

Testimony of Michael Hecht
President and CEO of Greater New Orleans, Inc.
Before
The House Financial Services Committee Subcommittee on Housing and Insurance
November 19, 2013

Good Afternoon Chairman Neugebauer, Ranking Member Capuano, and Members of the Subcommittee. It is an honor to speak to you today on the effects of rising flood insurance costs across the country. My name is Michael Hecht, and I am the President and CEO of Greater New Orleans, Inc., the 10-parish economic development organization for Southeast Louisiana. Since May 2013, GNO, Inc. has been leading the Coalition for Sustainable Flood Insurance, a national alliance formed to ensure that flood insurance will be both affordable and financially sustainable.

The Coalition for Sustainable Flood Insurance now represents nearly 200 business and trade associations and local governments in 27 states across America. We understand and appreciate the tremendous effort the Subcommittee and the Full Financial Services Committee put into a long overdue reauthorization of the National Flood Insurance Program (NFIP). We know it was a well-intentioned balancing of the interests of various regions of the country and budgetary constraints our government faces in revising this essential program. Our testimony today is not meant to criticize, but rather to highlight some serious inequities that even the co-author of the Act, Ranking Member Waters, has acknowledged.

GNO, Inc. and the Coalition for Sustainable Flood Insurance support a fiscally sound, actuarially responsible NFIP that communicates true risk to our citizens. None of us want perverse incentives for building in harm's way, nor do we advocate for the continued subsidization of severe repetitive loss properties. However, we have a moral and economic duty to protect property owners who have played by the rules and built as their government told them to, and in accordance with the government guidelines in effect at the time of construction. They should not lose their homes and businesses.

The goal of our Coalition is dual: first, to find an immediate solution to the challenges of the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters Act); and second, to develop a long-term solution that works for America – an America in which all 50 states participate in the NFIP.

We are dealing with a problem of profound unintended consequences. A three-way confluence of the Biggert-Waters Act; incomplete FEMA maps that artificially inflate risk; and, questionable actuarial calculations, has led to premium increases of up to 3,000% and more – including massive rate increases for policyholders who have built as the government told them and have no history of flooding. These clearly unaffordable premium increases are not limited to properties with severe repetitive

loss and wealthy beachfront homes: primary residences of all income levels that have never flooded are being negatively impacted. There are several examples in your packets that highlight these extreme increases. For example, a primary home real estate transaction fell through in South Louisiana because the flood insurance quote skyrocketed from just over \$1,372 per year to \$8,340 per year. In another example, a sergeant in the U.S. Army, stationed at MacDill Air Force Base in Tampa, Florida, purchased a home in Oldsmar, Florida worth \$158,000. He was quoted a premium for \$4307, a 431% increase from what the previous owner paid. This home has never flooded.

Due to the Biggert-Waters Act, dramatic premium increases are already being assessed on pre-FIRM properties (i.e., those built before flood maps were issued), and what may be even more troubling are the coming increases for grandfathered properties, which are set to increase beginning late next year. As new flood maps are rolled out across the country, premiums will begin to increase, in some cases dramatically, for properties that built to code at the time of construction. These increases are triggered with the adoption of new maps, which are including more and more properties in special flood hazard areas that previously had not been required to carry flood insurance. And while we know the number could be large – possibly over a million properties - it is impossible to truly know how many grandfathered properties will be impacted until FEMA flood maps across the country are adopted.

NFIP rates suddenly jumping as much as 3,000% in the middle of a mortgage – when the owner had no reason to anticipate this unaffordable increase when the original contract was signed - utterly contradicts typical insurance practice and reasonable expectation. And businesses and individuals do not have a choice - flood insurance along our coasts and rivers (areas that are critical to our economy) is often government-mandated.

Furthermore, the flood insurance rate maps that are being rolled out across the country are artificially inflating risk by excluding local flood protection features, like levees, from the maps. Not only does this falsely inflate risk for policyholders who are protected by local levees, it produces disincentives for local and state governments to invest in flood protection. FEMA is attempting to give partial credit to locally built levees by rolling out a pilot of the Levee Analysis and Mapping Procedure (LAMP) program, and I urge the Committee to work with FEMA and local governments to ensure that LAMP is developed in a way that allows maps to reflect true risk and that it is rolled out efficiently and effectively across the country as soon as possible.

