

Chairman Ney, Ranking Member Waters, Members of the Committee. Thank you for providing me with the opportunity to discuss my experience with the National Flood Insurance Program (NFIP).

My name is Beth Beam and I am from Ellwood City, Pennsylvania. I would like to say that I live in Ellwood City, Pennsylvania, but because of the unimaginable difficulties I have had with the NFIP, my home is still unlivable seven months after the floods. My husband and two small children have been forced to live with my parents in Levelgreen, Pennsylvania. Instead of their own rooms, one child now sleeps on the floor. My husband and I sleep on the couches, and it has been seven months.

We cannot afford to pay dual mortgage and utilities and rent bills. FEMA says we are ineligible for housing assistance since we are not working on repairs to our home, yet we are unable to do so due to FEMA's refusal to honor our insurance policy. We cannot repair our home for .07 cents on the dollar.

Quite frankly, after learning of the plight of flood victims that have struggled with similar problems for 18 months, I am terrified I will end up like they are – homeless with no end in sight. My goal is that you will hear my story, that is representative of so many others, and agree to help us by reigning in an out of control bureaucracy. A group that is destroying families like mine.

Eight years ago, my husband and I purchased a three bedroom house in Ellwood City, Pennsylvania. The house needed some repairs, but we were excited to do the work on our own and make the house our home.

We put in the time, effort, and money to renovate our entire home. We installed a new kitchen and hardwood floors among many other improvements. This was truly the place that we and our two children could call our home.

Our home is located near the Connoquenessing Creek, so we knew we needed to purchase flood insurance. While we hoped we would never need it, and until September 2004 we did not, we purchased the proper amount of coverage.

On September 9, 2004, Hurricane Francis hit Western Pennsylvania. Our home was flooded with about one foot of water on the first floor. Our living room, family room, kitchen, dining room, laundry room, and bathroom were flooded. Our furniture, some clothing and furnace were ruined. We needed to replace four feet of drywall and insulation throughout the entire first floor.

We immediately began clearing items out of the house to see what we could salvage. We also made arrangements to live with my parents temporarily.

On September 9, 2004, we first contacted our flood insurance provider Liberty Mutual to file a claim. On September 12, the independent adjuster Bellmon Adjustors Inc. informed us that we only had \$5,800 in coverage. We were sickened, shocked and

stunned. This is the first we learned FEMA's records were incorrect. We purchased \$75,000 in building coverage and \$18,000 in content coverage [according to our declaration page]. Only at the point that we first relied upon our coverage did officials from the NFIP inform us that, unbeknownst to us, FEMA had re-designated our home to a new flood plain. As a result, they said that the premium we had been paying was inadequate, so our coverage was reduced to \$5,800.

This was the first we, our lender, or agent had heard about this problem. On September 15, I called the National Flood Processing Center. They checked my file and discovered that we had not been properly notified. They said they were going to send me a bill for the additional premium and my policy was going to be reinstated at the correct coverage amounts retroactive to before the flood. The next day, I received a voicemail from the National Flood Processing Center informing me they found an unsigned, computer-generated copy of the letter regarding our re-rating. They insisted that was adequate proof that I received correspondence regarding the re-rating. They refused any ownership of the problem, said I should have known about the issue, and I should have taken the necessary steps to obtain adequate coverage. None of the other recipients (the insurance agent and the mortgage company), as required by my policy, received the letter. I was given the number for FEMA underwriting in Washington, DC to contact and review the situation.

At this point, we did not have the coverage we needed to cover the damages to our home.

The water from Francis had reseeded from our home, but on September 17, 2004, Hurricane Ivan hit Western Pennsylvania and our home was flooded again.

This time it was much worse. Five feet of water filled the bottom floor of our home. We tried to stay as long as we could to salvage what was left from the first flood, but we realized we were going to have to leave once again.

When we returned to our home, the first floor was entirely ruined. The new kitchen we installed was destroyed including all of the lower and upper cabinets. The entire first floor had to be gutted to the studs.

On September 22, I called my mortgage company to ask them to forward a copy of the computer-generated letter. They were unable to do so because they too said they never received it.

On September 22, I also spoke with Steve Van Dyke of FEMA Underwriting. He told me the Flood Processing Center also informed him that the letter didn't exist. Yet, oddly, they claimed to have later found it. After reviewing our file, he ultimately determined that we were not eligible to have our policy made retroactive because of the unsigned, computer-generated letter even though my mortgage company, my agent and myself had never received any such letter. During September and October, we had several conversations to discuss my situation and he kept asking me why I wasn't going after my agent for his error and the mortgage company. Even though none of the three recipients

required by federal law received the letter, he refused to allow my policy to be made retroactive in accordance with the terms of my policy. He told me to sue the mortgage company and the insurance company.

