

Statement of David R. Conrad, Senior Water Resources Specialist, National Wildlife Federation, Before the Subcommittee on Housing and Community Opportunity, House Financial Services Committee, for Subcommittee Hearing Regarding H.R. 920, the Multiple Peril Insurance Act of 2007, July 17, 2007

Good afternoon, Chairman Waters, Ranking Member Biggert and Members of the Subcommittee on Housing and Community Opportunity.

My name is David R. Conrad. I serve as Senior Water Resources Specialist for the National Wildlife Federation. The National Wildlife Federation is the nation's largest conservation education and advocacy organization, with some four million members and supporters and affiliates in 48 U.S. states and territories. Since our founding in 1936, the Federation has been actively involved in the development of federal natural resources policy, and especially the many policies related to our nation's waters and shorelines. In this regard, we have been actively involved in the development and implementation of the National Flood Insurance Program (NFIP). I was personally actively involved in the NFIP amendments adopted in 1994 and again in 2004.

Madam Chairman, the National Wildlife Federation appreciates the opportunity to share our views on **H.R. 920, the *Multiple Peril Insurance Act of 2007***. Generally while we recognize there have been issues raised regarding the insurance adjustment process when there are both flood and wind-related damages, the National Wildlife Federation is deeply concerned that adding a wind peril dimension to the NFIP could substantially undermine the program's already precarious financial position, would add greater risk and uncertainty especially for the taxpayers and the public, and would distract, we believe unnecessarily, from the critical missions of the NFIP.

We want to applaud Representative Taylor and other Members for raising the nation's awareness of the increasing risks associated with coastal storms, which could become more powerful and of longer duration, due especially to rising sea levels and warming of the climate. The U.N-sponsored Intergovernmental Panel on Climate Change (IPCC) and many of the nation's prominent climate scientists have warned that such storms are likely results from global warming due to buildup of greenhouse gasses, especially carbon dioxide.

It is clear also that Hurricanes Katrina, Rita and Wilma in 2005, plus the four powerful hurricanes that struck Florida in 2004, have increased the public's concerns, and at the same time have driven the NFIP into the most dire financial condition in its history, now with a virtually insurmountable U.S. Treasury debt of approximately \$18 billion. We are strongly urging Congress to make the critically necessary changes in the nation's energy systems to directly address the causes of global warming. Yet, we believe it would not be appropriate or wise to add to the current liabilities of the NFIP the potentially very large additional liabilities that would be associated with coverage of wind peril, especially given that the nation has a long history of this peril being served by the private sector.

Recent insurance industry estimates of major storms potentially striking a number of the more populated coastal areas show that costs of storms like Hurricane Katrina that were in the \$15 to \$20 billion range for the NFIP currently, could be three to five times or more, if wind perils were also included. Such costs could potentially overwhelm the program and the costs to taxpayers could balloon to staggering levels. This could undermine the ability of the NFIP to accomplish its other established goals.

The Federation has been concerned for many years that the NFIP is having severe difficulties managing the growth of flood-related risk (as well as the costs). Nearly a decade ago, the Federation released a report called “Higher Ground” on the problems of repetitive losses in the NFIP, where, in thousands of communities, buildings were experiencing repeated flood losses only to be reconstructed again and again with little or no mitigation of risk, in part for lack of incentive to “move out of harm’s way.” Part of the lack of incentive for mitigation was driven by rates that are below (some of them far below) true actuarial rates, flood hazard maps that are inaccurate or out of date and failing to consider changing conditions, and failure of communities and FEMA to enforce even minimum standards of the program, let alone set higher standards to reduce or avoid risk.

Today, we still find that after Congress passed amendments in 2004 and began to provide funds to address repetitive losses, the new program is still largely not implemented and has failed to spend much of the funds made available to start changing the pattern. In the intervening decade since our report, the number of repetitive loss properties has grown from 74,500 at the time of our study to now over 135,000 properties, and the cost to the NFIP of these buildings has more than tripled to over \$8.5 billion in payments. The NFIP continues to face enormous challenges, and public confidence is lacking in the program’s ability to reduce risks, manage costs and protect the environment.

Given this context, if the NFIP were subject to the additional burden of wind perils, it could so tax the program’s capabilities that many other functions would be slowed or lost. As the Committee knows, the NFIP is engaged in a major effort to modernize maps that have fallen far out of date. Currently staffing at the NFIP is straining to carry out these and other functions. Yet, we do not believe the NFIP is equipped to analyze and rate wind-related risks as well, whereas the private sector has devoted substantial resources for decades to these issues – both rating and hazard mitigation technologies.

Madam Chairman, last October, the Federal Emergency Management Agency completed a long-awaited comprehensive *Evaluation of the National Flood Insurance Program*. This *Evaluation* involved 13 contracted studies of a wide variety of issues related to the NFIP ranging from the role of actuarial rating to building standards to environmental issues to the effectiveness of the current NFIP standards. I served on a broadly-based panel that helped write the Evaluation summary document. A key finding of the *Evaluation* was that as it is currently being applied, the basic 1% chance flood standard is “inadequate” to accomplish the purposes of the NFIP – especially in terms of reducing flood risks.

Even when the focus has been on managing risk in the more defined area of floodplains, it is clear the NFIP has a long way to go. New standards must be developed to provide higher levels of protection; flood risk mapping needs to be substantially expanded to support the varied goals of the NFIP; and the NFIP needs to be integrated much better with other flood-related programs at all levels of government. The addition of the wind-related perils would expand the program's footprint far beyond the present level, and greatly complicate the potential for success. For this reason the National Wildlife Federation would oppose H.R. 920 as written.

We instead urge that Congress and FEMA work together with the nation's private insurance industry to assure that where there are combinations of flood and wind-related damages, insurance adjustments are completed quickly, fairly and accurately, and to maintain the focus of the NFIP on reducing flood-related risk now and in the future, while improving the protection and restoration of the natural and beneficial values and functions of the nation's floodplains.

Thank you once again for the opportunity to share the Federation's views, and I would be happy to respond to any questions.