

April 22, 2026

The Honorable Mike Flood  
Chairman  
Subcommittee on Housing and Insurance  
House Financial Services Committee  
Washington, D.C. 20515

The Honorable Emanuel Cleaver  
Ranking Member  
Subcommittee on Housing and Insurance  
House Financial Services Committee  
Washington, D.C. 20515

Dear Chairman Flood and Ranking Member Cleaver:

SmarterSafer is a national [coalition](#) that includes a diverse chorus of voices that champion environmentally responsible and fiscally sound approaches to natural catastrophe mitigation and public safety. On behalf of our coalition, we thank you for holding this important hearing on risk diversification and credit risk transfers. We write to highlight the critical role that reinsurance and credit risk transfer (CRT) mechanisms play in strengthening resilience, affordability, and sustainability.

Reinsurance and CRT serve as essential tools for distributing risk away from primary insurers and government-backed entities, thereby reducing taxpayer exposure to catastrophic losses. By transferring portions of risk to global capital markets, these mechanisms help ensure that losses from natural disasters and housing downturns are absorbed by a broader base of capital rather than concentrated on public balance sheets.

It is important to note that there is currently significant capital in the global reinsurance markets, reaching a record total of at least \$785B at the April 1, 2026, renewal.<sup>1</sup> Given the health of the market, high capital levels, and strong reinsurer balance sheets, reinsurance rates have declined over the course of many months.<sup>2</sup> As a result, reinsurance is not a driver of increased costs for homeowners but rather a cost saving mechanism for insurers nationwide that benefits consumers. Overall, reinsurance costs reflect the future expected losses of their cedent insurers. When those future losses decrease (in part due to investments made in resilience and nature-based mitigation solutions), reinsurance rates also fall. To examine the increased cost of homeowners insurance, policymakers should instead consider increased replacement costs, inflation, home value appreciation, and more severe and costly natural disasters.

In the property insurance market, reinsurance supports insurer solvency and expands underwriting capacity, particularly in catastrophe-prone regions. Reinsurance is a tool insurers use to manage risk exposures and the amount of capital they must hold, and it can be used to expand the insurer's capacity to underwrite additional policies. By ceding risk, insurers stabilize underwriting results and spread portions of risk that might otherwise threaten solvency when significant losses occur. This broader distribution of risk helps insurers continue to offer coverage in environments affected by increasingly frequent and severe natural disasters and reduces the likelihood that catastrophic events alone could lead to insolvency.<sup>3</sup>

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<sup>1</sup> <https://www.captive.com/news/reinsurance-capital-hits-record-785b-at-april-renewal>

<sup>2</sup> <https://www.insurancejournal.com/news/international/2026/04/02/864470.htm>

<sup>3</sup> Nat'l Ass'n of Ins. Comm'rs, *Reinsurance*, NAIC (2023), <https://content.naic.org/insurance-topics/reinsurance>

Similarly, in housing finance, CRT programs implemented by government-sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac use a range of transaction structures, including insurance and reinsurance, senior/subordinate securitizations, and capital markets issuances, to shift portions of mortgage credit risk to private investors.<sup>4</sup> According to the Federal Housing Finance Agency (FHFA), CRT programs were established to reduce taxpayer exposure to risks arising from the Enterprises' guarantee portfolios and have transferred substantial portions of credit risk on newly acquired single-family mortgage loans to private investors since 2013.<sup>5</sup> FHFA's progress reporting shows that through the end of 2023, the Enterprises transferred credit risk on approximately \$6.7 trillion of unpaid principal balance of single-family mortgages with a combined risk in force of about \$210 billion, broadening the base of private capital absorbing potential losses.<sup>6</sup>

Some have proposed the creation of a federal reinsurance backstop to address capacity constraints in catastrophe-exposed markets. However, such an approach could displace private reinsurance capital, increase federal exposure to catastrophe risk, and weaken market-based pricing signals that help manage and mitigate risk. Further, SmarterSafer is concerned that not only could a federal backstop ultimately come at significant cost to taxpayers but also have negative implications for the environment. Establishment of such a program would likely incentivize further development in environmentally rich areas often associated with higher risk for natural disasters such as coastlines, wetlands, and mountains. In short, a federal reinsurance backstop would primarily benefit wealthier homeowners living in the nation's most expensive areas, at the expense of taxpayers, particularly those in inland areas and those who cannot afford to own property.

When discussing risk transfer programs and federal backstops, it is helpful to take a close examination of the National Flood Insurance Program (NFIP). The NFIP's reinsurance program is a prime example of the benefits provided by risk transfer programs. Following Hurricane Harvey, FEMA recouped more than \$1B from reinsurance partners.<sup>7</sup> At the same time, the NFIP is in serious financial straits, dubiously earning a position on the U.S. Government Accountability Office's High-Risk list for 2025.<sup>8</sup> As of March 2026, the NFIP's debt stood at a staggering \$22.525B.<sup>9</sup> That is after Congress forgave \$16B in debt following Hurricane Harvey in 2017.<sup>10</sup> The NFIP exemplifies why federally-subsidized programs ultimately run the risk of costing taxpayers billions of dollars while actively incentivizing individuals to live in harm's way.

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<sup>4</sup> Fed. Hous. Fin. Agency, *Credit Risk Transfer*, FHFA, <https://www.fhfa.gov/policy/credit-risk-transfer>

<sup>5</sup> *Ibid.*

<sup>6</sup> Fed. Hous. Fin. Agency, *Credit Risk Transfer Progress Report Fourth Quarter 2023* (Apr. 11, 2024), <https://www.fhfa.gov/reports/credit-risk-transfer-progress-report/2023-Q4>

<sup>7</sup> <https://www.insurancejournal.com/news/national/2017/12/06/473261.htm>

<sup>8</sup> <https://www.gao.gov/products/gao-25-107743>

<sup>9</sup>

<https://www.congress.gov/crs-product/IN10784#:~:text=As%20of%20September%2018%2C%202025,NFIP%20Bo rrowing%20Authority>

<sup>10</sup> <https://www.congress.gov/bill/115th-congress/house-bill/2266>

Existing private reinsurance and CRT markets demonstrate that significant amounts of risk can be absorbed by private capital when policy frameworks support their continued development. Beyond reducing risk, these tools support market efficiency and affordability. By reducing capital strain on insurers and GSEs, reinsurance and CRT can help stabilize insurance premiums and mortgage costs for consumers. They also encourage innovation in risk modeling and attract private-sector participation, which is critical for long-term market resilience.

As the Subcommittee considers policies affecting insurance markets and housing finance, we urge you to support frameworks that facilitate robust reinsurance markets and expand the use of CRT. This includes promoting transparency, ensuring regulatory clarity, and avoiding policies that inadvertently discourage private capital participation.

We appreciate your leadership on these issues and stand ready to serve as a resource to the Subcommittee.

Sincerely,  
The SmarterSafer Coalition