

July 12, 2010

Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

Honorable John Boehner
Republican Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Pelosi and Leader Boehner:

We understand that H.R. 5114, the Flood Insurance Reform and Priorities Act of 2010 will be considered on the House floor this summer. As a coalition of leading environmental groups, taxpayer organizations and insurance interests that share a strong interest in natural catastrophe policy, we have concerns with the bill as currently drafted.

With the increase in intensity and occurrence of flooding around the country as well as the insurmountable \$18.75 billion debt faced by the flood program, reforming the National Flood Insurance Program (NFIP) to better protect people, communities and the environment is critical. We are concerned, however, that H.R. 5114 fails to include many of the most urgent and needed reforms to the NFIP. In a dramatic departure from previous reform bills considered by the House, H.R. 5114 neglects to include provisions that could incentivize better land use planning, hazard mitigation and mapping. Such provisions aimed at reducing risk and discouraging development in sensitive floodplains should be at the heart of any meaningful reauthorization bill.

We support provisions in H.R. 5114 that would phase out subsidized flood insurance rates for vacation homes, second homes and non-residential properties. Under any phase-in program, we believe that rates should increase every year for the overwhelming majority of properties currently paying non-actuarial rates. We also support efforts to raise the cap on the maximum yearly increase in rates from 10 percent to 20 percent so that the flood program can move to sound financial footing. In addition, we are pleased that H.R. 5114 (1) eliminates subsidies, over time, for homes that are sold to a new owner, (2) imposes minimum deductibles for all insured properties, (3) requires a report on the feasibility of incorporating nationally recognized building codes into the NFIP's floodplain management criteria, and (4) directs the NFIP to report to Congress with a plan to repay its debt to the Treasury within ten years.

At the same time, we strongly oppose provisions of H.R. 5114 that would weaken requirements for purchase of flood insurance in newly mapped flood-prone areas and areas where flood protection systems have been declared inadequate. The bill imposes a 5-year delay in requiring homeowners and businesses to purchase flood insurance in areas newly mapped into special flood hazard zones. The bill also exempts homeowners and businesses from having to purchase flood insurance in areas that once had – but now no longer have – protection from a 100- year (or greater) flood. Exempting homeowners and businesses from such purchase requirements provides a false sense of security and leaves homeowners and businesses without adequate coverage in the event of a major flood.

NFIP must use accurate maps to determine rates and flood insurance purchase requirements. The federal government should not delay the use of any completed map or take any action that suspends any mitigation, purchase, building or other mandates associated with the implementation of a revised map or decertification of flood protection. We do support however, in limited circumstances, provisions that would permit phase-in of actuarial rates for these newly mapped flood plains. Areas significantly impacted by changes in mapping or the decertification of levees should be eligible for phase-ins of actuarial rates and limited numbers of lower-income homeowners living in these areas could be made eligible for assistance including tax credits and vouchers.

We urge the House to strike the provisions of H.R. 5114 that weaken insurance purchase requirements. We also urge the House to expand the scope of the bill to include the full range of reforms needed. H.R. 5114 should be amended to require FEMA's mapping program to utilize the best available science to reflect risk to communities while prioritizing natural resources protection, and to provide incentives for floodplain and natural resource protection, emphasizing natural and beneficial uses of floodplains with structural measures as a last resort. NFIP should also invest in financial protection from available program proceeds to protect taxpayers and promote better risk management and foster greater internalization of costs. In addition, FEMA is undertaking a review of the flood insurance program, and we are hopeful that such a review will result in recommendations for reform that will help strengthen and sustain the program in the long-run. For this reason, we believe that a shorter, three-year reauthorization time period is called for. This will ensure that FEMA's recommendations can be considered by Congress in a timely manner.

We note that H.R. 5114 does not contain harmful provisions to expand the flood program to include wind damage, now covered by private homeowner's insurance. Such a move would threaten the viability of the flood program and further increase the federal deficit. We urge Congress to refrain from expanding the flood program, especially at this time, when NFIP is nearly \$20 billion in debt. The program simply cannot handle any additional burdens.

Congress originally intended the NFIP to reduce the nation's vulnerability to flood damage by identifying hazards, encouraging and requiring smart floodplain management, and providing flood insurance at reasonable rates. Instead, the program is now deeply in debt and has encouraged destruction of floodplains and wildlife habitat, with taxpayer subsidies. It is critical that the Congress address all aspects of the program that need reform to ensure its fiscal solvency, the health of the environment, and the safety of American citizens.

Thank you for this opportunity to present you with the views of the SmarterSafer.org coalition on H.R. 5114, the Flood Insurance Reform and Priorities Act of 2010.

Sincerely,

SmarterSafer.org

(List of Coalition Members and Allied Organizations Attached)

MEMBERS

Environmental Organizations

American Rivers
Ceres
Defenders of Wildlife
Environmental Defense Fund
National Wildlife Federation
Republicans for Environmental Protection
Sierra Club

Consumer and Taxpayer Advocates

Americans for Prosperity
Americans for Tax Reform
Center on Risk, Regulation, and Markets—The Heartland Institute
Competitive Enterprise Institute

Insurer Interests

Allianz of America
Association of Bermuda Insurers and Reinsurers
Chubb
Liberty Mutual Group
National Association of Mutual Insurance Companies
National Flood Determination Association
Reinsurance Association of America
Swiss Re
USAA

ALLIED ORGANIZATIONS

Taxpayers for Common Sense