My flood carrier, Prudential, had been acquired by Liberty Mutual. Nevertheless, my Prudential office assured me that no such notice existed in their records.

On October 27, I explained my situation to Bob Hodges of the NFIP. He put me in touch with Kay Cummings, an underwriting manager at the NFIP. She agreed with me that my policy should be made retroactive and she was going to persuade Steve Van Dyke to do so. She asked for statements from my mortgage company, my agent and myself. After providing her with the information, I called several times to follow up. She never returned my calls. When I finally reached her, she said she didn't remember talking to me and asked that I explain the situation over again. After not hearing from her for awhile, I left several more messages that went unreturned. When I finally spoke with her, she told me that she thought I knew from Steve Van Dyke that the case was closed.

Thomas Caruso of Liberty Mutual reviewed my file and contacted the insurance agent at home. On November 17, the agent told Mr. Caruso that he was unaware of the problem with my policy and never received the computer-generated letter. Mr. Caruso decided I should have noticed the changes on my declaration pages and renewals. As a result, he would not honor my original coverage. He told me to sue Liberty Mutual.

I also asked Liberty Mutual to put in writing that my agent never received a copy of the computer generated letter in order to forward to Kay Cummings of the NFIP. He refused. I also asked for some copies of other documents in my file that were originally addressed to me. Again he refused and told me I'd get them in discovery. The last message I received from Thomas Caruso was a voice mail telling me Liberty Mutual was done with me and that I needed to move on. Liberty Mutual did turn a claim into their Errors & Omissions Insurance at my insistence and we have been offered an out-of-court settlement of only 50% of our losses.

That is where my case stands today; in the same place it was seven months ago – unresolved.

My policy, the Flood Insurance Act of 1968, and FEMA's flood insurance manual state that I should be notified of the error in a letter addressed to me, my mortgage company and my agent and given 30 days to pay the additional premium. I was not given that opportunity.

I was unaware that my home is in a special flood hazard area and the Lender has an obligation to make sure it is properly insured. That did not happen. Also, in advance of the closing on the property, the Lender is required to notify me in writing that the property I am about to buy is in a special flood hazard area and provide a description of the insurance purchase requirements. That did not happen.

My husband and I would not have purchased the house if we had been given that information. We now have a house that is unlivable. We purchased \$75,000 in building coverage and \$18,000 in contents coverage in 1996. We paid all of our premiums faithfully. We are told that, based upon the rules that Congress approved, if we file suit we cannot recover attorney's fees or consequential damages. In other words, we will be fortunate to receive sixty percent of what we are owed, years from now. In the meantime, FEMA and our insurance company are taunting us to sue them.

We cannot believe that Congress ever intended to setup a premium funded program where the policyholders had no rights. A program that has no oversight and no accountability to the very people that fund it - the policyholders.

We purchased flood insurance thinking it would cover any damages sustained in the event of a flood. Instead, the insurance industry has taken our premiums and given nothing in return. We are left to fend for ourselves in a nightmarish existence.

Whenever we asked questions or sought a remedy, we were simply passed on from one unhelpful individual to the next. We were also given incorrect information. There was no coordination between our insurance company, our mortgage company, and the NFIP. No one wanted to take responsibility to solve our problems.

In addition, when we thought we were getting answers, we were eventually denied. Our damages were assessed by an insurance adjuster using a repair/rebuild value, only to have our contact at the insurance company tell us that was incorrect and we should expect less.

In the end, our home is still unlivable.

I appreciate the opportunity to testify before the committee today. I also want to make certain that the committee understands that I am not alone. Many of my friends and neighbors were also flooded. Everyone I know has had some kind of problem with their flood insurance.

One only need look at the Isabel problems to understand that FEMA's NFIP is broken. I am terrified that I will end up like the Isabel victims – homeless eighteen months after their loss. Whether my neighbors were low-balled on the cost of their repairs or given the run-around by their insurance company or the NFIP, our problems are identical to those we have read about for months in Maryland, Virginia, and North Carolina.

I appreciate that the Committee has taken the important first step of a preliminary look at this problem. On behalf of my family, and all flood insurance victims, I ask that you set aside the several days time necessary to fully understand the depth and magnitude of the problems, and the underlying causes, that have now been made public. I also ask that you take immediate action to direct the NFIP to operate in the way it has under former Federal Insurance Administrators, and in line with its sales agent training. Again, thank you for the opportunity to testify today and I look forward to answering your questions.