



**Testimony of Caitlin Berni, Vice President of Policy and Communications, Greater New Orleans, Inc.
Before
The House Committee on Financial Services
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Chairman Hensarling, Ranking Member Waters, and Members of the Committee, I am honored to speak to you today about the package of bills proposed to reauthorize and reform the National Flood Insurance Program (NFIP). My name is Caitlin Berni, and I am the Vice President of Policy and Communications of Greater New Orleans, Inc., the regional economic development organization for Southeast Louisiana.

Since April 2013, GNO, Inc. has led the Coalition for Sustainable Flood Insurance (CSFI), a national coalition of approximately 250 organizations across 35 states, formed during the implementation of the Biggert-Waters Act. CSFI was a driving force behind the passage of the Homeowner Flood Insurance Affordability Act (HFIAA), compromise legislation that was cosponsored by more than 235 Members of this body and supported by 306 Members, representing the overwhelming support of both caucuses, and passed the Senate with the support of 72 Senators. Since the passage of HFIAA, our coalition has focused on advocating for a stronger policy framework for the NFIP. There are four primary policy areas CSFI has focused on that will provide for this stronger framework – mitigation, mapping, affordability, and program participation.

- **Mitigation** - A comprehensive approach to reducing flood losses before a disaster occurs is a more effective means to reducing economic loss and protecting taxpayer interests than ejecting households and businesses from the NFIP via unaffordable flood insurance premiums.
- **Mapping** – Enhancing the way we assess and communicate risk through improvements to the mapping process will protect communities and the NFIP over the long-term.
- **Affordability** – Premiums must remain affordable, and people who played by the rules at the time that they built or bought their property should not be penalized.
- **Program Participation** – Adopting policies that encourage more people to buy flood insurance will help to bring the program’s costs in line with revenues in a responsible way and help communities recover more quickly following a flood event.

There is no simple answer to the complex problem of maintaining premium affordability, keeping the NFIP on sound financial footing, ensuring taxpayer protections, and accurately communicating and reducing risk. Flooding is the most common natural disaster in the United States, affecting communities in each of the fifty states and territories. This is not just about our coastal cities – flood insurance impacts the entire country.

As we consider flood insurance reauthorization, we should recall why the federal government is in the flood insurance business at all. The NFIP was created in 1968 following Hurricane Betsy because the private market failed, and Congress wanted citizens in flood prone areas to have some skin in the game, rather than having the full brunt of disaster costs borne by the taxpayer. The NFIP helps communities that are at risk of flooding better prepare by requiring stronger floodplain management standards and



incentivizing mitigation to discourage risky building in harm's way. While the NFIP is in need of improvements, changes to the Program should not destabilize it.

I thank Chairman Hensarling and Chairman Duffy for proposing this package of bills. While we support several of the proposals included in the package of legislation, our coalition is concerned that the overall approach may result in some of the same unintended consequences, primarily around affordability, that arose during the implementation of the Biggert-Waters Act.

CSFI encourages the Committee to consider our concerns and recommendations listed below.

Mitigation

Flooding is the most common natural disaster in the United States, affecting communities in each of the fifty states and territories. Across the nation, states and municipalities have worked diligently to reduce the frequency and impact of flooding in their communities even while resources to reduce flood losses remain limited.

Effective flood mitigation is a multi-faceted enterprise. The federal and state governments share significant responsibilities in the planning, design, construction, and maintenance of major flood control projects that protect hundreds of millions of homes and businesses. At the community level, particularly those communities participating in the NFIP, governments adopt and enforce floodplain management standards and building codes. County and parish governments that adopt stronger standards and participate in the Community Rating System (CRS) achieve a greater level of flood protection for the community that is reflected in reduced flood insurance premiums.

Property owners have a key responsibility to reduce flood damage and secure resources to comply with floodplain management and building code requirements. Property owners may fulfill this responsibility to protect property by purchasing flood insurance and Increased Cost of Compliance (ICC) coverage. Appropriate flood insurance and ICC coverage ensures flood damage is repaired and that damaged structures are restored to a higher level of flood protection if required by current floodplain management standards and building codes. Property owners further have the obligation to work through local, state, and federal programs to mitigate high-risk structures having sustained repetitive flood loss events.

