



**Consumer Federation of America**

**FOR IMMEDIATE RELEASE**  
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## **FLOOD INSURANCE BILL INCREASES DANGER FOR FLOOD PRONE COMMUNITIES**

*Consumer Advocates Say Premiums Need to Better Reflect Flood Risk; Subsidies Should Be a New Program Targeted Only Toward Needy Homeowners*

Washington, D.C.– The House of Representatives should defeat flood insurance legislation passed by the Senate in January, because it would have the effect of misleading tens of thousands of homeowners concerning their vulnerability to flooding, undermine the flood program’s viability and increase taxpayer costs, according to consumer advocates. The Consumer Federation of America (CFA) said the bill (S. 1926) also keeps in place massive and often hidden subsidies even for high-income homeowners looking to live or build in flood prone areas. CFA called on Congress to refocus the National Flood Insurance Program (NFIP) on ensuring actuarially sound rates and then using a stand-alone program of transparent subsidies to improve affordability for low-income homeowners in flood zones during a transition to full rates for all structures in flood plains in the United States.

“The Senate proposal for reforming flood insurance asks America to stick its head in the mud, rather than address the problem of a flood program that is encouraging people to live in high-risk flood plains, unnecessarily risking people’s lives and possessions,” said J. Robert Hunter, CFA’s Director of Insurance and former Administrator of the flood insurance program and Texas Insurance Commissioner. “You cannot lower prices by ignoring the real risk of flood; real reform requires transparency and honesty about the true cost of living in flood zones for homeowners, developers and taxpayers.

In a letter to Congress, CFA called on Members to focus on safety and equity concerns that will help Americans make better decisions about where to build or buy and ensure the solvency of the 45-year-old flood program. CFA explained in its letter why consumer advocates favored the 2012 Biggert-Waters law that the current bill seeks to delay:

Americans are not well served when the government runs an “insurance” program that is not true insurance but rather, as the NFIP had become, an unwise and untargeted subsidy program that misled consumers into putting their homes, businesses and lives at risk in areas that are dangerously flood-prone. Further, the structure of the program often unfairly subsidized affluent individuals and the contractors building in these dangerously flood-prone areas.

In researching the impacts of NFIP's problems, CFA conducted a case study of Hancock County Mississippi flood maps after Hurricane Katrina hit and found that the average map (of 76 in the county) was 20 years old and 10 feet too low in measuring the 100-year flood elevation.<sup>1</sup> Many home and business owners were misled into building unwisely, or buying homes that were in dangerous locations, or not buying needed insurance, in the county prior to Hurricane Katrina, exposing the program's weaknesses in a most tragic way.

"It is much worse for consumers to be misled by inadequate rates from their own government than to have high rates that signal the real risk and informs the consumer to be careful," CFA wrote in its letter to Congress. "Homeowners who buy new homes in areas that they think are safe from floods are harmed when old maps underestimate risk. Some are misled into believing their homes are safe from floods when they build or buy new homes built to an old map's 100-year flood estimates, when the sites are, in fact, far below the real 100-year elevation. These homebuyers and their families are at risk of being killed or injured if a storm hits, or of having their homes or treasured possessions destroyed. Paying a little more and being truly aware of the risk is a blessing, not a curse, for consumers."

Given the massive debt of the NFIP – approximately \$24 billion – rather than delaying reforms as this bill would, Congress should be looking at new ways to improve efficiency, such as reducing excessive costs in the NFIP's "Write Your Own" program, and focusing the program's subsidies on the neediest residents. Hunter concluded that "Rather than the opaque and actuarially unsound approach to making insurance affordable in the proposed law, Congress should instead create a new program of targeted subsidies to help lower-income people in flood-prone areas who truly cannot afford the new, higher flood insurance rates. Targeted subsidies for those who are most in need would cost far less than the current mix of general subsidies which S. 1926 improperly would continue."

Attached is a [Fact Sheet](#) itemizing many of the reasons why Congress should not delay the reform of the National Flood Insurance Program embodied in the Biggert-Waters Act of 2012 (known as "BW-12"). The Fact Sheet also explains who gets the subsidies (25 percent of the nation's subsidies go to Florida, for example) and actions consumers, communities and Congress could take to help consumers facing higher flood insurance prices.

To view Fact Sheet: [www.consumerfed.org/pdfs/cfa-opposing-S1926-fact-sheet.pdf](http://www.consumerfed.org/pdfs/cfa-opposing-S1926-fact-sheet.pdf)

*The Consumer Federation of America is an association of more than 260 non-profit consumer groups that, since 1968, has sought to advance the consumer interest through research, education, and advocacy.*

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<sup>1</sup> "An Examination of the National Flood Insurance Program," testimony of J. Robert Hunter, Director of Insurance, CFA before the Committee on Banking, Housing and Urban Affairs of the U. S. Senate, October 2, 2007. This testimony can be downloaded at: [http://www.consumerfed.org/elements/www.consumerfed.org/file/finance/Hunter%27s\\_Senate\\_Testimony\\_Flood\\_Insurance\\_10-2-07.pdf](http://www.consumerfed.org/elements/www.consumerfed.org/file/finance/Hunter%27s_Senate_Testimony_Flood_Insurance_10-2-07.pdf)