



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

May 6, 2008

RE: URGE SUPPORT FOR FLOOD INSURANCE BILL (S. 2284), OPPOSITION TO AMENDMENTS TO COVER WIND LOSSES OR TO OFFER SUBSIDIES TO INSURERS FOR CATASTROPHE INSURANCE

Dear Senator:

The Consumer Federation of America strongly urges you to support the Flood Insurance Reform and Modernization Act of 2007, on which Senate floor debate will begin soon. We also urge you to oppose any amendments that would expand the National Flood Insurance Program (NFIP) to cover losses from wind damage, or would require taxpayers to subsidize insurance companies in offering catastrophe insurance.

S. 2284 takes several very important steps to protect taxpayers, increase the market penetration of flood insurance, and eliminate unjustified subsidies in the flood program. In particular, the bill would phase out subsidies for vacation and second homes, properties built before the availability of Flood Insurance Rate Maps (FIRMs), and structures that have experienced severe repetitive losses. It would also require the NFIP to build reserves over time, add a 500-year floodplain to the flood maps, and require the evaluation of flood risk behind dams and levees. It also would take the important step of creating a flood insurance advocate's office to assist those with flood coverage in resolving problems with the NFIP. All of these measures would help bring the NFIP back toward solvency, ensuring that it will be available for homeowners who need it.

We urge you to oppose any amendments that are offered to require the NFIP to cover wind losses for the first time ever (at non-subsidized rates). **Requiring the Federal Emergency Management Agency (FEMA) -- one of the most incompetent federal agencies in recent history -- to supervise the adjustment of both flood and wind claims could be a recipe for disaster for many homeowners and taxpayers. It is also dangerous to require wind policies to be underwritten, but to place no requirements on FEMA or localities to reduce possible wind damage on homes that the government would insure.** It does no one – rich or poor – any favor to allow unwise construction in risky areas. We also urge you to oppose any amendments that would create a federal catastrophe insurance program that provides taxpayer back up to insurance companies that have reaped record profits over the last four years.

Sincerely,

Travis B. Plunkett
Legislative Director
Consumer Federation of America

J. Robert Hunter
Insurance Director
Consumer Federation of America