

BIGGERT-WATERS 2012: IMPACTS ON OUR COMMUNITY



Terrebonne Parish President
Michel H. Claudet

NFIP OVERVIEW AND BACKGROUND

FEMA

FLOOD MAPS + BWA 12 = PERFECT STORM

NFIP OVERVIEW AND BACKGROUND

- Before 1950 Flood Insurance was part of the standard homeowner's insurance policy
- During the 1950's high rates of losses by holder of flood policies started to eliminate this practice of including Flood Insurance and insurance companies began to sell separately
- After Hurricane Betsy in 1965 New Orleans was searching for Insurance Companies to sell Flood Insurance with very few takers
- In 1968 the National Flood Insurance Act established the National Flood Insurance Program (NFIP)
- The intended purpose of the program was to reduce the overall costs of floods by incentivizing flood risk management and to pool flood risks nationally to lessen the blow to individuals hit by major floods
- The program was first amended by the Flood Disaster Protection Act of 1973, which made the purchase of flood insurance mandatory for the protection of property within SFHAs

NFIP IN TERREBONNE

- Terrebonne Parish joined the NFIP on 11/20/1970 and the City of Houma joined on 11/23/1973
- Flood Insurance Boundary Map revised on 4/30/1973
- Flood Insurance Boundary Map revised on 11/19/1976
- Flood Insurance Rate Map revised on 12/16/1980
- Flood Insurance Rate Map revised on 5/19/1981 (City of Houma)
- Flood Insurance Rate Map revised on 5/1/1985 (Parish wide)

COMMUNITY RATING SYSTEM

- Terrebonne Parish is considered a “6” in the Community Rating System.
- Terrebonne is tied with Jefferson and East Baton Rouge for having the best rating in the state.
- Such rating gives Terrebonne residents a 20% discount on their flood insurance.

FLOOD PLAIN MITIGATION

- 909 homes have been elevated in Terrebonne Parish since 2008.
- “We currently have one of the world's largest home elevation programs under way in Terrebonne Parish.”
Garret Graves (Times Picayune: 1-27-2013)
- Terrebonne was recently awarded an additional \$7.5 million for home elevations.



