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A LOOK AT THE NATIONAL FLOOD INSURANCE PROGRAM: IS OHIO READY FOR A FLOOD?

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

AUGUST 17, 2005

Printed for the use of the Committee on Financial Services

Serial No. 109–51

U.S. GOVERNMENT PRINTING OFFICE

29–944 PDF WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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A LOOK AT THE NATIONAL FLOOD INSURANCE PROGRAM: IS OHIO READY FOR A FLOOD?

Wednesday, August 17, 2005

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING
AND COMMUNITY DEVELOPMENT,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:00 a.m., in the McDonald/Marlite Conference Center, 143 McDonald Drive, S.W., New Philadelphia, Ohio, Hon. Bob Ney [chairman of the subcommittee] presiding.

Present: Representative Ney.

Chairman NEY. Today the Subcommittee on Housing and Community Opportunity meets here in New Philadelphia, Ohio, for its first field hearing of the 109th Congress to continue its review and oversight of the National Flood Insurance Program. This hearing will focus on how State and local governments operate under the National Flood Insurance Program (NFIP), and the steps being currently taken by the Federal Emergency Management Agency (FEMA), local officials, and the insurance industry to resolve problems dealing with inconsistencies and delays inherent to the program. In addition, our hearing will investigate current implementation difficulties in counties such as Tuscarawas, Ohio; specifically, how implementation of the Flood Insurance Reform Act has affected constituents and local organizations.

Our Committee is the Financial Services Committee and the Subcommittee that I chair is the Housing and Community Opportunity Subcommittee. Maxine Waters of California, by the way, is the Ranking Member of that subcommittee. The Full Committee is chaired by Mike Oxley of Ohio, and Barney Frank of Massachusetts is the Ranking Member. Last year, our subcommittee and the Full Committee spent considerable time and effort on legislation to reauthorize and reform the National Flood Insurance Program. On June 30, 2004, President Bush signed into law the Flood Insurance Reform Act. This legislation reauthorizes the National Flood Insurance Program through September of 2008.

During deliberations on the reauthorization legislation, many concerns were raised across the United States regarding the administration of the program. And these concerns were brought to the attention of FEMA. Policy holders often did not have a clear understanding of their policy; insurance agents often did not under-

stand what they were selling or how to process claims correctly; many policy holders did not know of or understand the appeals process; and many questioned the adequacy of payments ad the adjustment system. A lack of coordination between private insurers, NFIP and FEMA, and inadequate training were listed as possible sources for some of the administrative problems affecting the program.

Since the enactment of the Flood Insurance Reform Act, members of Congress have continued to hear from their constituents who are frustrated with the NFIP, with the Act. This subcommittee has continued its oversight in an effort to address many concerns that continue to be raised regarding the administration and implementation of the program. We have had hearings in Washington, D.C., so this is an official House hearing, and without objection, written statements can be entered for the record. And this will be the third in a series of hearings on this issue.

Floods have been and continue to be one of the most destructive and costly natural hazards to our Nation. During this past year alone, there have been three major floods in my district in eastern Ohio. All three of these incidents qualified for Federal flood relief granted by the President. And here in this county, as we all know, about 7,000 people had to be evacuated. I see many faces in the room, local officials, legislative officials, and EMA, whom we worked with. Other counties were affected, Dick Quinlin is in the audience from Belmont and he went through floods for about 22 years or so, but the three floods last year were pretty horrific around many parts of the 18th Congressional District. Recent flooding in January resulted in historic levels in several local dams. And of course, in Tuscarawas County, as I mentioned, three communities were forced to evacuate which displaced about 7,000 people. I was able to witness firsthand this devastation in Guernsey County and Belmont and many other counties throughout the District. By the way, I have also traveled to other Members' districts with hurricanes in Florida and we have seen incredible devastation also across the United States.

The National Flood Insurance Program is a valuable tool in addressing the losses incurred throughout the country due to floods. It assures that businesses and families have access to affordable flood insurance that would not be available on the open market.

Prior to the passage of the National Flood Insurance Act in 1968, insurance companies generally did not offer coverage for flood disasters because of the high risks involved. Today, almost 20,000 communities participate in the National Flood Insurance Program. More than 90 insurance companies sell and service flood policies, and there are approximately 4.4 million policies covering a total of $620 billion.

