



Indiana Association for Floodplain and Stormwater Management, Inc.

115 West Washington Street, Suite 1368 South  
Indianapolis, Indiana 46204  
Tel: (317) 536-6721 Fax: (317) 632-3306

April 30, 2008

The Honorable Richard Lugar, Senator  
United States Senate  
Senate Office Building  
Washington D.C. 20510

The Honorable Evan Bayh, Senator  
United States Senate  
Senate Office Building  
Washington D.C. 20510

Dear Senators Lugar and Bayh:

The Indiana Association for Floodplain and Stormwater Management (INAFSM) wishes to express its concern about potential amendments to S. 2284, which reforms the National Flood Insurance Program (NFIP) and reauthorizes the program that expires this year. **Specifically, the INAFSM is opposed to any amendment that would add wind coverage to a NFIP policy.** The INAFSM is the leading resource for floodplain and stormwater management professionals in Indiana and was founded in 1996 by professionals interested in and responsible for floodplain and stormwater management in the State of Indiana. INAFSM members, in excess of 180, include federal, state, and local agency staff, engineers, consultants, planners, elected officials, members of academia, students, and floodplain residents. We are an organization dedicated to promoting sound and effective floodplain and stormwater management and to providing training for floodplain and stormwater managers.

The National Flood Insurance Program (NFIP) has been providing valuable flood insurance to Hoosiers since its creation in 1968. Currently, there are over 29,169 flood insurance policies in Indiana and to-date over \$96 million in claims have been paid since 1978. Annually the citizens of Indiana pay \$19,508,292 in flood insurance premiums insuring a total of \$3.9 billion dollars in property value covered. Overall, the NFIP had been a self sufficient program – only occasionally borrowing funds from the U.S. Treasury, which have been paid back with interest. Hurricanes Katrina and Rita (2005), however, resulted in over \$18 billion in claims. This amount will be impossible to repay through the program's revenue that is generated solely by premium income. Additionally, the NFIP mandates that 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. The INAFSM supports reforms of the NFIP to

increase its financial solvency – especially in the face of potential future mega-catastrophes – and 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. 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 that may result in claims if a flood results in damage to the property. Adding wind coverage is a significant and unknown liability to a program that is already deeply in debt as a result of Hurricanes Katrina and Rita. 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 the underlying NFIP.

- **The private sector is already providing this coverage.** After Katrina, some coastal states have found it significantly harder to find private sector wind coverage; however, they have also developed mechanisms to offset this loss coverage availability, such as state wind pools. Also, we question whether there has been a total loss of private sector coverage or are there fewer private sector companies offering wind coverage at a much higher rate? If the latter is the case, and the private sector is providing wind insurance, albeit at a much higher cost (actuarial), then is wind coverage really necessary under the NFIP at actuarial rates? Adding wind coverage to the NFIP may have a negative effect on the private insurance industry. If coastal states are having an issue with the availability of wind coverage, perhaps a regional solution such as the creation of a regional wind pool is a more appropriate solution.

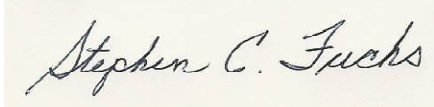
- **HR 3121 doesn't mandate wind codes.** As indicated earlier, one of the reasons the NFIP is successful is that new development and substantially rehabilitated existing development must meet locally adopted flood codes. These codes are adopted in exchange for the availability of NFIP coverage. HR 3121 provides the incentive of wind coverage but does not mandate codes to ensure new development is more wind resistant. The result? A program that does not break the damage-repair-damage cycle and ensures that the NFIP and ultimately the taxpayer will be liable for claims and disaster assistance.

- **There are so many unanswered questions.** Before the NFIP was created, Congress required a task force to thoroughly review and study the concept of such a program and identify potential issues and problems. This group of scientists, economists, policy makers and others developed House Document 465, which eventually became the blueprint for the NFIP. Such thorough research and vetting are important to ensure good public policies and programs are developed. Adding wind to the NFIP – which would be the most significant change to the program since 1973 – should be considered only after careful consideration and study, and not in response to a perceived need. Both INAFSM and the Association of State Floodplain Managers

(ASFPM) support instead the appointment of a blue ribbon panel to study the wind overage issue and ultimately if it makes sense to have it part of the NFIP.

The NFIP has benefited Hoosiers for many years. Flooding is one of Indiana's costliest and most widespread natural hazards, and the purchase and availability of flood insurance is an important protection for our citizens and an important mitigation tool for reducing future flood losses. INAFSM hopes that any reforms to the NFIP would strengthen the program, not threaten it. Please do not hesitate to contact me at 812-436-7867 or [chair@inafsm.net](mailto:chair@inafsm.net) if I can be of further assistance.

Very truly yours,

A handwritten signature in cursive script that reads "Stephen C. Fuchs". The signature is written in dark ink on a light-colored, rectangular background.

Stephen C. Fuchs, CFM  
Executive Board Chair