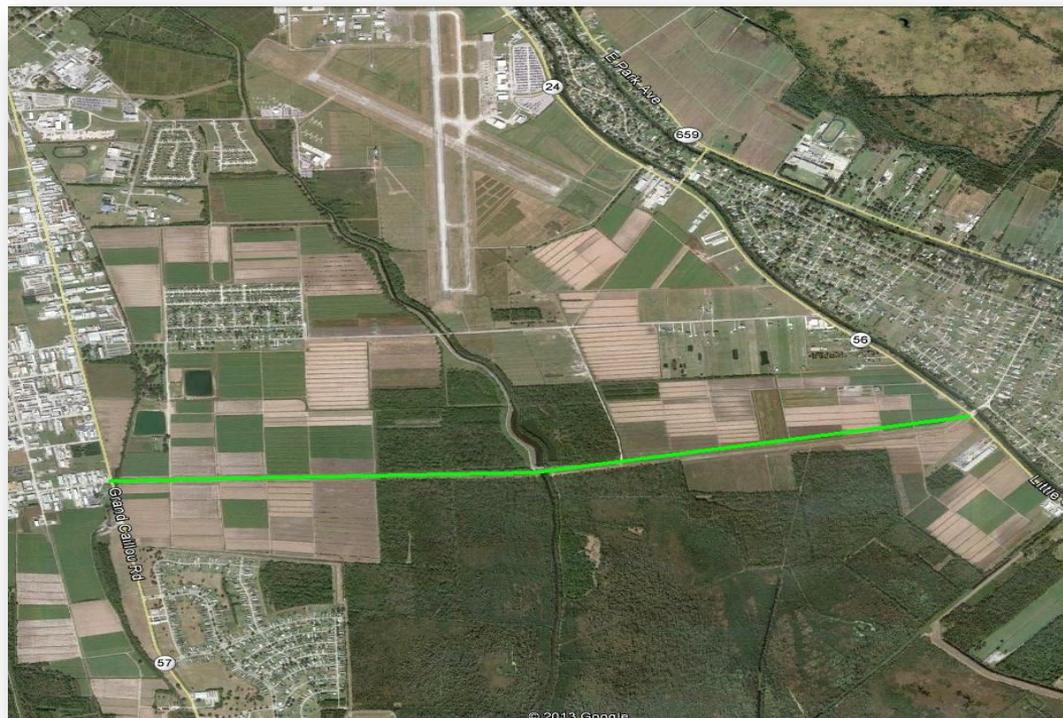
BW 12 OVERVIEW AND BACKGROUND

- On June 29, 2012 Congress passed the 2012 Transportation Bill which included the RESTORE Act.
- The Biggert-Waters Flood Insurance Reform Act of 2012 was an overlooked part of the Transportation Bill.
- Members of Congress and key staffers didn't realize the unintended consequences of BW12.



FLAWED FLOOD MAPPING

- Over \$200 million is being invested in levees and flood protection in Terrebonne (not recognized by FEMA).
- Road Structures can be recognized as flood features.



Morganza to the Gulf

TLCD & TPCG

Joint Levee System



CHALLENGE #3

QUESTIONABLE ACTUARIAL CALCULATIONS

Calculations do not seem to make sense relative to risk or value.

\$1,522 → \$103,197

\$344 → \$23,946



Never flooded –
has risk gone up 6000%?



Never flooded –
Should premium buy a
brand new home in 7 years?

EXAMPLE #1 – PRIMARY RESIDENCE

Premium will go from \$633 to **\$28,554** per year.

- 14272 Highway 23,
Plaquemines Parish, LA
- \$350,000 current value
- Built in 1998, fully to code
- Built 2' above FEMA required
elevation at the time
- No repetitive loss



EXAMPLE #2 – PRIMARY RESIDENCE

Premium will go from \$388 to **\$23,946** per year.

- 113 Dixie Drive, St. Charles Parish, LA
- \$171,900 current value
- Built in 1975, fully to code
- Never flooded



EXAMPLE #2 – BUSINESS

Premium will go from \$5,698 to **\$53,662** per year.

- Car Dealership
- St. Tammany, LA
- Built fully to FEMA requirements at 9' BFE
- Never flooded
- Employs 65



EXAMPLE #2 – BUSINESS

Premium will go from \$1,522 to **\$103,197** per year.

- Microtel Inn and Suites by Wyndham
- Belle Chasse, LA
- Built fully to FEMA requirements at +1 BFE
- Never flooded