Finally, the calculations we are seeing simply don't make actuarial sense. For example, a homeowner in St. Petersburg, Florida is trying to sell her primary home, which is valued at \$250,000, but cannot because the flood insurance premium will escalate from \$1,074 to \$10,872 per year. This home has never flooded. The question is – if the FEMA Base Flood Elevation is indexed to a 100-year storm, then

why is this family being charged a premium that would pay for full replacement every 23 years? The actuarial calculation doesn't make sense.

If dramatically rising flood insurance premium increases are left unchecked, the consequences are clear and devastating. Owners will lose their homes, values of scores of unsellable properties will plummet, bank portfolios will go bust, real estate markets will freeze, local tax bases will erode, and economies will be eviscerated. Ironically, this will ultimately destroy NFIP itself, as policyholders will be forced into foreclosure and leave the program in droves, sending it into a death spiral.

The good news is that there is a bi-partisan solution emerging in the House and Senate to address these unintended consequences. H.R. 3370, the Homeowner Flood Insurance Affordability Act, delays premium increases for four years, until FEMA has an opportunity to complete the affordability study mandated in the Biggert-Waters Act and Congress has an opportunity to consider the recommendations put forth in the study. The legislation was introduced just three weeks ago and already has over 100 co-sponsors from across the country. This is common sense legislation – we should understand the potential impact of the Biggert-Waters Act before we implement it - and I urge you to bring it up for consideration as soon as possible.

I encourage this Committee to act immediately to protect the American economy and the investments of taxpaying citizens by bringing up for consideration H.R. 3370, the Homeowner Flood Insurance Affordability Act. If we do not, the National Flood Insurance Program will grievously harm the very Americans it was designed to protect.

In conclusion, to implement the Biggert-Waters Act as it currently stands would be economically unwise and morally unjust. We must do better.

Thank you.



SFB INSURANCE PROGRAMS
 PO BOX 912519
 DENVER, CO 80291-2519

Date	Type	Tracking Number	Effective Date	Expiration Date	Waiting Period
10/24/2013	New	0020018229	10/25/2013	10/25/2014	Loan Closing

WARNING: In order to hold the closing date as the effective date, this quote must be converted to an application prior to the time of closing.

Property Address	Insured Name(s)	Mailing Address and Phone	Agency Name, Address and Phone
HIGHWAY 55 MONTEGUT, LA 70377-2221		HIGHWAY 55 MONTEGUT, LA 70377-2221	LOUISIANA FARM BUREAU CASUALTY INS CO PO Box 1592 RIDGELAND, MS 39157

Property Description	Home Phone:	Phone Number: 800-647-8052
	Work Phone:	Producer Code: LAFB
	Cell Phone:	Email: CLEDET@SFBCIC.COM
	Email:	

Flood Zone and Community Information	FIRM Date: 11/20/1970
Community Name: TERREBONNE PARISH*	Program Status: Active and participating
Current Flood Zone: A15	Current Base Flood Elevation (BFE): 9.0
Community Number: 225206	Grandfathered Base Flood Elevation N/A
Map Panel Suffix: C	County: TERREBONNE
Map Panel: 0130	

Occupancy Information
Occupancy Type: Single Family

Foundation Information
Foundation: Slab on Grade

Risk Rating Method: Submit for Rate
Post-FIRM: Yes
Pre-FIRM, Rated As Post-FIRM: No

Coverage/Rate Information	Coverage	Deductible	Basic Coverage	Basic Rate	Add'l Coverage	Add'l Rate
Building	\$183,000	\$2,000	\$60,000	9.62	\$123,000	1.11
Contents	\$20,000	\$2,000	\$20,000	6.84	\$0	0.74

Premium Information

**** Quote Only, Not An Application * Quote Only, Not An Application ****

Deductible	Premium
\$1000 / 1000	\$9010
\$2000 / 1000	\$8564
\$2000 / 2000	\$8340
\$3000 / 1000	\$8116
\$3000 / 2000	\$7894

