

# Conservative Action Project

The Conservative Action Project, chaired by former Attorney General Edwin Meese and former Congressman David McIntosh, is designed to facilitate conservative leaders working together on behalf of common goals. Participants include the CEO's of over 100 organizations representing all major elements of the conservative movement-economic, social and national security.

## Memo for the Movement

*25 February 2014*

### *Conservatives Oppose Delay of Critical Flood Insurance Reforms, Continued Fiscal Mess*

#### **Current Event:**

On January 30, 2014, the Senate voted 67-32 to pass the Homeowner Flood Insurance Affordability Act (S.1926), introduced by Senators Mary Landrieu (D-LA) and Bob Menendez (D-NJ). The bill would delay many of the crucial reforms of the Biggert-Waters Flood Insurance Reform Act of 2012 instituted to place the National Flood Insurance Program on a sounder footing. This week, the House is expected to take up a similar version of this legislation.

#### **Action:**

- Members of the House should reject all forms of this bill and put an end to flood insurance subsidies that distort the market, belie the foundation of the NFIP, and expose taxpayers to further debt.
- Conservative organizations should oppose this legislation and educate and activate their supporters in opposition.

#### **Issue in Brief:**

The National Flood Insurance Program is currently in danger of insolvency because roughly 20 percent of homeowners pay premiums that are not based on the actual cost of their flood risk. By statute, the NFIP can simply borrow from the U.S. Treasury when it lacks the funds to settle claims. This has resulted in a \$24

billion debt to taxpayers that many experts doubt will ever be repaid. Moreover, the administrative overhead of the NFIP consumes more than a third of the premiums it collects.

The Biggert-Waters reforms, which passed the House by a decisive margin of 402-18, were intended to update the government's largely obsolete risk maps and phase-in rates based on actual risk. The legislation begins to immediately phase out subsidies for about eight percent of the program's 5.5 million policy holders. Subsidies will remain for about 715,000 policies until a property owner allows a policy to lapse or sells the property. For non-subsidized policies, premiums are subject to change if a community adopts an updated flood insurance map that shows risk.

The Landrieu bill would maintain subsidies for up to four years on primary-residence properties that would face rate increases as a result of new risk maps, as well as subsidized properties that obtained flood insurance after July 6, 2012, or were sold after that date and obtained new insurance.

It is certainly understandable that some property owners are displeased about their subsidies coming to an end. However, only a small number of policyholders are facing an imminent change in premium, and the increases will be phased in over time. According to FEMA data, a whopping 99.7 percent of primary residence policyholders pay less than \$5,000 annually for flood insurance. While we sympathize with property owners who are facing higher premiums, that does not make it reasonable to leave taxpayers on the hook for insuring private property.

The Biggert-Waters legislation authorized the NFIP for five years, from 2012 to 2017. This delay would in fact mark a complete repeal of ongoing efforts to set accurate rates and immunize taxpayers.

The NFIP is inherently flawed and the true solution is to provide homeowners with competing choices. However, the private sector cannot compete with a government program that subsidizes the cost of coverage and simply draws cash from the Treasury at will to cover its losses. Eliminating subsidies is the first step toward an authentic flood insurance market.

To renege on the Biggert-Waters reforms would only perpetuate an unsustainable and unjust government insurance scheme. Taxpayers cannot be at the mercy of the private flood insurance preferences of a small portion of the population, while the country delves further into catastrophic debt.

 **Signed:**

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