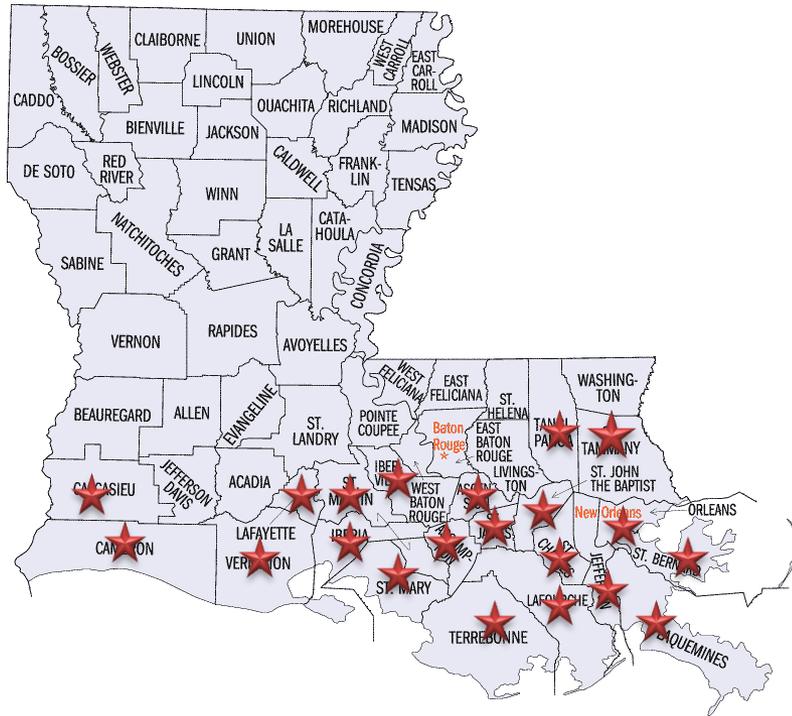
INCREASED FLOOD INSURANCE COSTS

Terrebonne Parish Criminal Justice Complex

- 23,000 sq. ft. Juvenile Justice Center and 98,000 sq. ft. Adult Corrections Center.
- Approximately +4.5 ft. elevation.
- 8 ft. ring levee



BWA 12 COALITION



- Working with GNO, Inc.
- Trip to Washington D.C.
- NFIP Director to visit LA
- LA Coalition represents 2.3 million residents
- Outreach to Hurricane Sandy impacted areas
- Building national coalitions
- LAMP Pilot Study

BW 12 OVERVIEW AND BACKGROUND

Maxine Waters Statement in Response to Concerns Regarding the Biggert-Waters Flood Insurance Reform Act of 2012

WASHINGTON -- Congresswoman Maxine Waters, Ranking Member of the House Financial Services Committee, released the following statement today in response to concerns regarding the Biggert-Waters Flood Insurance Reform Act of 2012:

"As one of the primary authors of the Biggert-Waters Flood Insurance Reform Act and a longtime advocate for the people of southern Louisiana, I can state that it was never the intent of Congress to impose the types of punitive and unaffordable flood insurance premiums that residents of southern Louisiana are currently facing. I am committed to working with my colleagues in Congress and with the Federal Emergency Management Administration (FEMA) to solve this problem."



BW 12 OVERVIEW AND BACKGROUND

To address your concerns on the chargeable flood insurance rates under the NFIP, a \$28,000 annual premium has been cited in various examples as a possible actuarial premium resulting from the removal of discounts and subsidies required by the Biggert-Waters Flood Insurance Reform Act of 2012 (BW-12). The example is based a building with the following characteristics:

- One story, single family home without a basement;
- Floor is six feet below the Base Flood Elevation in an AE zone; and
- Maximum building and contents coverage (\$250,000 building and \$100,000 contents coverage).

\$28,000 is not an accurate premium for such a structure losing a subsidy or discount as a result of BW-12. The \$28,000 premium is based on pre-BW-12 rates intended for specially-rated buildings built out of compliance with existing codes. The \$28,000 premium is punitive in nature and reflects the risk of flood, while recognizing that the structure was built out of compliance with local floodplain management ordinances. We are currently developing the rates that will apply to structures below the Base Flood Elevation affected by BW-12. We plan to release these rates in early summer. At that time, we will publish both the rates and examples of calculations supporting the rates so that actuaries and others can understand and review the rating calculations. The rates that will be published in early summer will not include a penalty for unwise construction.



IMPACTS TO LOCAL GOVERNMENT

- Economic “domino” effect on communities.
- Flawed FEMA flood mapping.
- Increased operational costs to insure municipal buildings and properties.