Last year's Flood Insurance Reform Act achieved significant reforms to this important Federal program and I look forward to hearing from all of our witnesses today as we discuss how best to implement the legislation as well as determine whether new reforms and initiatives are in order to compliment the work that we did last year.

I want to thank David Maurstad from FEMA, who is here and who has participated in all of our hearings on flood insurance to

this date. I also want to thank our Senator Charles Wilson and also Commissioner Kerry Metzger is here on behalf of all the Commissioners. I just saw Commissioner Abdul and I was talking to him about this issue about an hour ago. Also, while Commissioner Chuck Prost on behalf of the Belmont County Commissioners, could not be here today, he did submit testimony that will be part of the official hearing record. And I want to thank all of our witnesses, local officials, local mayors, and citizens as we continue our oversight of this important Federal program.

This hearing is important because we can take this back to Washington as part of the official record.

Before we begin, I wanted to let all the gentlemen on this panel introduce themselves. They all come from Washington, D.C., which we really appreciate, and they are the nuts and bolts. As you know, as elected officials, you have all the people who are there and do all the work, I guess, and the processing of everything and the thinking. I just want these three individuals, we will start with Jeff Riley, to introduce themselves and tell you what they do.

Mr. RILEY. Hello. I am Jeff Riley, I am with the Minority part of the committee. I am representing Barney Frank and Maxine Waters. Thanks for being here today.

Chairman NEY. Thanks.

Mr. JOHNSON. I am Tallman Johnson. I work for Congressman Bob Ney on the Financial Services Committee.

Mr. KANGAS. I am Paul Kangas. I work for Chairman Mike Oxley of the full Committee on Financial Services, where I work on flood insurance issues for him. Chairman Oxley extends his thanks also for being here today.

Chairman NEY. We will begin with our first panel of David Maurstad, who is the Acting Mitigation Director and Federal Insurance Administrator for the Emergency Preparedness and Response Directorate of FEMA within the Department of Homeland Security. His areas of oversight include the National Flood Insurance Program, National Earthquake Hazards Reduction Program, the National Dam Safety Program and the National Hurricane Program.

Thank you.

STATEMENT OF DAVID I. MAURSTAD, ACTING DIRECTOR AND FEDERAL INSURANCE ADMINISTRATOR, MITIGATION DIVISION, FEDERAL EMERGENCY MANAGEMENT AGENCY, DEPARTMENT OF HOMELAND SECURITY

Mr. MAURSTAD. Good morning, Chairman Ney. I am David Maurstad, the Acting Director and Federal Insurance Administrator of the Mitigation Division in FEMA and I want to thank you for this invitation to appear today before your subcommittee to talk about the National Flood Insurance Program.

As you indicated, over 37 years ago, the NFIP was established to reverse the trend of rising costs to communities, States and the Nation from flood disasters. Prior to the NFIP, flood insurance was expensive and largely unavailable. Further, community management of flood risk was not an established practice. Today, there are over 4.7 million policies issued for citizens living and working in over 20,072 participating communities. The State of Ohio has 726

of those participating communities with nearly 37,000 flood insurance policies in effect providing over $4 billion worth of coverage. After humble beginnings, the NFIP has now become the largest single-line property insurance writer in the United States.

The NFIP is designed to provide a reasonable method of sharing the risk of flood loss that requires balancing competing demands and discouraging unwise development, while providing affordable insurance to offset individual property owner risk. The Federal Government assumes a significant portion of the risk by managing the National Flood Insurance Fund, while the insured still retains a portion of the risk through deductibles and coverage limitations. Participating communities are required to reduce their risk of flood loss as a condition of making affordable flood insurance available for their citizens.

I believe we have been successful in achieving that balance. I am proud to state that the more than 20,000 participating communities that I referenced earlier that have adopted and enforced construction standards that save over $1 billion annually in avoided flood damages. In fact, one of the most successful components of the NFIP is the Community Rating System. CRS is a voluntary incentive program that provides flood insurance premium discounts in communities where floodplain management activities exceed the minimum NFIP requirements.

I am also pleased to note that the NFIP annually pays policy holders an average of between $750- $800 million in claims payments. In catastrophic years such as last year, we have paid as much as $1.7 billion. Ohio policy holders received more than $35 million in flood insurance claim payments last year. Over the past 5 years in Ohio, the NFIP has received more than 4,500 claims and paid out nearly $62 million in flood insurance claims. The program's ability to provide this resource reduces the taxpayer burden for disaster assistance and clearly meets our objective of distributing more fairly the economic burden of flood risk in the United States.