Despite this coordinated, multi-layered approach to flood mitigation, substantial sums of taxpayer funds are appropriated each year in response to disaster damage caused by flooding. This raises important questions about the efficacy of the national flood loss mitigation strategy and the efficiency of deploying substantial taxpayer funds for disaster response while making limited investments in disaster mitigation by comparison. Aggressively addressing flood risks at the regional and community levels, while providing homeowners' options and resources to lower flood risks will save lives and property, reducing flood damage, flood insurance claims, and flood insurance premiums.

Federal policymakers must work with state and local governments and individual property owners to reduce the frequency and expense of flood losses. This necessarily requires allocating resources for disaster prevention and flood loss mitigation. Reducing the exposure of our communities, homes, and



businesses to flood losses is a more efficient and effective use of taxpayer resources and will reduce future disaster costs and preserve flood insurance affordability.

CSFI has concerns with the following Committee proposal:

- **Repeatedly Flooded Communities Preparation Act** - CSFI is concerned that the inclusion of the Repeatedly Flooded Communities Preparation Act (H.R. 1558) will not achieve stronger levels of mitigation because instead of empowering communities with the mitigation tools they need, the bill threatens to punish communities with sanctions, including suspension from the NFIP. This proposal, which captures all communities with 50 repetitive loss properties or 5 or more severe or extreme repetitive loss properties, combined with the Committee's proposal to lower the threshold for repetitive loss properties to any property with two claims of any amount, will potentially redline coastal communities all across America from participating in the NFIP. The bill does not provide communities with any additional funding for mitigation or support to develop the required mitigation plans. Often times, smaller governments simply do not have the capacity or technical expertise to develop mitigation plans. Congress and FEMA should instead focus on providing communities with the tools needed to become more resilient.

CSFI supports the following Committee proposals:

- **Increase and Modernize Increased Cost of Compliance Coverage** - CSFI supports the Committee's proposal to modernize Increased Cost of Compliance Coverage (ICC) by increasing the amount of coverage available for purchase and allowing some pre-disaster mitigation to be eligible. Improving ICC is a wise way to assist property owners in mitigating their homes.
- **Provide CRS credits to the maximum number of communities practicable** – CRS is an effective program in incentivizing communities to reduce flood risk, and Congress should support and improve this program.

Congress should consider the following additional policies that to increase mitigation:

- **Redirect Premium Surcharges Included in HFIAA** – Require FEMA to reallocate the existing surcharges established in HFIAA to better finance the Pre-Disaster Mitigation and the Flood Mitigation Assistance Programs. This proposal to redirect existing fees would yield approximately \$400 million annually for flood mitigation activities.
- **Provide a Premium Credits to Offset the Cost of Obtaining an Elevation Certificate** – Offer policyholders without an elevation certificate a one-time rate credit for the cost of obtaining elevation data. Knowledge of flood risk and accuracy of a structure's base flood elevation information will be enhanced by removing or reducing the financial barrier associated with the acquisition of elevation certificates.
- **Facilitate Mitigation Credits that Reduce Premium Rates** – Require FEMA to develop meaningful cost reductions, in excess of 10% of the current risk premium rate for a property, for flood mitigation activities undertaken on properties in all zones, including moderate risk zones.
- **Partner with participating communities and state governments to obtain elevation data** - Offer CRS credit for participating jurisdictions that require an elevation certificate to be prepared at a subsequent transfer of title for structures in a flood zone where elevation data are not available.
- **Provide Effective Oversight of the U.S. Army Corps of Engineers** – While this is not germane to reauthorizing the NFIP, I want to urge Congress to conduct effective oversight of U.S. Army



Corps of Engineers (USACE) procedures and project approval timelines to ensure authorized flood control projects do not languish, needlessly putting communities, homes, and businesses at risk of flood damage.

