

United State House of Representatives  
Committee on Financial Services  
Subcommittee on Housing and Insurance

Flood Insurance Reform: A Community Perspective  
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Written Testimony of  
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Good afternoon, my name is Aram Terchunian, I am a practicing coastal geologist and environmental scientist from Westhampton Beach, Long Island, NY. For over 35 years I have helped people identify coastal risk, mitigate coastal risk, and to recover and adapt when risk becomes reality. My main geographic area of expertise is the barrier island of Long Island from Montauk to Queens, including the Atlantic Ocean, Long Island Sound and the bays and creeks of Long Island.

Thank you to Chairman Duffy, Ranking Member Cleaver, my Congressman Lee Zeldin, and the Subcommittee for this opportunity to speak on the topic of flood insurance reforms. Congressman Zeldin has been a true leader in working with our communities and the Army Corps of Engineers to help protect our communities and mitigate future disasters.

Flood insurance and the National Flood Insurance Program (NFIP) have helped save lives, property and resources through a classic carrot and stick program of incentives and regulations. However, changing technology, science, and policy have created new opportunities to improve the program. In a nutshell, newer buildings that are constructed and maintained to the NFIP standards and ICC building codes are experiencing far less flooding damage than older, legacy homes that do not meet present standards. Moreover, those areas protected by well designed, built, and maintained flood risk reduction projects, such as beach and dune nourishment, experience significantly less damage during extreme events.

Mitigation, primarily through elevation and modern construction standards, and incorporating resilient flood and erosion protection projects are the most cost effective manner of reducing damages to these homes, businesses, infrastructure, and resources. The goal in my opinion is to decrease the number of pre-FIRM substandard structures and increase flood protection and resiliency projects.

In coastal areas, this can be accomplished by integrated coastal risk mitigation.

## Examples of Integrated Coastal Risk Mitigation

Several examples from Long Island's south shore help illustrate these benefits. West Hampton Dunes is a small two mile village on the barrier island of Long Island. In 1992 a coastal storm pierced the island, creating a one mile inlet and destroying almost 300 homes. At the time, it was used as the poster child of how to mismanage a beach. Today, this humble community is the blueprint for coastal management and flood insurance modernization. It is a net economic generator to the local, regional, and national economy as well as the NFIP premium pool.

Here's how it happened: The barrier island was rebuilt through a beach and dune project engineered and supervised by the US Army Corps of Engineers that incorporated state-of-the-art experience-based computer modeling. The Village of West Hampton Dunes under Mayor Gary Vegliante embarked upon an aggressive program of sand fencing and beach grass planting that increased the dune. The Village also implemented zoning measures that allowed property owners to build as much as 4 feet above the NFIP 100-year (0.1%) Flood Level.

In the 22 years since the project was constructed there have been zero houses lost and only minimal flood damage claims, even after Superstorm Sandy. This is an example of how integrating the US Army Corps of Engineers flood protection projects, with locally implemented NFIP and zoning regulations, and locally driven beach and dune enhancements have resulted in a resilient community that is a net benefit to the NFIP.

Conversely, surrounding communities that did not have an engineered flood protection project and were populated by a substantial number of pre-FIRM buildings suffered terribly during Superstorm Sandy. The human anguish in these areas exceeded even the substantial flood insurance, infrastructure, and natural resource losses.

This integrated model of coastal flooding and erosion management is being implemented in other local Long Island communities through a Public Private Partnership (PPP). For example, in the Sagaponack and Bridgehampton areas of Southampton Town, local oceanfront residents proposed and formed a self-taxing district and partnered in 2013 with the Town of Southampton to cost share a beach restoration program. This beach restoration program is coupled with a private dune restoration program increasing dunes to the NFIP standard. The Town of Southampton

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also has a robust land use code that protects beaches, dunes, and other natural protective features. The Town's building code exceeds the FEMA requirements, and the Town is credited for this through the Community Rating System (CRS).

This type of integrated coastal risk reduction is also applicable to small bayfront communities. In another example, 62 residents of the North Sea area of Southampton are developing a privately funded erosion control district that will address a chronic erosion problem caused by a local inlet. This project will reduce coastal erosion risk that threatens to undermine bluffs and homes on the Peconic Bay. It's a bootstrap approach to citizens taking the initiative to solve their own problems with the town, county and state serving only in a governance and regulatory capacity. The citizens themselves are solving their own problems. When finalized, this will be a model for other middle class areas of both Long Island, and around the Country.

The Southampton Town Supervisor, Jay Schneiderman, members of the Town Board, and their predecessors should be proud of their best in class mitigation efforts.

These examples point to the local government at the catalyst for integrating the NFIP with other federal initiatives. There is a need to improve and integrate the NFIP into existing Federal, State, and local coastal risk reduction efforts. Incentivizing local residents is an effective way to spur this reform.

## How to Incentivize Local Communities through the NFIP

Local communities are incentivized if they can provide increased flood and erosion protection to all or a portion of their community at minimal cost. One method FEMA uses is through the Community Rating System (CRS). Meeting the CRS criteria reduces the flood insurance premiums for the entire community. However, many communities do not have the technical staff to prepare and review the CRS criteria.

The initial review and setting up of the CRS is the most difficult and expensive part of the process. Aid to communities in this effort would benefit many policyholders at a small cost. Simplifying the CRS application process is another way to lower this barrier to entry for many small communities. Some of the qualifying criteria for CRS credit is extreme and impractical.

In some communities, there is a specific exclusion to the local zoning code for complying with the prevailing FEMA-NFIP flood mapping. This removes a tremendous

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cost impediment for homeowners. An older home that may need a zoning variance to be elevated could cost tens of thousands of dollars in fees and many months of time, just to go through a local zoning board. Incentivizing local governments to remove this impediment will reduce the cost of compliance.