Another strength of the program is NFIP partnerships. As you indicated, over 96 private insurance companies known as Write Your Own (WYO) companies, sell and service approximately 95 percent of the existing policies in force. It is the responsibility of these Write Your Own companies to manage NFIP policies as a part of their insurance portfolio and it is the NFIP's responsibility to ensure their effective performance. FEMA, through its various audit programs, routinely conducts over 70 audits of WYO companies a year to ensure consistent program delivery and policy management. FEMA conducts claim reinspections of WYO companies to ensure their compliance with program standards and directives. If errors are discovered in the audit process or during claims reinspections, FEMA works with the WYO company to put procedures in place to make sure the errors do not reoccur. FEMA conducts workshops for both adjusters and agents that address underwriting and claims issues.

Also immediately after a major event, FEMA provides a briefing to the adjusters in the area regarding local conditions and continues to provide guidance as needed. Insurance specialists are detailed to FEMA Joint Field Offices (JFO) to assist policy holders

with their questions during recovery. For example, after the February 15 flooding disaster declaration in Ohio this year, NFIP staff at the JFO established a flood insurance task force comprised of FEMA JFO staff and State staff to address NFIP issues associated with the disaster. Flood Risk Information Open Houses were conducted by FEMA regional staff and the Ohio Department of Natural Resources staff to educate the public on the specific flood risk they are facing, inform them of ways to reduce that flood risk, and highlight the benefits of the NFIP. Local official meetings were held to educate Floodplain Administrators and community and county officials on the role that the preliminary Flood Insurance Rate Maps play in floodplain management.

We have also partnered with our State counterparts to help us implement the NFIP. For example, the State of Ohio has incorporated effective local floodplain management programs into its criteria and evaluation of all Hazard Mitigation Grant Program, Pre-Disaster Mitigation Grant Program, and Flood Mitigation Assistance Program applicants. State policy requires effective local floodplain management as a condition for communities to receive mitigation funding. The policy promotes sustainability and avoids the damage-repair-damage cycle that occurs if risk reduction standards and strategies are not developed and implemented. NFIP information has been included in packets for local officials at mitigation briefings. Over 25 briefings were held from March 8th through March 31st this past year in Ohio.

Nonetheless, as you indicated, we recognize there is room for improvement. FEMA is committed to ensuring that all agents are provided the necessary tools to provide policy holders timely, comprehensive, and accurate information on the coverage afforded by their policies. As I stated at the April 14th hearing before this subcommittee, we are providing a robust program of flood insurance training for insurance agents via live seminars across the Nation and online training modules available to agents at any time. Both beginning and advanced flood insurance training topics are provided to interested agents. In most States, agents earn continuing education credits for attending the NFIP training seminars. As we work with the State insurance commissioners, such as Ann Womer Benjamin, to implement section 207 of the Flood Insurance Reform Act of 2004, more agents will take advantage of these training opportunities to fulfill their State's new mandatory flood insurance training requirements.

Consistent with the Flood Insurance Reform Act of 2004, we have developed a comprehensive information package for all new and existing policy holders that provides easy-to-understand information on NFIP coverage, regulations, and procedures. This package features plain language forms developed to help policy holders understand their flood insurance coverage.

However, I have noticed that the NFIP is hindered in some cases by a fundamental misunderstanding of its intent. For example, some policy holders believe that if they carry flood insurance coverage with a $250,000 limit on their dwelling, they are entitled to a claims payment for that amount regardless of the actual flood damages sustained. Another common misperception is that flood insurance coverage should fully restore policy holders to pre-flood

condition. My review of the program since its inception clearly indicates that the NFIP was never intended to fully restore policy holders to pre-flood condition. It was designed to help them recover.

FEMA has been working in cooperation with insurance industry representatives to fulfill the requirements of Title II and starting October 1, 2005, several new documents will be distributed to NFIP policy holders at the time of policy purchase, renewal and upon reporting a claim. Specifically, the summary of coverage, claims handbook, the loss history, and the acknowledgement of receipt of materials will enable policy holders to gain a clear understanding of coverage and claims procedures. Insurance agents will be informed by the insurance companies they represent of these materials and will be offered training on them to answer policy holders' questions. In addition, many insurance companies are planning to reinforce their flood insurance customer service operations with staff members prepared to address flood insurance inquiries on the new material.