Mapping

Accurate mapping is fundamental to assessing and communicating risk, and to pricing it appropriately. The current mapping process often results in communities having to fight inaccurate maps that do not take into account locally built flood protection features and communities building off of outdated mapping, which results in artificially inflated risk. **We must question whether we can truly determine actuarial rates if they are based on flawed mapping. To that point, if we question the data upon which all premium rates are based, that presents fundamental problems when discussing reforms to the Program.** Further, many areas of the country are not mapped or mapped accurately, which results in communities who are at risk of flooding unaware of the risk.

For example, in the August 2016 floods in Baton Rouge, Louisiana, over 80% of survivors of this riverine flood event did not have flood insurance. I know it is easy for those of you not from Louisiana to question why these people did not have flood insurance given what has occurred in Louisiana over the last twelve years. Here's the answer: many of those communities were not mapped into a flood zone or were only in optional purchase areas. Updated and accurate mapping and better communication about risk when purchasing property could have limited the number of uninsured properties significantly. This in turn could have resulted in these affected communities needing less post-disaster funding, thus saving the taxpayer.

Technology around assessing and communicating risk is also rapidly evolving, and FEMA should embrace this technology to provide more accurate maps for America.

CSFI supports the Committee's proposals to:

- **Use Other Risk Assessment Tools in Determining Premium Rates** – Technology around risk assessment is rapidly evolving, and FEMA should use the most up-to-date technology when determining risk.
- **Streamline the Mapping Process** – CSFI supports this proposal, particularly the provision to assist communities in locating resources to appeal elevations and hazard map designations. Many small communities simply do not have the expertise or capacity to fight FEMA on inaccurate mapping, and this provision will provide needed support.
- **Communication and Outreach Regarding Map Changes** - Expediting the required community notification layover period so that communities can accelerate their mapping process if they choose to will result in communities planning land use more accurately and efficiently. For example, this provision would benefit communities in South Louisiana who are in the process of adopting new, more accurate maps that reflects stronger mitigation features and accurate science.



CSFI urges the Committee to consider the following proposals for inclusion in order to fully and meaningfully improve the mapping process:

- **Increase the authorization for the National Flood Mapping Program** – Increase the authorization of the National Flood Mapping Program, which would help communities better understand and plan for risk.
- **Allow Counties to Adopt Portions of Maps at a Time** – Require FEMA to allow communities to adopt portions of a flood map that they agree with at one time while still allowing for map appeals in other areas of the community. The current policy puts the entire county’s new map on hold during the appeals process, which results in the entire community planning land use policies around outdated maps and some residents paying inflated rates.
- **Improve the Flood Mapping of Levee-Protected Areas** – Require FEMA to replace its “Zone D” designation (defined as an area of undetermined/undefined risk) in levee-protected areas with risk zones that are more appropriate for the level of protection that the flood mitigation features afford.

Affordability

Following the Biggert-Waters Act, when homeowners across the nation faced skyrocketing premiums, legislators reasserted the long-held view that premium affordability is a fundamental tenet of national flood insurance. In HFIAA, policymakers addressed premium affordability concerns by restoring the practice of rate “grandfathering”, reversing the elimination of pre-FIRM subsidized (PFS) policies, eliminating the property sales trigger, and increasing damage and improvement thresholds. Those policies must be maintained in reauthorization.

In HFIAA, Congress revised key policies driving substantial increases in flood insurance premiums yet retained the Biggert-Waters Act imperative to reduce or eliminate certain premium subsidies. In general, HFIAA limits year-over-year premium increases to 18 percent for individual properties and 15 percent for the average of all premium increases within a risk classification. Premiums for most subsidized policies must, by law, increase at least 5 percent on an annual basis, subject to the overall limitation that NFIP not charge rates greater than a classification’s determined risk. Further, certain property classifications will see premium increases designed to rapidly eliminate subsidies.