**** Quote Only, Not An Application * Quote Only, Not An Application ****

Insurance Agent/Producer Lizette Cochran Insurance Agency Inc 3031 E Lake Rd Palm Harbor, FL 34685-2417 TEL: 727-786-1082 Email: lizette.cochran.a8mq@statefarm.com	Agency ID: 0593244708	Name and Mailing Address of Insured Hibiscus Circle South Oldsmar, FL 34677-2721
Subject Property Hibiscus Circle South Oldsmar, FL 34677-2721	Product Type <input checked="" type="checkbox"/> Standard Flood <input type="checkbox"/> Mortgage Portfolio Protection Program (MPPP) <input type="checkbox"/> Residential Condo Bldg Assoc Policy (RCBAP) <input type="checkbox"/> Scheduled Building	

Rating Description			
Building occupancy: <input checked="" type="checkbox"/> Single Family <input type="checkbox"/> 2-4 Family <input type="checkbox"/> Other Residential <input type="checkbox"/> Non-Residential (including Hotel/Motel)	Number of floors in entire building (include basement or enclosed area, if any), or building type: <input checked="" type="checkbox"/> 1 Floor <input type="checkbox"/> 2 Floors <input type="checkbox"/> 3 or more <input type="checkbox"/> Split Level <input type="checkbox"/> Townhouse/Rowhouse (RCBAP Lowrise Only) <input type="checkbox"/> Manufactured (Mobile) Home on Foundation	Condominium Form of Ownership? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Condo coverage is for: <input type="checkbox"/> Unit <input type="checkbox"/> Entire Building Number of Units: <input type="checkbox"/> High-Rise <input type="checkbox"/> Low-Rise	Contents Location: <input type="checkbox"/> Basement/enclosure only <input type="checkbox"/> Basement/enclosure and above <input checked="" type="checkbox"/> Lowest floor only above ground level <input type="checkbox"/> Lowest floor only above ground level and higher <input type="checkbox"/> Above ground level more than one full floor <input type="checkbox"/> Manufactured (Mobile) Home
Basement, enclosure, or crawlspace below an elevated building? <input checked="" type="checkbox"/> None <input type="checkbox"/> Finished Basement/Enclosure <input type="checkbox"/> Unfinished Basement/Enclosure <input type="checkbox"/> Crawlspace <input type="checkbox"/> Subgrade Crawlspace	Construction, Placement or Substantial Improvement Date: 07/01/1974 <input type="checkbox"/> Building Permit Date <input checked="" type="checkbox"/> Date of Construction <input type="checkbox"/> Substantial Improvement Date <input type="checkbox"/> Manufactured (mobile) home located in a mobile home park/subdivision, construction date of park or subdivision facilities <input type="checkbox"/> Manufactured (mobile) home outside a mobile home park/subdivision, date of permanent placement		

Location Information	
Community Name: OLDSMAR, CITY OF Status: Participating Flood Zone Certificate ID:	Community No.: 120250 CRS Discount Pct.: 20 Firm Zone: AE Elevation Difference: -2

Coverage and Rating Information					
Coverage Type	Coverage Limit	Deductible	Rate	Deductible Discount	Premium
Building	188,000	\$2,000	5.02/.94	-316	3,899
Contents	94,000	\$2,000	3.20/.63	-93	1,142
Rate Type:				Coverage D Premium (ICC)	
<input type="checkbox"/> Manual <input checked="" type="checkbox"/> Submit for Rating <input type="checkbox"/> FEMA Rates <input type="checkbox"/> Alternative <input type="checkbox"/> V-Zone Rating Form <input type="checkbox"/> SRL Rates <input type="checkbox"/> MPPP Rating <input type="checkbox"/> Optional Post 1981 V Zone Rating <input type="checkbox"/> Provisional Rating <input type="checkbox"/> Tentative Rating <input type="checkbox"/> Underinsured Condominium Master Policy				Annual Subtotal 5,075 CRS Discount -1015 Reserve Fund 5 % 203 Probation Surcharge 0 Expense Constant 0 Federal Policy Fee 44 Total Premium \$ 4,307	

Deductible Options		
This table reflects optional premiums for this Quote if a different deductible were selected.	Deductible	Premium
	1000/1000	SFR
	3000/3000	SFR
	4000/4000	SFR
	5000/5000	SFR

THIS QUOTE FORM IS NOT TO BE USED AS AN APPLICATION FOR FLOOD INSURANCE
 This quoted premium is subject to verification or adjustment by the company.
 No coverage is provided or implied by this document.

