April 30, 2008

The Honorable Bill Nelson  
United States Senate  
716 Hart Senate Office Building  
Washington, D.C. 20510  

Dear Senator Nelson:

The Florida Floodplain Managers Association (FFMA) wishes to express its concern about potential amendments to S. 2284, which reform the National Flood Insurance Program (NFIP) and reauthorizes the program that expires this year. Specifically, the FFMA is strongly opposed to any amendment which would add wind coverage to an NFIP policy.

The FFMA is one of 26 chapters of the national Association of State Floodplain Managers (ASFPM), comprising 11,000 individual and chapter members. The FFMA is the leading resource for floodplain management professionals in Florida, the state which claims over one-third of the NFIP policies in force in the Nation.

We represent State, County and municipal governments and private companies in all areas regarding floodplain management and flood hazard mitigation. We are dedicated to promoting sound and effective floodplain management and to providing training for floodplain management professionals.

The NFIP has been providing valuable flood insurance to Floridians since its creation by the Flood Disaster Protection Act of 1968. Overall, the NFIP had been a self-sufficient program – only occasionally borrowing funds from the U.S. Treasury, which until 2005 have been paid back with interest. However, Hurricanes Katrina and Rita resulted in over $18 billion in claims, overwhelming a program not intended to deal with the magnitude of these events. This amount will be impossible to repay through the program’s revenue, which is generated solely by premium income.

Additionally, the NFIP mandates that participating communities institute local codes to ensure that construction in flood prone areas is less prone to flood damage. This quid pro quo is an important element of the NFIP, saving both policy holders and taxpayers over $1 billion in avoided damages annually. FFMA supports reforms of the NFIP to increase its financial solvency – especially in the face of potential future megacatastrophes – and strongly supports reauthorizing this important program.
Unfortunately, there are efforts being made to add a new hazard — wind — to flood coverage and the NFIP policy. Currently, the House bill, HR 3121, includes such an addition in the form of an optional wind and flood policy to be offered at “actuarial” rates. While S. 2284 does not currently include such a provision, it is our understanding that there may be one or more proposed amendments to add wind coverage as debate begins on S. 2284. We feel that such a significant change to the NFIP has the following potential problems:

- **Increased liability to the NFIP.** Currently the NFIP insures over $1 trillion in property and adding wind coverage is an unknown liability. While the new “wind and flood” policy would be optional, claims would be paid out of the National Flood Insurance Fund, thereby threatening the viability of a program already deeply in debt as a result of Hurricanes Katrina and Rita.

- **The private sector is already providing this coverage.** Wind coverage is available through private insurance; exposure to flooding is not covered by homeowners insurance, thus the NFIP was created. While some coastal states have found it significantly harder to find private sector wind coverage in the post-Katrina era, they have also developed mechanisms to offset this loss coverage availability, such as the Florida state wind pool. Also, we question whether there has been a total loss of private sector coverage or are there fewer companies offering wind coverage at a much higher rate? If the latter is indeed the case, and wind insurance is available through private companies, albeit at a significantly higher cost (actuarial), then is wind coverage truly necessary under the NFIP at actuarial rates? Adding wind coverage to the NFIP may potentially have a negative effect on the private insurance industry.

- **HR 3121 doesn’t mandate wind codes.** As previously stated, one of the successes of the NFIP is that new development and substantially improved existing development must meet locally adopted flood damage prevention codes, thus breaking the cycle of damage-repair-damage which would guarantee the NFIP and ultimately the taxpayer will be liable for claims and disaster assistance. HR 3121 provides the incentive of wind coverage but does not mandate codes that ensure new development is any more wind resistant.

- **There are too many unanswered questions.** Prior to the creation of the NFIP, Congress required a task force to thoroughly review and study the concept of such a program and identify potential issues and problems. These scientists, economists, policy makers and others developed House Document 465, which eventually became the blueprint for the NFIP. Such thorough consideration and research is vital to ensure sound public policies and programs are developed. Adding wind to the NFIP — which would be the most significant change to the program in 35 years — should be considered only after careful deliberation and study, not in response to a perceived need. Both the FFMA and the ASFPM support the appointment of a blue ribbon panel to study the addition of wind coverage and evaluate its potential impact to the NFIP.

The NFIP has benefited tens of thousands of Floridians since its inception. Flooding remains the costliest and most widespread natural hazard in Florida, and the purchase and availability of flood insurance is an important protection for our citizens and an invaluable mitigation tool for reducing future losses. The FFMA hopes that any reforms to the NFIP would strengthen the program, not threaten it.
The pending legislation reauthorizing the NFIP is critical to insuring that your constituents are protected by a program based upon sound public policy. We trust you share in our commitment to protecting the lives and property of the residents of Florida and the Nation as a whole.

Sincerely,

Dr. Krishna Krishnamurthy, PhD, P.E., CFM
FFMA Executive Director

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