As you are well aware, Title II also includes additional agent training requirements. The subcommittee's hearing last April also identified agent training as an area in need of improvement. FEMA has been coordinating with the National Association of Insurance Commissioners and the insurance industry to establish and publish minimum flood insurance training and education requirements for all agents who sell flood insurance policies. Because State insurance commissioners have the authority for insurance agent licensing and continuing education requirements, FEMA's role is to establish the training course content that enables agents to have a good understanding of the NFIP, to offer incentives whereby trained agents receive sale leads from FEMA's advertising campaign and larger cost shares for their own flood insurance advertising activities, and provide technical assistance to the States.

FEMA conducted a webcast teleconference for all State insurance commissioners, licensing directors, and other staff on July 13, 2005. This was the third NFIP webcast teleconference for State insurance departments since August 2004, wherein FEMA offered assistance to State insurance department staff. FEMA staff members are available to meet individually with any State insurance department to provide specialized training to the staff members. And I might add, we had 46 States involved in that last webcast.

The flood hazard identification component of the NFIP is also undergoing a major overhaul.

The Ohio Department of Natural Resources serves as the NFIP State Coordinating Office. Through this office and the partnership FEMA has built with the State, direct technical assistance is provided to each Ohio community that participates in the NFIP.

FEMA has worked closely with State organizations such as the Ohio DNR and our many other stakeholders and partners to implement a major initiative of modernizing the Nation's flood maps.

Since fiscal year 2003, FEMA has provided over $133 million to Cooperating Technical Partners, like Licking County, Ohio, who are working with FEMA to develop the flood hazard information for their communities.

In fiscal year 2005, we plan to initiate studies for close to 500 additional counties, which will bring the total number of counties that will have flood hazard map updates underway to nearly 1,300.

So to conclude, I want to thank you, Chairman Ney, for holding this field hearing in the beautiful State of Ohio, and I would also like to thank your subcommittee for its oversight, which in fact the diligent oversight of this committee has helped the program become successful and will make it even stronger in the future.

[The prepared statement of Mr. Maurstad can be found on page 77 of the appendix.]

Chairman NEY. Thank you. Before we move on, I wanted to recognize Representative Sayer, who is also here in the audience. Representative Sayer represents this county and two other counties.

Next, we have State Senator Charles Wilson, who is an elected member of the Ohio State Senate, having taken office this past January. He's from Belmont County, previously a State Representative for the 99th House seat and also a small business owner, Wilson Funeral Home.

We are very happy to have Senator Wilson

STATEMENT OF THE HONORABLE CHARLES WILSON, OHIO STATE SENATOR, 30TH DISTRICT

Mr. WILSON. Thank you, Chairman Ney.

Good morning and thank you for the opportunity to speak this morning and discuss the issue of flood insurance and how it affects the citizens of Tuscarawas County and this region.

Last September, the flood waters came and washed away the dreams, the hard work and, for some, their only possession. You or I might see a shingled house with a mailbox, but for the homeowner, it was where they grew up, where their parents were born, and in many cases where memories were made and where life was simple and away from this hectic world. And in the blink of an eye, rising waters moved foundations, cracked walls, and with the force of Mother Nature destroyed a home in a matter of hours. The neighbors helped each other, friends carried boxes, relatives pitched in and brought food, all in hopes that their lives could be put back together. Fire departments worked countless hours and volunteers showed their generosity that has many ways and many names and a boundless hope for the future.

Congressman Ney and I joined then-State FEMA Director Dale Shipley and Dick Quinlin in Belmont County and flew in a helicopter over parts of the area to see first hand the devastation and the magnitude of the flood waters. I visited Belmont, Jefferson, and Columbiana counties to see the residents and how the effects of the flooding would happen.

What I found was confusion, and, on the minds of the citizens who were attempting to put back their lives, total frustration. Speaking with Joe Bachman, Tuscarawas County engineer, he described a system of eligibility that depended on personality rather than facts. In my opinion, we must communicate the procedure and depth of our services at the beginning rather than offering misinformation and bureaucracy. He also explained that our flood maps are next to worthless and they need to be updated. I can see that the prospective homeowner would be paying the additional cost to

survey the property to determine its flood status, or that they may be needlessly paying it for years because the maps were inaccurate. Also, there is a communication gap between Federal, State, and local governments because of a lack of enforcement in floodplain rules. Since Tuscarawas County does not require a building permit, nor does it have zoning in many of the affected areas, developers and homeowners are taking their chances and are unsure of their need for flood coverage.

