



GREATER NEW ORLEANS
INC
REGIONAL ECONOMIC DEVELOPMENT

National Flood Insurance Program

Challenges and Solutions

February 27, 2014



SERVING SOUTHEAST LOUISIANA

The National Flood Insurance Program

- The National Flood Insurance Program (NFIP) was created by Congress in 1968
- NFIP enables property owners to purchase insurance from the government against losses from flooding
- Flooding is both coastal and riverine
- Private industry will not provide this insurance
- Close to 6 million homes participate in NFIP, with the majority in Texas and Florida



We believe in three key principles about NFIP:

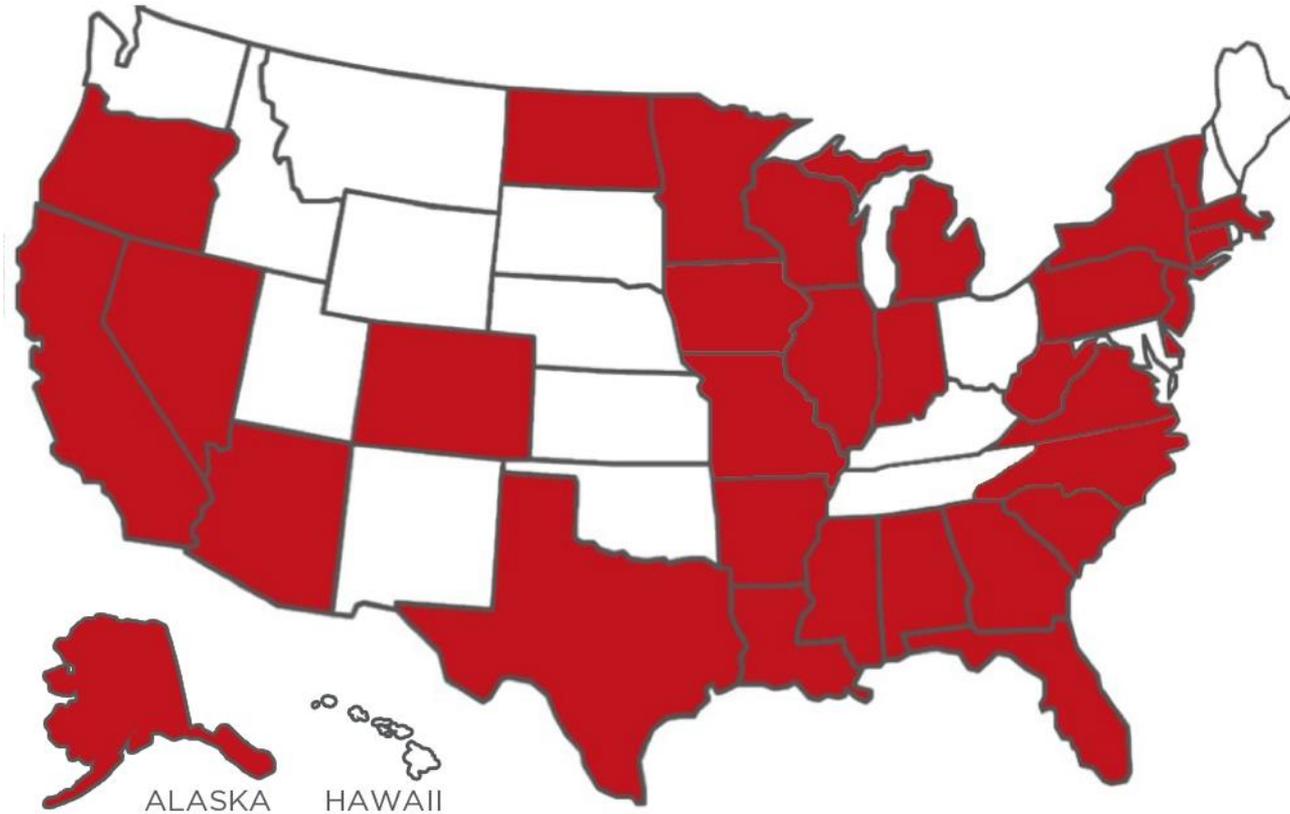
NFIP should:

1. Be long-term sustainable
2. Be actuarially responsible
3. Protect home and business owners who have “played by the rules”
 - Built to code
 - Maintained insurance
 - Not had repetitive losses



A Growing Coalition

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



coalition for sustainable
flood insurance

- **34 states**
- **200 organizations**

There are current myths about NFIP:

Myth: Only people who ignored building code or have had repetitive loss will be hurt.

➔ **Reality:** Individuals who have followed the law, maintained insurance and never flooded will be hurt.

Myth: Only rich people will be hurt; these are vacation homes.

➔ **Reality:** Working class people will be hurt; these are primary residences and businesses.

Myth: A phase-in of higher rates makes loss of grandfathering manageable.

➔ **Reality:** When insurance goes from \$600 to \$29,000 per year, a 20% per year (\$5,700) phase-in is still unaffordable.

FEMA:

"You may want to think about building higher than the Base Flood Elevation to lower your flood risk and, in turn, lower your flood insurance rates."

September 3, 2013

This is **exactly** what folks did.

The result:

Example #1 – Primary Residence

Premium will go from **\$633** to **\$17,723** per year.

- 14272 Highway 23,
Belle Chasse, LA
- \$350,000 current value
- Built in 1998, fully to code
- Built 2' *above* FEMA required elevation at the time
- House never flooded
- New BFE = -6'



Example #2 – Primary Residence

Premium will go from **\$412** to **\$15,184** or more per year.

- 125 Adam Drive, Belle Chasse, LA
- \$350,000 current value
- Built in 1996 to code
- *No required elevation* at time of construction
- House never flooded
- New maps moved from “B” to “AE” zone



Example #3 – Primary Residence

Premium will go from **\$2,775** to **\$26,000** per year.

