. Several WYOs have expressed an interest in using NFIP policyholder data to model flood risk and develop other insurance products.
- The limitation exists to ensure the NFIP does not become the "insurer of last resort." The NFIP is in a unique position in that Congress requires it to provide coverage to all eligible properties regardless of risk. The Restriction on Other Flood Insurance prevents WYOs from targeting low-risk properties for private policies and leaving the NFIP with only subsidized, high-risk properties.
- By providing uniform insurance products across the country, the NFIP has created national consistency and predictability in the administration of flood insurance. Pursuant to the McCarran-Ferguson Act, 15 U.S.C. 1011-1015, states are primarily responsible for the regulations, taxation, and oversight of the insurance industry, unless explicitly preempted by federal law. As a result, no other single insured peril has as much uniformity in terms of coverage, rates, and exclusions.
- Maintaining a robust policy base delivers funding for the non-insurance activities of the NFIP that reduce the nation's overall flooding risk. Specifically, the NFIP uses policy fees to fund FEMA's publicly available flood mapping efforts, requires community implementation of local flood-protection ordinances and other best civic practices, and has provided over \$1.2 billion in the past twenty years in flood mitigation assistance.
- Policies written in the NFIP ensure a close integration with other FEMA response and recovery efforts. During and immediately after flood events, FEMA provides information to the President on likely disaster impacts in affected areas, including information on flood insurance coverage. Such information is a key component of the Preliminary Damage Assessment that FEMA completes to inform the President's decision on potential disaster declarations. Detailed mapping of flood risk and distribution of insured properties also helps direct real time response efforts.

A private residential flood insurance market currently exists, but it is significantly less robust than the NFIP. As states regulate private flood insurers, FEMA is not currently able to provide information on the details of this market. However, there is no federal prohibition preventing state licensed insurance agents from selling any flood insurance products of their choosing—NFIP, private, or both.

This is a developing issue and we are open to further discussions. Regardless of whether or not Congress repeals the Restriction on Other Flood Insurance, FEMA will continue with its efforts to reduce the nation's flood risk through all means available.

I hope this information is helpful in addressing your concerns. If you need additional information or assistance, please have a member of your staff contact Assistant Administrator for Federal Insurance David Maurstad at David.Maurstad@fema.dhs.gov.

Sincerely,

A handwritten signature in dark ink, appearing to read "Roy E. Wright", with a long horizontal flourish extending to the right.

Roy E. Wright

Deputy Associate Administrator for Federal Insurance and Mitigation

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515

January 11, 2017

Mr. Roy Wright
Acting Associate Administrator
Federal Insurance and Mitigation Administration
Federal Emergency Management Agency
500 C Street, SW
Washington, DC 20024

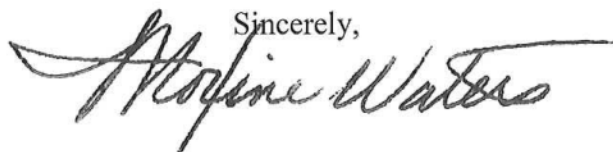
Dear Mr. Wright:

For over 30 years, FEMA's National Flood Insurance Program (NFIP) has had a collaborative relationship with private insurance providers known as Write Your Own (WYO) companies. This relationship was developed with the goal of increasing the NFIP policy base and geographic distribution, improving service to policyholders, and providing the insurance industry with direct operating experience with flood insurance.¹ The WYOs agree to sell NFIP flood insurance policies under their own names, and to adjust and pay claims arising under the Standard Flood Insurance Policy. In turn, the WYOs retain a portion of policyholder premiums for operating and administrative expenses, and receive an allowance for commission or salaries of insurance agents, brokers, or other entities, as well as other related expenses.

A longstanding condition of participation in the WYO Program is that WYOs are prohibited from selling competing flood insurance policies for coverages available under the NFIP. I understand that there are those who wish to repeal this prohibition and I am concerned that this may have an adverse impact on the NFIP and the consumers it serves. Thus I am writing to you today to gain a better understanding of the importance of this prohibition. Please provide a detailed explanation for why this prohibition exists, and the program-wide impacts that may result from its repeal.

I look forward to hearing from you about the potential unintended consequences that could come from repealing this important prohibition. Thank you for your prompt attention and cooperation on this matter. If you have any questions, please do not hesitate to contact my staff: Lisa Peto at Lisa.Peto@mail.house.gov or Esther Kahng at Esther.Kahng@mail.house.gov.

Sincerely,



MAXINE WATERS
Ranking Member

¹ 48 Fed. Reg. 46,789 (Oct. 14, 1983).