Pre-disaster mitigation planning is being implemented in many communities on Long Island. Unfortunately, the process often stops in planning due to a lack of funds. The United States is in the midst of an infrastructure crisis and coastal infrastructure is the most vulnerable. There is presently little money at the local or State level to fully implement pre-disaster mitigation projects.

Restoring beaches and dunes, enhancing the flood capacity of wetlands and making highways, rails and ports more resilient will cost billions, but will save even more. This work needs federal leadership and cannot be done in isolation. Recognizing the mitigation work of federal, State and local agencies in the NFIP program (where resiliency projects generate large benefits) requires a strong local government presence.

For example, in communities that have a US Army Corps of Engineers (or other federal agency) flood risk reduction project, FEMA-NFIP should be part of the federal, State and local partnership. The benefit of the project may be reflected in the eventual FEMA NFIP mapping, but there is often little pre project communication between those agencies.

## Impact of Current Flood Insurance Rates

The current flood insurance rate model is designed to bring flood insurance into balance with risk by gradually increasing premiums to the actuarial level. The effect of these premium increases is disproportionately impacting middle and lower income families that are struggling to meet the increased expenses in many household categories.

Many owners cannot afford either the increased insurance premium or the capital investment needed to elevate their homes. These owners will struggle with the increased premiums until they can no longer afford them and often be forced to sell. Small communities across Long Island will be changed as middle and lower income families are being costed out of flood insurance.

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The NFIP has devoted substantial resources to convince homeowners that elevating their homes will reduce their flood insurance premium. Unfortunately, the payback period is approximately 10-20 years. This is too long a wait and too high a cost for the low perceived risk to motivate the average homeowner. As a result, homeowners do not elevate their homes before experiencing flood damage.

FEMA has undertaken an Increased Cost of Compliance Coverage to address part of this issue. However, the \$30,000 maximum is insufficient to elevate a typical home on Long Island. Raising even a modest home to comply with NFIP flood standards on Long Island is \$100,000 to \$150,000. This costs does not include addressing other issues that may be related to non NFIP standards, such as the State building, electrical and plumbing codes or local zoning requirements. Total costs easily run to \$200,000.

FEMA also provides post disaster mitigation funds to elevate and flood proof damaged homes and businesses. In New York, the NY Rising program administered by the State with FEMA funds has been elevating Superstorm Sandy damaged homes. However the pace is slow and the cost is high. People can be out of their homes for extended periods of time while waiting for FEMA approval and eventual construction, thus incurring excessive temporary housing costs and severe social dislocations.

In another federal program, the US Army Corps of Engineers (Fire Island Inlet to Montauk Point) is proposing to raise over 4,500 homes on the south shore of Long Island that are located in the 10 year floodplain at a cost of approximately \$660 million (approximately \$146,666 per home. This addresses many of the most vulnerable homes, but clearly many other homes located in the floodplain need to be raised as well.

All of these efforts are working, but at too slow a pace and too costly a price. Some new thinking is required to reach owners that cannot afford the insurance or the elevation before the flood. Failure to do so will see more middle and lower income families leave as they are priced out of the area.

## How to Incentivize Policy Holders

Simply stated, we must convert more pre-FIRM homes to NFIP compliant homes faster and policy holders are the key to the process.

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Unfortunately, the bulk of the effort (and the money) on mitigation is spent after the flood damage occurs, when it is most expensive. Both Hurricane Katrina and Superstorm Sandy have proven this point. Moving that expenditure to pre-storm is an extraordinary challenge. Speaking as a small business owner, it all about the money.

If we want many people to elevate and flood proof their homes before the flood it must be in their immediate financial interest. A twenty year investment horizon is a once in a lifetime event for most people. A break even of five to seven years is the most that many owners can afford.

Moreover, the financial stick of increased premiums without a commensurate financial carrot will not work. It is too much stick and no carrot. It is not reasonable to expect a consumer to invest up to \$200,000 for an annual payback of \$4,000 or \$5,000. Nor is it reasonable to expect a homeowner to pay \$20,000 to 40,000 annually for flood insurance. Right now, the taxpayer is paying the difference and it is in more expensive, post disaster dollars. Just moving that taxpayer expense to the pre-disaster dollars would save up to 50%.

Regardless of anything else, the financial incentive and payback period necessary to elevate and flood proof a home must align with the cost or homeowners will not make it happen.

## Streamlining FEMA NFIP

The claims process at FEMA is burdensome. I am most familiar with the Public Assistance portion of that process having participated in over a dozen federally declared disasters. The introduction of paperless submittals have vastly improved the process in the last decade. FEMA should continue to make these improvements.

Another aspect of the burdensome claims process is the rotating personnel. I understand that FEMA employs reservist out of necessity. It is simply the only way they can assemble the personnel needed in the wake of a disaster. However, consistency of interpretation and seamless hand off from one claims professional to the next could and should be improved.

The map amendment process through eLOMA has greatly simplified the process of map amendments. The digital mapping program at FEMA has made the process of

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flood hazard identification much more user friendly and accessible. I have clients actually call me after having looked up their property online at the FEMA Map Service Center to discuss the level of hazard.

## Summary

The NFIP plays a critical role in protecting the citizens of our nation. Making the NFIP more resilient means moving more pre-FIRM homes into NFIP compliant homes faster.

Raising rates alone will drive middle and lower income families from their homes. The goal of elevating homes can be accomplished if commensurate financial incentives are balanced with reasonably priced insurance.

It also means integrating existing and proposed flood risk mitigation projects at the federal level with robust State and local land use controls. FEMA should continue to streamline the claims and mapping delivery systems.

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