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Hearing on the National Flood Insurance Program

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Thank you, Chairman Ney and Ranking Member Waters, for allowing me the opportunity to testify about the failure of the National Flood Insurance Program.

Hurricane Katrina produced an unprecedented storm surge of more than 30 feet on the Mississippi Gulf Coast. Thousands of homes, businesses, churches, and other structures were destroyed; including many that had never flooded since the French landed in 1699. FEMA is still not able to give us totals for the number of properties that suffered storm surge damage and how many of those did not have flood insurance, but it is clear that the surge damaged or destroyed tens of thousands of homes that had wind coverage but not flood coverage.

Now, the people whose properties were destroyed by an unimaginable disaster are being ridiculed by NFIP Director David Maurstad, former federal insurance Administrator Bob Hunter, and others who blindly defend the failed program. They would have you believe that the homeowners were all too stupid or too cheap to buy flood insurance and deserve no sympathy or federal assistance.

I publicly invite them to come to the Mississippi Coast, at my expense, and tell that to Jerry St. Pe, the former President of Northrop Grumman Ship Systems, to Ricky Matthews, the publisher of the Sun Herald newspaper, to U.S. District Judge Lou Guirola, and to prominent attorney and community leader Cy Faneca. Those diligent professionals share a common fate with thousands of other South Mississippians. Their homes were not in the mapped flood plain, they were

never advised that they would need flood insurance, they purchased plenty of wind coverage to protect their homes from hurricane damage, and their insurers now are classifying their damage as flooding and denying their claims.

David Maurstad and other NFIP officials will claim that they encourage property owners outside the 100-year flood plain to buy flood insurance, but there has been no substantial effort to market flood insurance or even to educate lenders and insurers. The reliance on loan officers and insurance agents to sell flood insurance has been an absolute failure. They are not flood plain experts. They just look at the maps and tell their customers they do not need flood insurance.

My legislation, H.R. 3922, the Hurricane Katrina and Hurricane Rita Flood Insurance Buy-In Act, is a fair way to help homeowners who did not purchase flood insurance because they were poorly advised of their risk by their government and by their insurance agents. Only those properties that are outside of FEMA's special flood hazard areas are eligible for the buy-in. The bill would allow the owners to buy-in to the flood insurance program and file claims for Katrina damage. To buy in, the owner would have to pay the equivalent of 10 years of premiums plus a five percent penalty, even if they owned the property for less than 10 years. The premium and penalty could be deducted from their claim payment.

The buy-in properties would be eligible for coverage for Katrina damage only up to the amount of their wind coverage. This would ensure that the new flood coverage would match the owner's own efforts to insure against storm damage.

The buy-in customers would have to sign an agreement that would require the property to be covered by flood insurance in the future. The buy-in will cover the structure only, not its contents. All of these restrictions would help ensure that those who buy-in will not have better coverage than those who have been paying into the program. The bill specifies that funding must come from a separate

appropriation so that current NFIP policyholders are not adversely affected by the buy-in. Also, the buy-in payments are not to be considered by NFIP in setting premiums in the future.

The defenders of the current dysfunctional program have criticized my bill by claiming it would discourage people from purchasing flood insurance. I have to ask them, "Who is buying it now, except those required by their mortgages and those who have previously suffered a flood?"

I am astonished that so many people would try to defend such a failed program. The current framework for flood insurance is very badly flawed. The federal and state governments have enabled insurance companies to exclude flood coverage everywhere, not just in high-risk areas. The federal flood insurance program is mandatory only within the 100-year flood zones, and only then for properties with a federally guaranteed mortgage. That setup is designed to fail. It guarantees that there will be many properties at low to moderate risk of flooding that will not have flood coverage but are vulnerable to a major flood event.

That coverage gap is much worse if the 100-year flood maps are as grossly inadequate as the maps in Mississippi. FEMA now says the 100-year flood elevations should have been as much as eight feet higher on the Mississippi Coast. The map makers are now admitting that many of the properties that were flooded by Katrina should have been in the 100-year flood zones where flood coverage is mandatory. This admission means the owners will have to purchase flood insurance in the future if they are able to borrow the funds to rebuild their homes, but they get no apology or assistance for our nation's costly errors.

I would like to show you a few maps and images of the Gulfport coastal area to demonstrate just how inadequate the FEMA maps are.

First poster: FEMA Flood Insurance Rate Map for West Gulfport. The darkest areas are the 100-year flood zone, the only area where flood insurance is mandatory. The gray areas are the 500-year flood zone. Most of the map is white, meaning it is not in the 500-year flood zone.

Second poster: NOAA aerial photo of Gulfport two days after Hurricane Katrina. Barges and containers from the Port of Gulfport came to rest beyond the 500-year flood zone. Only the foundations remain of many of the houses. The railroad, about 20 feet above sea level, served as a levee, dividing the catastrophic damage from the severe damage.

Third poster: US Army Corps of Engineers Evacuation Map of Gulfport. The Corps' evacuation map is based on storm surge inundation models. Evacuation Zone A could be inundated by a Category 1 or Category 2 hurricane. Evacuation Zone B could be inundated by a Category 3 hurricane. Evacuation Zone C could be inundated by a Category 4 or 5 hurricane.

The Army Corps of Engineers evacuation maps are much more accurate than the NFIP flood maps. If the flood insurance program had used accurate maps, such as the Corps' maps, most of the damaged properties would have been covered by flood insurance.

Last week, FEMA presented advisory flood elevations to local officials and flood managers. FEMA has admitted that the 100-year flood elevations in the current maps are as much as 8 feet too low along the Mississippi Coast. However, FEMA says they cannot require new elevations and standards because their official process of revising the maps will take about two years. They are recommending that local governments raise the base flood elevations by 6 to 8 feet in Harrison County, 4 to 6 feet in Hancock County, and 3 to 5 feet in Jackson County. They also recommend that local governments require stronger "V-zone" construction standards in some areas that obviously are subject to waves. At

least a few local elected officials have made it clear that they do not want the responsibility of telling home and business owners that they must build higher. If the federal government wants properties to be rebuilt to the new elevations and standards, Congress should implement interim flood elevations while we wait for the new maps.

As we consider the future of flood insurance, I encourage my colleagues to challenge the whole idea of separating wind coverage from water coverage. Wind and water are not separate events in a hurricane or tropical storm. People should be able to buy one insurance product that would cover all their storm damage. They should not need engineers to determine whether their neighbors' house was slammed into their home by wind or by water. Wind and water should be included in one policy; either a private insurance product backed by a risk pool or a government reinsurance fund or, if the insurers refuse to participate, by a government disaster insurance program that is mandatory in coastal areas.

I can only guess that the current system was created by and for the insurance industry. They get government sanction to exclude water damage everywhere, not just in high risk areas. They get a commission of 30% of the first year's premium, while assuming no risk, yet still do not try to sell many policies. There is an obvious conflict of interest when their adjusters are allowed to determine whether storm damage was caused by wind or by water. I urge the committee to rethink our approach to insuring citizens against hurricanes and other disasters.

Thank you again for allowing me to testify today. I will close by urging the committee to pass H.R. 3922 so that the residents of the Gulf Coast can rebuild their homes. I know that assistance for those without flood insurance could be expensive, but the alternative is costly also. Without some help for the homeowners, the economy of the region will be depressed for years to come, there will be many bankruptcies and defaults, and far too many people will be dependent on FEMA trailers and other government assistance.