



Thomas A. Schatz
President

September 26, 2007

Dear Representative,

This week you may be voting on H.R. 3121, the Flood Insurance Reform and Modernization Act of 2007. On behalf of the 1.2 million members and supporters of the Council for Citizens Against Government Waste (CCAGW), I urge you to vote against this legislation.

According to the Congressional Budget Office, the National Flood Insurance Program (NFIP) currently has a deficit of \$17.5 billion. That will increase by an average of \$900 million per year, depending on the level of flooding. H.R. 3121 reauthorizes the NFIP for five years, increases NFIP borrowing authority, makes updates to maximum insurance limits and increases the fines for lenders who do not enforce the mandatory flood insurance policy purchases requirement for those living in a flood-plain and holding a federally-backed mortgage. The bill includes multi-peril language from H.R. 920.

The multi-peril section of H.R. 3121 is intended to eliminate the need for property owners to distinguish wind damage from flood damage. Objections to this provision were raised by consumer, taxpayer, insurance and environmental groups, as well as the administration. The windstorm coverage is new and will be risky and expensive for taxpayers.

According to a Towers Perrin study, if the NFIP provides wind coverage for all eligible personal and commercial properties, replacing the entire private market, there would be reasonable potential for the program to generate deficits of \$100 to \$200 billion. Despite the bill's requirements that premium rates be actuarially sound, wind-exposed coastal properties would likely receive coverage at reduce rates in order to encourage homeowners to purchase insurance. Knowing that the federal government is the insurer of first resort instead of last resort will encourage, rather than deter, increased development in sensitive coastal areas.

CCAGW urges you to vote against H.R. 3121. All votes on this legislation will be considered as part of CCAGW's 2008 congressional ratings.

Sincerely,

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