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REGIONAL PLANNING COUNCIL ADVOCATES FOR RELIEF FROM FEDERAL FLOOD INSURANCE RATE INCREASE

FORT MYERS, FL – (November 14, 2013) – The Southwest Regional Planning Council (Council) has been doing its part to delay implementation of the Biggert-Waters Flood Insurance Reform Act of 2012. Implementation of the law would raise flood insurance rates for thousands of Florida homeowners; it has been estimated that 268,000 Florida homes and businesses could be hit with huge insurance increases, primarily older buildings in flood-prone areas that have paid lower, subsidized rates for decades because they were built before flood maps were adopted.

At its October meeting, the Council unanimously approved motions to endorse delaying implementation of the Biggert-Waters Act until an affordability study has been completed by Congress. At Council's direction, Margaret Wuerstle, the Executive Director, sent letters advocating for delayed implementation of the Biggert-Waters Act to the region's Congressional delegation, members of the Congressional subcommittee on the issue, and other persons involved with this issue.

Chris Heidrick of Heidrick & Co. Insurance on Sanibel, an insurance professional who is familiar with the Biggert-Waters Act, was asked to make a presentation on the law to the Council at its October meeting. He discussed the history of the law, the potentially catastrophic economic impacts of the law for Southwest Florida, and efforts that are being made to delay implementation until measures have been put in place to ameliorate the impacts of the law. Later in the meeting, Council approved a Regional Legislative Agenda that includes the following item:

“Support efforts to suspend implementation of the Biggert-Waters Flood Insurance Reform Act of 2012 federal flood insurance rate hikes until an affordability study is completed, and to amend the time frame for premium adjustments to allow responsible changes that accomplish the objective of a solvent National Flood Insurance Program based on the findings of the study.”

Background

Congress created the National Flood Insurance Program in the late 1960s after Hurricane Betsy hit New Orleans, causing over a billion dollars in damage. Flood insurance was nearly impossible to secure from the private market, so lawmakers felt the federal government had a duty to step in and provide help to residents along the coast. The program was set up to be self-sustaining, borrowing from the U.S. Treasury only when necessary, and it generally worked for several decades. But beginning in 2005, Hurricanes Katrina, Rita, Wilma and several other storms caused it to blow through its budget and go \$24 billion in debt.

Congress passed Biggert-Waters in July 2012, with sweeping bipartisan support. The act required the National Flood Insurance Program to reflect true flood risks by raising rates, thereby helping address its deficit of over \$25 billion. Many discounts and subsidies policyholders received in the past, including those for second homes, are being eliminated or will be phased out over the next several years. The act also calls on FEMA to incorporate sea-level rise into its future flood maps.

The net result, however, has seen insurance rates rise into the tens of thousands in some cases, prompting fears of another slowdown in the housing market as people face foreclosure if they are unable to pay their insurance rates.

Congresswoman Maxine Waters -- who coauthored the original act -- now says she's outraged by the insurance premium increases many homeowners are facing, and that she never intended for that to occur. "Neither Democrats nor Republicans envisioned that it would reap the kind of harm and heartache that may result from the law going into effect," she wrote in a press release in September. Waters is pushing to postpone the rate changes for three years while an affordability study is conducted.

Governor Chris Christie of New Jersey has expressed similar concerns. "In light of the unprecedented circumstances faced by tens of thousands of people attempting to rebuild from the ravages of Sandy," he wrote to Congress last May, "foisting the additional burden of a flood-insurance rate increase on home and business owners as currently proposed would be financially devastating."

At the same time, there's been pushback to delaying implementation, both from fiscally conservative Republican lawmakers in districts largely unaffected by the issue and from some environmentalists who say Sandy has highlighted the need for radical changes in construction and development patterns along the coast. "Artificially low rates fail to communicate the true risk of building and rebuilding along our coasts and they will put more people and property in harm's way," says the Union of Concerned Scientists. "It would be disastrous to keep doing things the way we always have, especially with worsening storm surge and flooding coming our way."

An issue brief jointly published a few months ago by the University of Pennsylvania's Wharton Risk Center and the group Resources for the Future similarly concluded that "A delay in implementing the flood reform legislation could impede the financial soundness of the NFIP and discourage policyholders from cost-effective risk mitigation measures." The solution to

addressing the affordability challenges, it determined, is not to simply offer discounts on premiums, but rather to offer vouchers in combination with low-interest loans for residents to make their homes more resilient to future flooding.

Recent Developments: The Homeowner Flood Insurance Affordability Act

On October 29, Sen Robert Menendez of (D-NJ) announced a bipartisan deal had been reached to delay the flood insurance premium hikes that went into effect on October 1, 2013, or earlier in some cases. The Homeowner Flood Insurance Affordability Act will require FEMA to complete an affordability study, propose solutions to address affordability issues and certify that the mapping process is accurate before any flood insurance premiums can be raised in the future. Senator Tim Scott of South Carolina is a co-sponsor of the bill (S.1610).

Representative Maxine Waters, once of the co-sponsors of the Biggert Waters Flood Insurance Reform and Modernization Act that introduced the current rate hikes, simultaneously introduced a companion bill to the Affordability Act in the House of Representatives (H.R.3370). The bill will need to pass both the house and the senate, and it does face opposition, primarily from insurance industry groups.

According to the press release, the legislation calls for the following:

- Imposes a 4-year rate increase delay that applies to: primary, non-repetitive loss residences that are currently grandfathered; all properties sold after July 6, 2012; and all property owners who purchased a new policy after July 6, 2012.
- Requires FEMA to: complete an affordability study (which is anticipated to take two years); propose an affordability framework within 18 months that addresses the identified affordability issues; and provide six months for Congressional review after that, which totals at least four years.
- Allows FEMA to utilize National Flood Insurance Funds to reimburse policyholders who successfully appeal a map determination.
- Eliminates the 50 percent cap on state and local contributions to levee construction and reconstruction.
- Protects the so-called “basement exception” in a few communities, which allows the lowest flood proofed opening in a home to be used for determining flood insurance rates.
- Establishes a Flood Insurance Rate Map Advocate within FEMA to answer current and prospective policyholder questions about the flood mapping process.
- Requires FEMA to certify that the agency has fully adopted a modernized risk-based approach to analyzing flood risk (this is aimed mostly at levees).

Facts from the Florida Division of Emergency management’s Bureau of Mitigation

- Florida is ranked fourth in the U.S. for the number of FEMA disaster declarations.
- Every county in Florida has been declared for at least one FEMA disaster declaration.
- Since 1900, 8 of the 10 costliest tropical cyclones in the U.S. have impacted Florida.
- Flooding causes about \$6 billion in damages in the U.S. yearly.
- Florida has more flood insurance policies required by the NFIP than any other state.

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