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WILDLIFE FEDERATION \* NATURAL RESOURCES DEFENSE COUNCIL \* REPUBLICANS FOR  
ENVIRONMENTAL PROTECTION \* SIERRA CLUB

February 25, 2010

The Honorable Barney Frank  
Chairman, Financial Services Committee  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington DC 20515

Dear Chairman Frank:

We understand that the Financial Services Committee may soon take up H.R. 2555, the Homeowners' Defense Act. Our organizations have significant concerns with this legislation and respectfully request that you defer its consideration until it or other measures are proposed that would better protect people, property, the environment and the interests of taxpayers all across the country.

We have no doubt that Representative Klein's efforts to ease Floridians' insurance rates are well intended, but we are extremely concerned that providing a federal insurance subsidy will create incentives for more development in environmentally sensitive coastal areas and increase exposure to hurricane-related risk. This could leave people more exposed to harm and at the same time increase, rather than decrease, adverse impacts to the environment.

The effects of climate change and the projections that climate scientists have made about the future form a critical backdrop for this legislation. A recent report from the federal government, *Global Climate Change Impacts in the United States*,<sup>1</sup> paints a sober picture of the future that scientists anticipate in Florida and other southeastern states. An increase in average sea level of up to two feet or more is expected. For the Southeast, the report notes that "Sea-level rise and the likely increase in hurricane intensity and associated storm surge will be among the most serious consequences of climate change." (p. 114)

If coastal state and local governments allow development to continue as usual – with little regard to natural hazards then federal backstop guarantees or reinsurance will almost certainly result in more development in high-risk areas. With the risks of rising sea levels and stronger hurricanes as a result of climate change, state and local governments will have to make much better land use decisions to avoid risk. Unfortunately, HR 2555 would perpetuate ill-conceived or unwise development decisions.

In 2008 the Florida Coastal and Ocean Coalition<sup>2</sup> issued a report, *Preparing for a Sea Change*, which found that the general availability of property insurance through Citizens Property Insurance Corporation (CPIC) "...results in a subsidy for ill-advised coastal construction in coastal high hazard areas fronting vulnerable and eroding beaches...CPIC coverage is provided to builders, investors, and homeowners along the coast regardless of the historical erosion rates, storm history, or frequency of repeat claims."(p. 18). The report recommends restrictions in CPIC coverage and calls on Congress to oppose efforts to expand federal subsidies for wind insurance and natural catastrophe insurance in coastal high hazard areas.

In addition to what has occurred in Florida, four decades of experience with the National Flood Insurance Program has served as a critical laboratory and powerful reminder to all that the federal role in insurance has had serious unintended consequences. While the program has kept consumers' flood insurance costs low, it has done too little to reduce risk, and

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<sup>1</sup> <http://downloads.globalchange.gov/usimpacts/pdfs/climate-impacts-report.pdf>

<sup>2</sup> The coalition includes Caribbean Conservation Corporation and Sea Turtle Survival League, Environmental Defense Fund, Gulf Restoration Network, Natural Resources Defense Council, National Wildlife Federation, Ocean Conservancy, Reef Relief and the Surfrider Foundation. To see the report, visit [http://www.flcoastalandocean.org/PreparingforaSeaChange/ClimateChange\\_Guide\\_for\\_Florida\\_Preparing\\_for\\_a\\_Sea\\_Change.pdf](http://www.flcoastalandocean.org/PreparingforaSeaChange/ClimateChange_Guide_for_Florida_Preparing_for_a_Sea_Change.pdf)

in fact it has been a major factor in increasing risk. Through the NFIP the federal government has repeatedly supported building or rebuilding of high-risk properties, and the program is now nearly \$20 billion in an insurmountable debt to the Treasury. The NFIP offers a cautionary tale about how government action to reduce insurance costs provides a negative signal about the need to reduce risk.

In contrast to a federal insurance subsidy, which is the focus of H.R. 2555, hazard mitigation programs are a well-established, cost-effective means to reduce the impact of natural disasters. For example, in 2007, the Congressional Budget Office found that projects funded through the Pre-Disaster Mitigation program between 2004 and June 2007 resulted in a reduction of future disaster spending of approximately \$3 for every \$1 spent on these projects. Similarly, in 2005, a Congressionally-mandated study by the Multihazard Mitigation Council (an advisory body of the National Institute of Building Sciences) concluded that cost-effective mitigation saves an average of four dollars for every dollar spent.

We appreciate that the bill adds a small, \$15 million/year mitigation authorization. However, because mitigation both protects lives and property and cuts insurance costs, the fundamental focus of the effort to address the risks that communities face should be to pursue mitigation at a much greater scale. As it stands, the scale of the mitigation program has a virtually insignificant effect and is dwarfed by the (what is the missing word here?) of the bill's insurance provisions and their incentives for risky development. There is far less incentive to mitigate when the cost of insurance is subsidized.

In conclusion, we believe that a strategic commitment to encourage mitigation is the best approach to protecting communities from natural hazards and urge Congress to follow that path. This would discourage risky development, protect environmentally-sensitive areas to buffer communities from hazards, emphasize actuarial, risk-based insurance that sends appropriate signals regarding risks. This strategy would do the most to safeguard people, protect property, reduce insurance rates and protect the environment. We would welcome an opportunity to work with you and your staff, Congressman Klein and other members of the committee toward an approach that better protects people, property and the environment.

Thank you for considering our views.

Sincerely,

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