

United States Senate

WASHINGTON, DC 20510

April 16, 2008

The Honorable Christopher J. Dodd
Chairman
Senate Committee on Banking, Housing,
and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Richard C. Shelby
Ranking Member
Senate Committee on Banking, Housing,
and Urban Affairs
110 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Shelby:

We write to express our concerns with the Flood Insurance Reform and Modernization Act of 2007. Your bill includes a number of provisions that improve the National Flood Insurance Program, such as cancelling the program's debt and providing a significant funding authorization to improve FEMA's flood maps. We appreciate those provisions. Also, we agree with your overall goal of making this important program financially and actuarially sound over time.

However, we believe there are a number of concerns that should be addressed in this bill. If the committee will not address these important issues in a managers' amendment on the floor, we ask that there be votes on relevant amendments before the Senate passes the bill. Here are the issues that we believe deserve consideration.

Wind Coverage

The House bill creates a new option for multiple peril coverage for flood and wind damage. The Senate bill does not address the need for stabilization in the market for wind coverage. We believe that something to address the availability of wind coverage should be done in conjunction with flood insurance reform.

Coverage Limits

The House bill raises coverage limits to a reasonable level that reflects a portion of the increase in home values and inflation since 1994, the last time these limits were adjusted. We believe these increases in the coverage limits are very reasonable and overdue.

Phase-In Time for Higher Rates

Both bills increase the cap on allowable rate increases, and both bills have additional measures to address rates for non-primary homes. However, the Senate bill goes further in allowing dramatic rate increases in a short period for many different types of properties, such as repetitive loss properties, non-residential properties, and homes that sustain damage of 50 percent from a disaster. We believe these properties should have a more reasonable phase-in period.

Rate Adjustment Due to Updated Maps

The Senate bill would phase-in new rates over two years for properties mapped into the 100-year floodplain. In many cases, these new rates could be dramatically higher, and we fear that dramatic increases would serve to discourage homeowners from purchasing coverage and may serve to force people to leave our states as we are continuing our recovery from the hurricanes of 2005. We believe there should be a more reasonable time frame for increases in rates.

Additional Coverage Options

The House bill creates new coverage options, such as business interruption and full replacement costs of contents. We have heard from many businesses and civic groups about their support for an optional coverage for business interruption, which would be offered at actuarial rates under the House bill.

More Accountability for Write Your Own Insurers

The Government Accountability Office concluded that write-your own insurance companies have "an inherent conflict of interest" in determining whether a loss was attributable to wind or flooding. At a time when the Flood Insurance Program faces many financial challenges, we need to ensure that taxpayer and policyholder money is spent appropriately. We believe the Senate should consider changes to the Flood Insurance Advocate Office to strengthen its oversight of the write-your-own program.

Mandatory Coverage Areas

The Senate bill requires homes located behind levees, dams and other man-made structures to become part of a special flood hazard area. Homeowners would be required to purchase flood insurance in these residual risk areas once FEMA updates its maps. Given the economic ramifications to such communities in these areas, we ask that the Senate adopt the House language requiring a GAO report to study economic and regulatory feasibility before considering new mandatory purchasing requirements in such areas.

Again, we thank you for your interest in making sure the National Flood Insurance Program remains viable. We look forward to meeting with you soon to discuss these issues and work out how we can move forward on this bill.

Sincerely,