IMPACTS TO LOCAL GOVERNMENT

Properties become uninsurable

↳ Properties become unsellable

↳ Property values go to zero

↳ Owners lose everything

↳ Banks lose mortgage portfolio

↳ Real estate market freezes

↳ Companies lose workers

↳ Local governments lose tax base

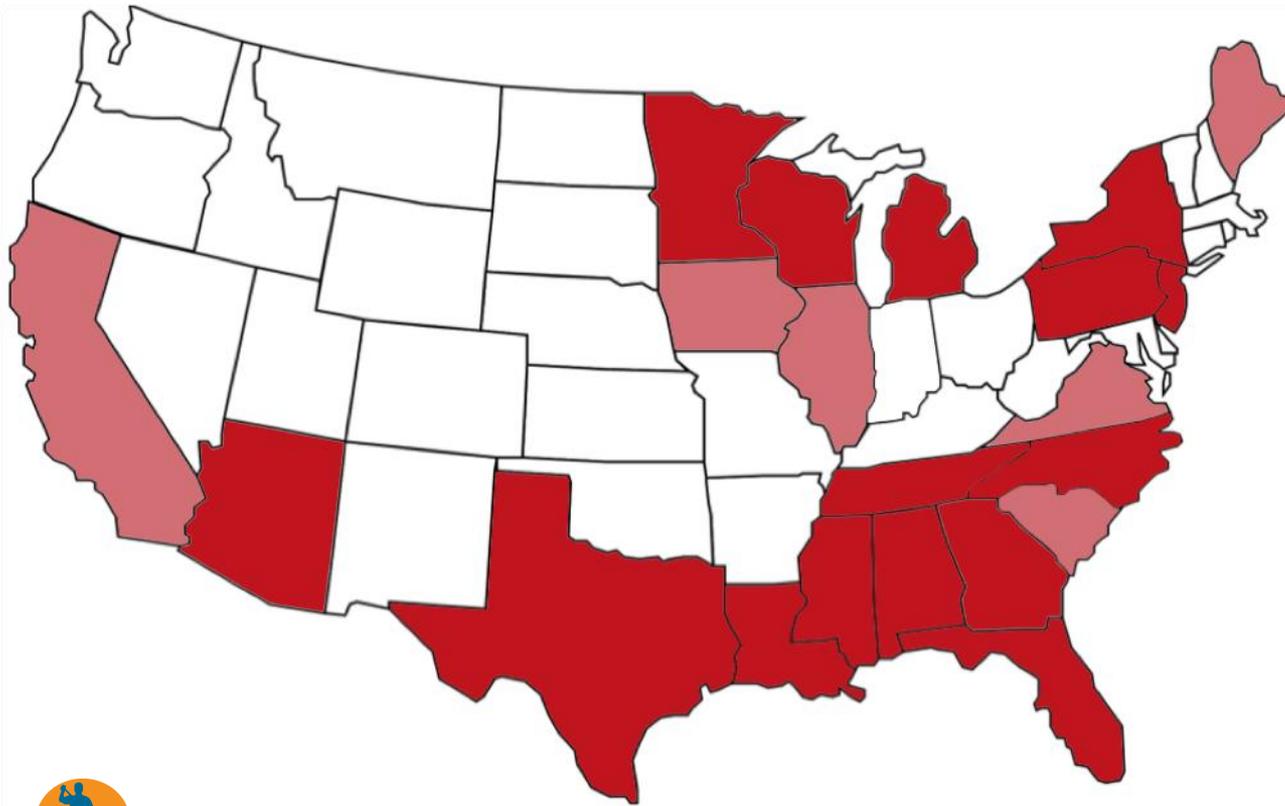
IMPACTS ON LOCAL GOVERNMENT

- According to the 2010 Census Terrebonne Parish has approximately 44,000 residential structures.
- There are currently 19,385 NFIP policies in Terrebonne Parish (roughly 44%).



