

**CONFERENCE COMMITTEE ON H.R. 3121,  
THE FLOOD INSURANCE REFORM AND MODERNIZATION ACT,  
SHOULD REJECT HOUSE LANGUAGE ADDING WIND INSURANCE  
AND ADOPT SENATE LANGUAGE CREATING COMMISSION**

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**American Rivers ▪ Defenders of Wildlife ▪ Environmental Defense Fund  
Friends of the Earth ▪ National Wildlife Federation  
Republicans for Environmental Protection ▪ American Consumer Institute  
Association of State Floodplain Managers  
Americans for Prosperity ▪ Council for Citizens Against Government Waste  
Competitive Enterprise Institute ▪ FreedomWorks ▪ National Taxpayers Union  
Taxpayers for Common Sense ▪ Association of Bermuda Insurers and Reinsurers  
Reinsurance Association of America ▪ National Association of Professional Insurance Agents**

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September 8, 2008

Honorable Christopher Dodd  
United States Senate  
Washington, D.C. 20510

Honorable Barney Frank  
U.S. House of Representatives  
Washington, D.C. 20515

Honorable Richard Shelby  
United States Senate  
Washington, D.C. 20510

Honorable Spencer Bachus  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Senator Dodd, Representative Frank, Senator Shelby and Representative Bachus:

The issue of natural catastrophe risk management and insurance is important and complex. Although the organizations listed above have differing priorities, all agree that the issue deserves additional study before Congress takes any further action (including any “pilot projects”). For that reason, we urge the Conference Committee to adopt the Senate language providing for the creation of the Commission on Natural Catastrophe Risk Management and Insurance. The Commission’s bipartisan membership would include experts in areas such as insurance, reinsurance, policyholder concerns, risk mitigation, public finance, flood mapping, building standards, emergency management and environmental issues.

At the same time, we urge the Conference Committee to reject the language adopted by the House of Representatives that would expand the National Flood Insurance Program to include wind damage insurance because doing so would:

- Overwhelm the NFIP. The program already has an \$18 billion deficit and is struggling to resolve flood claims, manage fraud arising from Hurricane Katrina payouts, and prevent insolvency. Adding wind insurance will distract from the program’s mission and substantially undermine efforts to stabilize the program.
- Result in incentives to build in unsafe or environmentally fragile areas. Supporting wind insurance that encourages unwise construction in high risk areas sends the wrong message to communities regarding the environmental impact and danger of living in hazard-prone coastal areas and floodplains—areas that may be increasingly vulnerable given the potential impacts of climate change.

- Cost taxpayers billions. Experience with the NFIP shows and the American Academy of Actuaries confirms that adding federally backed wind insurance will not be actuarially sound—despite language to the contrary. Taxpayers nationwide will be left to pay the cost of wind damage, which would more than triple the government’s exposure under NFIP.
- Discourage the provision of wind insurance by the private sector.

Thank you in advance for your consideration of these views.

Very truly yours,

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Environmental Defense Fund  
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