CSFI is concerned with the following provisions in the Committee’s proposal:

- **Increase the Floor of Rate Increases from 5% to 8%** - CSFI is concerned that increasing the floor of rate increases from 5% to 8% will have a detrimental effect on premium affordability. While the bill does propose to lower the overall premium cap from 18% to 15%, increasing the floor will negatively impact many more policyholders than lowering the ceiling will help, especially when considering that premiums are increasing an average of 6.3% this year. **CSFI urges Congress not to increase rates during this reauthorization.** Congress should also obtain detailed information on how all changes to costs, both by increases in surcharges and increases in rates, would impact policyholders in different geographic areas and zone classifications. It should also be a goal of the Committee to analyze what impact it would have on the overall program – e.g. at what price point do people decline coverage. It does not appear that the Committee has explored this perspective in a public forum, and the future of the Program depends on this data.



- **Increase Surcharges Established in HFIAA** - CSFI is concerned about the Committee's proposal to increase surcharges established in HFIAA. While these surcharges may seem nominal at surface value, when they are added to the premium and other assessments, they put the total premium cost either out of reach or make the policy unattractive for many. Communities and taxpayers would be better served by using those dollars to increase mitigation.
- **Consideration of Coastal and Inland Properties** - CSFI questions the need for a provision to require FEMA to consider the difference in coastal and inland areas when determining premium rates. The difference in areas is already accounted via the V zone.
- **Prohibition on New Build**— CSFI is concerned about the Committee's proposal to prohibit offering flood insurance for new construction in special flood hazard areas after January 1, 2021. While we strongly support building to resilient standards and do not want to incentivize risky building in harm's way, prohibiting offering insurance for new build will cause damage to communities and economies.

Additional proposals that should be addressed during this reauthorization include:

- **Grandfathering - Preserving grandfathering is of critical importance.** Meaning, if you built your property according to FEMA's base flood elevation at the time of construction, you will not be penalized when new maps are introduced. The confluence of removing grandfathering and the introduction of new maps are what drove skyrocketing rates post Biggert-Waters.
- **Address the Debt** – Congress should have a broader discussion regarding the overall debt of the Program, the causes of that debt, and differentiating between the debt and the deficit.

CSFI supports the following provisions in the Committee's proposal:

- **Enforcement of Mandatory Purchase Requirements**
- **Requiring Disclosure of Premium Methodology**
- **Making Available Flood Insurance Information upon Request**
- **Giving FEMA the Authority to Provide Policyholders Credit for Implementing a Variety of Mitigation Options to Lower Premium Costs**

An additional affordability measure Congress should consider includes:

- **Formalizing 1% Cost to Value Ratio** – This proposal means that no premium could be more than 1% of the policy value. So, for example, a policy worth \$250,000 could never cost more than \$2,500. Language was included in the Homeowner Flood Insurance Affordability Act that FEMA should strive to accomplish this policy, and Congress should strengthen this language.

Program Participation

Sustainability and affordability of flood insurance coverage is a growing concern as NFIP is experiencing a year-over-year decline in several key metrics. According to FEMA data, NFIP policies-in-force peaked in 2009 at 5,700,235. As of June 30, 2016, the number of policies-in-force was 5,083,071, a decline of almost 11 percent from 2009. Total coverage-in-force is also in decline after peaking at approximately \$1.3 trillion in 2013 and as of June 30, 2016, is approximately \$1.25 trillion. For only the second time since 1978, total premium earned has fallen from the previous year, with \$3.54 billion of premium earned in 2014 compared to \$3.44 billion in 2015.



This is not sufficient evidence to validate a long-term forecast of year-over-year decline for the NFIP, but policymakers must be mindful of data showing declines in core program variables over the short-term. It must also be noted that key coverage-in-force and premium earned declines have largely occurred post-Biggert-Waters Act.

For policymakers to more fully achieve the core purposes of national flood insurance—floodplain management, limiting government disaster costs, and facilitating property owner purchase of insurance—the NFIP must be designed with the interests of end users as preeminent. Increases in both policies written and coverage in force will bring greater stability to communities and provide greater protection for the federal treasury. Simply put, with both the severity and frequency of floods increasing, we need more people buying flood insurance.