A GROWING COALITION

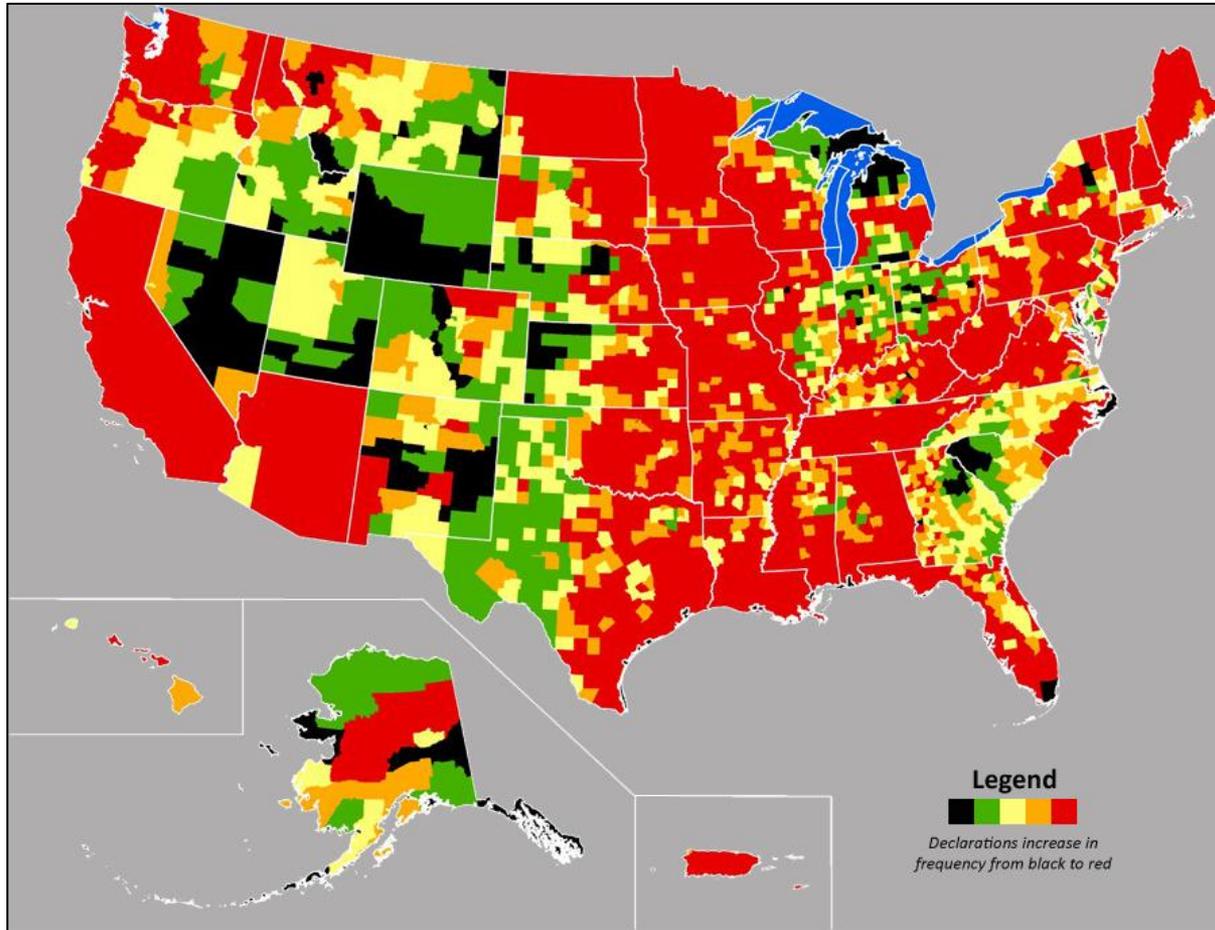
There is a growing national coalition to address the NFIP challenge – the Coalition for Sustainable Flood Insurance (CSFI)