I support the message of Patty Levengood, Director of Tuscarawas County Homeland Security and EMA, who will be speaking here this morning, that there is confusion on the part of homeowners as to their coverage. When a disaster occurs, we need to have answers and communications systems in place to direct residents, not giving them an 800 number and ultimately winding up with an answering machine.

I also offer you the insight of Mike Wallace of Belmont County, who is a 30-year veteran of the fire department and currently the floodplain coordinator in Belmont County. He believes that both the insurance agents and the homeowners need to be educated on the National Flood Insurance Program. He witnessed firsthand how renters who lost items in recent floods received settlements and homeowners, whom you would think would be eligible, received nothing.

I have with me an example of an invoice basically for the renewal of flood insurance, showing that in many cases there is a $5,000 deductible, showing in many cases that it is only for replacement cost and that it be mandatory that this replacement cost be done in a certain way. There seems to be a real disconnect of the dots between the insurance owner and the person they buy from and the reality of what the insurance will do.

Also, I found that the insurance companies view a basement differently than a homeowner does. The company sees a concrete floor with a water heater and a washtub. The homeowner has a recreation room with carpet, computer desk for kids, and an entertainment system. Many times it may be a mother-in-law suite so that she can be close to her grandchildren. Once flooding occurs, this area is destroyed and unusable. The homeowner finds out that little, if any, of this is covered. They find out that the premium of $400 to $600 a year that they have been paying for flood insurance for the past 10 years was only for replacement cost, not for damage. They receive little if any compensation and are frustrated for months waiting for an answer.

I hope that we can address this communication gap and the level of education to all parties with the insurance issue. Last year, we stood in the mud and witnessed the effects of the rushing water. We know that our response and effectiveness was critical to our constituents. Today, we see that the bridge here in Tuscarawas County on County Road 19 is beginning construction, and countless roads and parts of our infrastructure all over southeastern Ohio are not fixed.

Our goal should be to put people's fears to rest by protecting their property. My testimony, along with others here today, should give you some insight and personal examples to the problems that face residents regarding issues of insurance.

I look forward to working and improving your agencies' methods so that we can be more responsive and more effective to the people.

Thank you for this opportunity to testify.

[The prepared statement of Sen. Wilson can be found on page 93 of the appendix.]

Chairman NEY. I want to thank Senator Wilson for his time and attention to this issue and for testifying today.

Next is Commissioner Kerry Metzger. He serves as Commissioner for Tuscarawas County, and chairs the legislative committee also for the Association of County Commissioners of Ohio. He is a former State Representative, a hard working guy in the area, and a dentist by profession.

Thank you, Commissioner.

STATEMENT OF TERRY METZGER, COMMISSIONER, TUSCARAWAS COUNTY, OHIO COMMISSION

Mr. METZGER. Thank you, Mr. Chairman, and I welcome you and your subcommittee to Tuscarawas County.

I want to thank you for the opportunity today to provide public testimony on the National Flood Insurance Program and its impact here in Tuscarawas County, especially in light of the recent flooding issues we have had throughout the county.

While I have not had any direct personal experiences with the National Flood Insurance Program, I have had conversations with our Director of the Tuscarawas County Homeland Security and Emergency Management Agency, Patty Levengood, regarding the frustrations and the confusion the county residents have experienced with the program, as she has conducted local damage assessments throughout the county.

Director Levengood has told me that the general public has a general lack of knowledge and understanding of the different forms of insurance that could cover claims brought forth by a flooding event. Most are unaware of what their coverage is until after the disaster has occurred and when help is most needed. Unfortunately, it is then that they are informed, after the fact, that their claims are denied because they did not have the proper insurance coverage at the time of the event.

I would wager that a majority of homeowners are unaware that their regular homeowner's insurance does not cover their property from flood damage. Or that, even if they had some form of flood insurance coverage, that it may not cover them for sewer backup or earth movement damage, even though the damage may have been caused by the flooding incident. The property owner, more often than not, believes that this is part of their regular homeowner's insurance or their flood insurance policy, not knowing that this additional coverage needed to be obtained with the purchase of riders to their insurance policy. The system is too confusing and complex and it is no wonder people get frustrated and angry with government officials or private insurance agents when their claims are denied.

