



May 7, 2008

Dear Senator:

The Senate is currently considering S. 2284, the Flood Insurance Reform and Modernization Act of 2008. Taxpayers for Common Sense urges you to oppose several amendments that may be offered to this legislation. Instead of improving the National Flood Insurance Program (NFIP) for taxpayers and policyholders, many of these amendments would undercut reforms in the underlying bill or add new expensive taxpayer liabilities to the program.

Although the flood insurance program was purported to be actuarially sound for years, the program is currently more than \$17 billion in debt to U.S. taxpayers. This is in part because rates were subsidized and the program didn't do enough to help and encourage homeowners to reduce their exposure to flooding risk. S. 2284 incorporates several reforms that will help the program be on better fiscal footing in the future, including: mechanisms to adjust flood insurance rates to be more actuarial and commensurate with risk, establishment of a reserve fund (rather than strictly rely on borrowing from the Treasury) and require residual risk areas that are behind man-made structures be subject to mandatory purchase requirements.

There are several potential amendments that would instead of reducing the burden on taxpayers would actually pile on even more fiscal risk. These include:

- Sen. Wicker's amendment to add wind or (multi-peril) insurance to the program. Instead of fixing the NFIP's problems this amendment would add on an entire new line of insurance. There is a functioning private industry in wind insurance that would be completely displaced by this amendment.
- A potential amendment to create a new federal reinsurance backstop through increased federal loans or reinsurance subsidies for state natural catastrophe funds. This would displace a vibrant reinsurance market and force low flood risk taxpayers to back stop high risk property owners across the country.
- Sen. Landrieu's amendment to eliminate mandatory flood insurance purchase requirements for properties in special high hazard areas behind manmade flood protection structures such as levees. History teaches us that these areas flood in larger flood events. It is critical to bring these areas into the program rather than simply send ad hoc disaster payments after flood events.
- Sen. Vitter's amendment to delay phase-in of rate increases resulting from more accurate flood rate mapping from 2 years to 5 years. This would clearly push the

potential rate increases outside S. 2284's authorization window for the flood insurance program and would virtually guarantee the rate increases never occur.

S. 2284 forgives the more than \$17 billion debt the flood insurance program owes taxpayers. In exchange, modest reforms that would strengthen the program's financial footing are included. To gut those reforms or add more financial risks to taxpayers would eliminate any redeeming characteristic from this legislation. We urge you to oppose the amendments described above or any others to expand the NFIP's scope of undercut the reforms included in the legislation. To discuss this further please contact me or Steve Ellis at 202-546-8500 ext. 126.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Ry Alexander". The signature is written in a cursive style with a horizontal line under the first name.

Ryan Alexander  
President