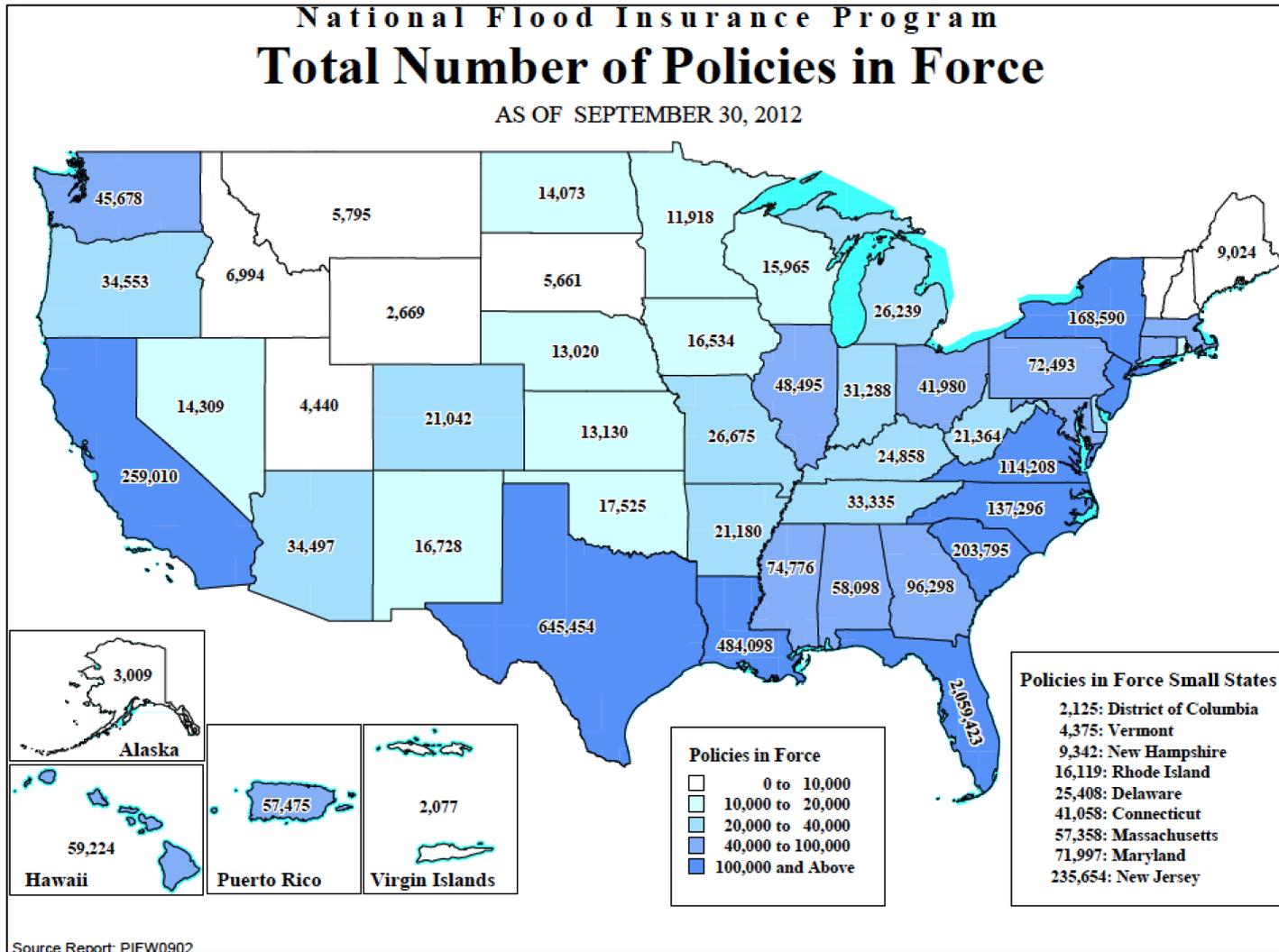
- 23 Parishes
- 15 States (+6 in process)
- Associations:
 - LA Bankers
 - LA Realtors
 - LA Homebuilders
 - LA Chamber Executives
 - National Waterways Conference
 - National Levee Issues Alliance
 - National Association of Counties

BW 12 OVERVIEW AND BACKGROUND

Presidential Flood Disaster Declarations Since 1965



BW 12 OVERVIEW AND BACKGROUND



NEXT STEPS

Key Next Steps include:

1. Work with Louisiana Congressional delegation and Members of Congress from other affected areas to refine / drive legislation
2. Work with FEMA to ensure holistic mapping
3. Determine accuracy of actuarial rate setting
4. Continuing building national coalition

WHAT'S NEW?