The Committee should consider policies to increase program participation, including:

- **Offering a Default “Opt-Out” Flood Policy as Standard Part of Homeowners Insurance Package-** NFIP should be directed to engage in product testing that offers consumers a “default” insurance option where consumers are required to actively decline (opt-out) flood insurance coverage. Based on the outcome of consumer testing, NFIP and NAIC should move to expand “default” options that include NFIP coverage as appropriate.
- **Expanding the Definition of the Special Flood Hazard Area** - Congress should authorize a study to assess the effectiveness of the mandatory purchase requirement; assess the benefit of mandatory purchase to taxpayers, communities, and households; and identify areas outside designated SFHAs or adjacent thereto where mandatory purchase would have a demonstrable, positive cost-benefit impact for taxpayers and property owners.
- **Mandatory Purchase of Flood Insurance for Properties that Have Experienced a Loss and Federal Disaster Assistance Was Accepted to Repair or Replace the Structure** - Congress should consider requiring mandatory purchase of flood insurance for at least ten years for properties that have experienced a flood loss event and federal disaster assistance was accepted to repair or replace the damaged structure and contents. The mandatory purchase requirement should attach to the structure and the requirement should be noted in local land records in a manner that is readily apparent to title researchers, lenders, appraisers, borrowers, and other parties interested in the transfer of property.

The Role of the Private Market

The Committee has also proposed legislation to ease private market entry and increase consumer choice. While a fuller entry of the private market would bring competition and discipline to the flood insurance market, I urge Congress to be mindful of the risk of cherry-picking. A scenario where the private market comes in and takes all of the low risk properties while leaving the NFIP with nothing but high risk properties will not serve the policyholder or taxpayer well and leaves the NFIP open to needing further loans from the US Treasury. Congress should consider requiring private carriers to assume a certain portion of high-risk properties as well. An increase in private market coverage should occur parallel to a healthy and sustainable NFIP.

CSFI is concerned with the following provision in the Committee’s proposal:

- **Elimination of the Write Your Own (WYO) Non-Compete Clause** – As structured, the Committee’s proposal would allow for cherry-picking because WYOs would have access to all



costs and claims information, therefore making it easy to understand where the “healthiest” policies are located. Congress instead should consider eliminating the non-compete clause for only certain risk categories or portions of risk, and charging a fee for accessing the data, to prevent turning the NFIP into a high-risk pool.

CSFI supports the following provisions in the Committee’s proposal:

- **Include Continuous Coverage Language in Reauthorization** – CSFI supports language in the Ross-Castor Flood Insurance Market Parity and Modernization Act that allows policyholders to maintain continuous coverage, which would allow them to leave the NFIP for the private market and subsequently return to the NFIP while proving continuous coverage. This policy is key to providing consumers with the assurance needed that the NFIP will be available should they be priced out of the private market or should private flood insurance become unavailable. Under current law, policy holders who may have access to more affordable, comprehensive private market coverage are not incentivized to leave the NFIP.

Multi-Year Reauthorization

It is critically important that we reauthorize the NFIP for a multi-year period. Short-term extensions, and especially lapses in authorization, have real world implications. Lapses in authorization stall or kill home closings. Particularly with a September 30 expiration – in the middle of hurricane season – American home and business owners need to be able to rest assured that the flood insurance they have purchased and relied on will be available should a flood happen. A multi-year reauthorization is needed to bring certainty to consumers and real estate markets.

Given the past record of broad bipartisan support for affordable, sustainable flood insurance, we urge Congress to pass legislation by September 30 that ensures affordability, improves mapping, meaningfully increases support for mitigation activities, and increases flood insurance coverage in America.

Again, thank you for the opportunity to speak to you today about reauthorizing and reforming the National Flood Insurance Program, and for your service. CSFI stands ready and willing to assist the Committee as we work to reauthorize the NFIP by September 30.