Press Release

The Status of the NFIP in 2025

PAULINA ENCK | FEBRUARY 5, 2025

The National Flood Insurance Program (NFIP) is the only broadly purchased flood insurance in the United States, but the program is expensive, cumbersome, and outdated, and owes $20.5 billion to Treasury. In a new insight, Director of Financial Services Policy Thomas Kingsley walks through the history of NFIP and considers potential reforms to the program.

Kingsley concludes:

> *As the frequency and severity of flooding and other severe weather events increases, the United States must reconsider its relationship with the NFIP. Recent efforts to modernize pricing structures aside, the NFIP is a prime example of the moral hazard and dubious accountancy present when governments enter markets. That Congress has not managed to pass a clean authorization of the program, let alone embark on the wholesale reform it so badly needs, indicates that a government solution to this problem might not be possible or indeed desirable. A federal backstop for flood insurance will likely become only more necessary in the future – but let's not pretend the government is a replacement for private actors in setting prices or assessing risk.*

Read the analysis