- 66-120 Nalimu Road, Haleiwa, HI 96712
- Pre-firm Property purchased after 7/6/12
- House never flooded
- Owner not informed of increase at time of purchase



Example #4 – Primary Residence

Premium will go from **\$1,000** to **\$10,872** per year.

- 212 43rd Avenue, St. Petersburg Beach, Florida
- Pre Firm Property
- House never flooded
- Owner attempting to sell, obtained new rate with elevation certificate



Example #5 – 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



Example #6 – 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*
- Employs 65
- Never flooded

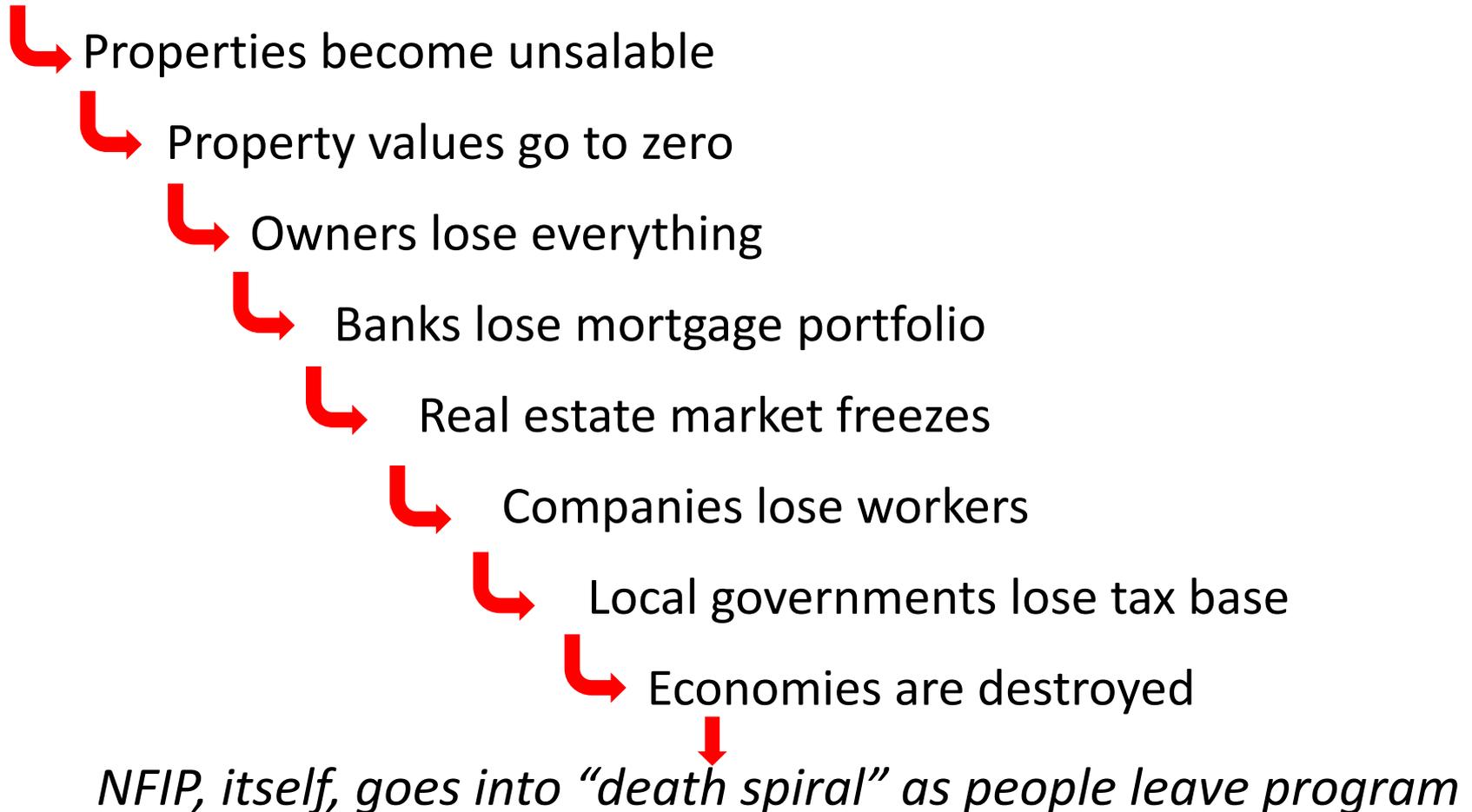


These drastic increases are being driven by three factors:

- 1. Phase-Out of Grandfathering**
- 2. Incomplete and Inaccurate Mapping**
- 3. Questionable Costs & Calculations**

If unaddressed, the potential impact is devastating.

Properties become uninsurable



There are three general solutions to the challenges with NFIP:

1. Legislative (Congress)

Reinstate Grandfathering

2. Regulatory (FEMA)

Develop Holistic and Accurate Maps

3. Regulatory (FEMA)

Confirm Accuracy of Calculations

Solution #1

Reinstate Grandfathering

Congress can amend Biggert-Waters:

1. Reinstate Grandfathering
2. Must also remove property sales trigger for pre-firm properties
3. Must be for properties, not policy holder
4. Only for properties built to required elevation at the time of construction, with maintained insurance and without repetitive loss
5. Implementation of Biggert-Waters can be delayed to allow time for mandated affordability study (However, real estate markets will be impacted until Biggert-Waters is fixed.)



GREATER NEW ORLEANS
INC
REGIONAL ECONOMIC DEVELOPMENT

**For more information or to be included in future announcements,
please email Caitlin Berni - cberni@gnoinc.org**



SERVING SOUTHEAST LOUISIANA