- **David Miller and NFIP staff visited Lafourche and Terrebonne.**
- **In depth discussions on levees, mapping, and insurance affordability.**
- **Questions on actuarial and fiscal soundness of program.**
- **Waiting for Congress to return from recess.**
- **FEMA Director Craig Fugate to testify to Senate Banking Committee.**
- **Changes to take place on October 1, 2013.**

DAVID MILLER VISIT



DAVID MILLER VISIT



DAVID MILLER VISIT



NFIP OVERVIEW AND BACKGROUND

NFIP Premium vs. Losses

FY	Premium	Loss	Difference	Fund Balance
1978	\$111,250,585	\$147,719,000	(\$36,468,415)	(\$36,468,415)
1979	\$141,535,832	\$483,281,000	(\$341,745,168)	(\$378,213,583)
1980	\$159,009,583	\$230,414,000	(\$71,404,417)	(\$449,618,000)
1981	\$256,798,488	\$127,118,000	\$129,680,488	(\$319,937,512)
1982	\$354,842,356	\$198,296,000	\$156,546,356	(\$163,391,156)
1983	\$384,225,425	\$439,455,000	(\$55,229,575)	(\$218,620,731)
1984	\$420,530,032	\$254,643,000	\$165,887,032	(\$52,733,699)
1985	\$452,466,332	\$368,239,000	\$84,227,332	\$31,493,633
1986	\$518,226,957	\$126,385,000	\$391,841,957	\$423,335,590
1987	\$566,391,536	\$105,432,000	\$460,959,536	\$884,295,126
1988	\$589,453,163	\$51,023,000	\$538,430,163	\$1,422,725,289
1989	\$632,204,396	\$661,658,000	(\$29,453,604)	\$1,393,271,685
1990	\$672,791,834	\$167,897,000	\$504,894,834	\$1,898,166,519
1991	\$737,078,033	\$353,682,000	\$383,396,033	\$2,281,562,552
1992	\$800,973,357	\$710,225,000	\$90,748,357	\$2,372,310,909
1993	\$890,425,274	\$659,059,000	\$231,366,274	\$2,603,677,183
1994	\$1,003,850,875	\$411,075,000	\$592,775,875	\$3,196,453,058
1995	\$1,140,808,119	\$1,295,578,000	(\$154,769,881)	\$3,041,683,177
1996	\$1,275,176,752	\$828,039,000	\$447,137,752	\$3,488,820,929
1997	\$1,509,787,517	\$519,537,000	\$990,250,517	\$4,479,071,446
1998	\$1,668,246,681	\$886,357,000	\$781,889,681	\$5,260,961,127
1999	\$1,719,652,696	\$754,971,000	\$964,681,696	\$6,225,642,823
2000	\$1,723,824,570	\$251,721,000	\$1,472,103,570	\$7,697,746,393
2001	\$1,740,331,079	\$1,277,002,000	\$463,329,079	\$8,161,075,472
2002	\$1,802,277,937	\$433,647,000	\$1,368,630,937	\$9,529,706,409
2003	\$1,900,871,834	\$780,783,000	\$1,120,088,834	\$10,649,795,243
2004	\$2,045,776,414	\$2,232,291,000	(\$186,514,586)	\$10,463,280,657
2005	\$2,247,450,932	\$17,754,889,000	(\$15,507,438,068)	(\$5,044,157,411)
2006	\$2,613,287,735	\$641,032,000	\$1,972,255,735	(\$3,071,901,676)
2007	\$2,852,585,279	\$613,701,000	\$2,238,884,279	(\$833,017,397)
2008	\$3,090,813,561	\$3,481,576,000	(\$390,762,439)	(\$1,223,779,836)
2009	\$3,217,402,475	\$779,250,000	\$2,438,152,475	\$1,214,372,639
2010	\$3,390,884,043	\$771,784,000	\$2,619,100,043	\$3,833,472,682
2011	\$3,504,904,467	\$2,396,294,000	\$1,108,610,467	\$4,942,083,149
2012	\$3,624,619,270	\$2,350,266,000	\$1,274,353,270	\$6,216,436,419
Totals	\$49,760,755,419	\$43,544,319,000	\$6,216,436,419	

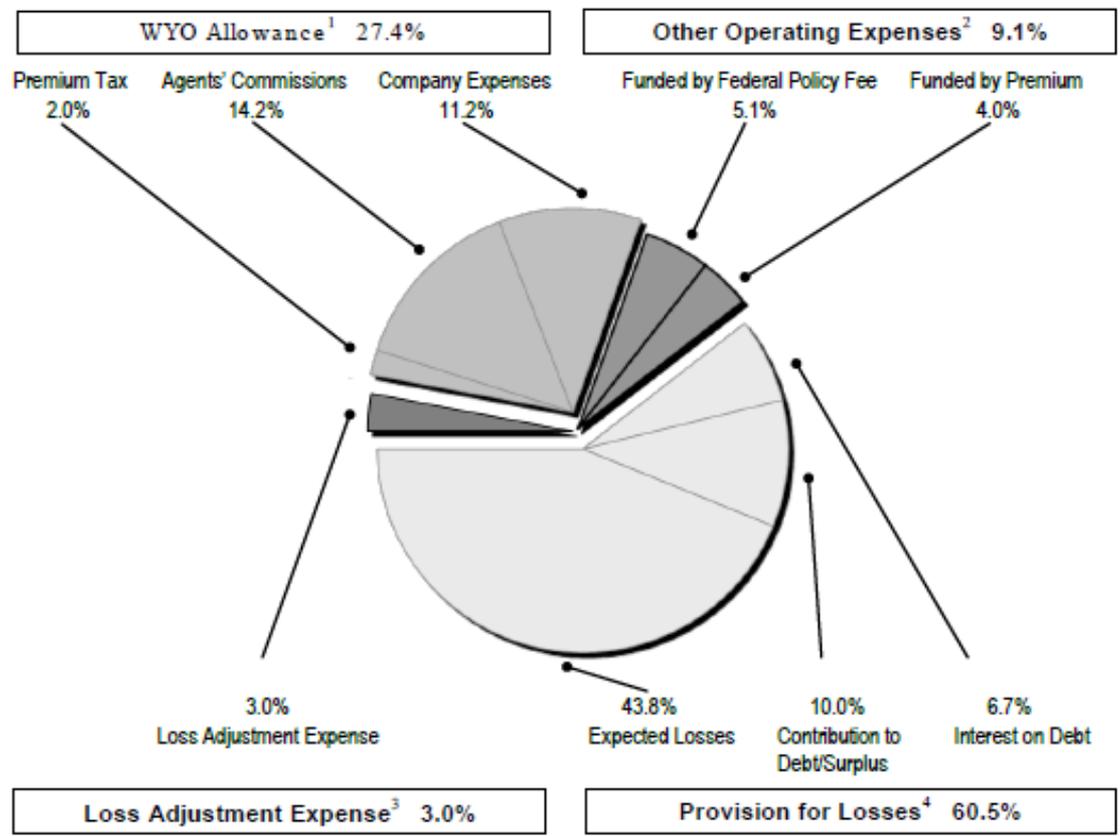
NFIP OVERVIEW AND BACKGROUND

NFIP Actuarial Rate Review

Supporting October 1, 2011, Rate Changes

EXHIBIT D

Federal Emergency Management Agency National Flood Insurance Program Analysis of the Components of Premium and Federal Policy Fee



HURRICANE KATRINA





Mississippi River Levee (Source USACE)

Levees and the National Flood Insurance Program: Improving Policies and Practices

Committee on Levees and the National Flood Insurance Program: Improving Policies and Practices

Gerald E. Galloway, Jr., Chair

**National Research Council
Water Resources and Technology Board**

Mandatory Purchase Requirement

- Compliance
 - Percentage of structures in the SFHA with a federally backed mortgage and having insurance
 - Number of studies - range of 50-60% (most current, highest resolution); some states less than 20%
 - Challenges in lender enforcement and federal oversight
- Retention
 - Mix of new and dropped policies each year
 - Immediate drop the first year after purchase (20-30%)

The current policy of mandatory flood insurance purchase appears to be ineffective in achieving widespread purchase of NFIP flood insurance policies.

WHAT CAN YOU DO?

- Keep existing flood insurance in place.
- View preliminary flood maps at www.riskmap6.com
- Contact your trade/industry group for support.
- Contact out of state friends and family and ask them to contact their Congressional Delegation.
- A copy of this presentation can be downloaded from tpcg.org

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