That is why I believe that the system should be simplified. Instead of having to go to multiple sources to obtain essential coverage for flooding, sewer backup or earth movement, a system should be created where this type of disaster coverage can be ob-

tained from a single source—a one-stop shop, if you will. The consumer will benefit from having the myriad of insurance options explained to them once and then can make informed decisions on the risks they are prepared to assume and the coverage they wish to obtain.

Should this not be feasible, then I would recommend that the governmental agencies like FEMA, and the private insurance industry, the agencies and the agents, be mandated by law to discuss, explain, and inform the general public on the insurance coverage options that may affect flooding issue claims prior to the consumer obtaining flood insurance. This will allow the consumer to become better educated and informed about their insurance coverage and allow them to make better proactive, rather than reactive, decisions regarding their potential flood insurance claims.

Again, thank you for the opportunity to testify before the subcommittee, Mr. Chairman.

[The prepared statement of Mr. Metzger can be found on page 86 of the appendix.]

Chairman NEY. I want to thank the Commissioner for his testimony.

I have also noticed Lisa Duval is here from Congressman Strickland's office. Thank you, Lisa.

I just have a few general questions and what I wanted to ask of Mr. Maurstad is can you explain the difference once again between replacement cost coverage and actual cash value coverage under the flood insurance policy? Because I think this is something that is confusing. So again, that would be the difference between replacement cost coverage and actual cash value coverage.

Mr. MAURSTAD. Well, Chairman Ney, replacement cost coverage is available on the dwelling of a flood insurance policy, first of all. And I am going to make a distinction that it is not available on the contents. The contents coverage is always on an actual cash value basis. Replacement cost coverage can be afforded on the dwelling if the insured purchases insurance that represents 80 percent of the insured value of the property. If that is done, then the loss would be covered on a replacement cost basis. The adjuster would go in, look at the covered damaged property, determine what it would cost to repair or replace that damaged property and reimburse the policy holder for that amount, less the policy holder's chosen deductible on the property—or on the policy.

For a loss that is not adjusted under the replacement cost provision—if a policy holder did not purchase 80 percent of the insured value of the property—that loss would be covered on an actual cash value basis. Let me use an example, to repair or replace the damaged property would be $10,000. But instead of paying that amount less the deductible, under the actual cash value scenario, depreciation would be determined for that damaged property, and let us just for example say that the depreciation factor was 50 percent. In that case, then the policy holder would receive the $10,000 minus the $5000 depreciated amount, so the policy holder would receive $5000 less their deductible in that scenario.

That is why we are encouraging people to insure to value for a flood insurance policy, the same as they insure to value on their homeowner's policy. The testimony provided earlier was right on

the mark; there are in fact two issues that we are stressing in our public awareness campaign, Flood Smart, which is a nationwide public awareness campaign for the NFIP program—two issues. One, we are stressing to any individual property owner across the country that a flood could happen to them wherever they are. It does not just happen in hurricane alley, it does not just happen right up next to a river or a stream. So, number one, we are stressing that a flood can happen to them.

And second, that a normal homeowner policy does not cover them for flood loss and that they need to purchase a separate flood insurance policy, not a rider on their homeowner policy, but a separate flood insurance policy from an agent in their participating community.

So we are stressing those two factors that we believe will go a long way toward a better understanding of the program.

Chairman NEY. What responsibility does FEMA have to ensure the performance of the claim adjusters? Is there any responsibility within FEMA?

Mr. MAURSTAD. It is a shared responsibility, sir, with the Write Your Own companies who, through their arrangement with the program, agreed to have their losses under the NFIP program be adjusted on the same basis and under the same scenario that they would handle losses to their non-flood portfolio. So, we audit the Write Your Own companies, we do reinspections of losses of Write Your Own companies to make sure that they are following our procedures and practices. But I would say that through the arrangement that we have with those 96 private insurance companies, they are the first line of responsibility here in making sure that their adjuster employees or the contractors that they utilize to adjust claims on their behalf and the program's behalf are doing so appropriately.

Chairman NEY. The new law establishes a pilot program for repetitive loss properties. Would you like to comment on that pilot? Is it geared up? And what it does for repetitive loss for citizens that have that type of situation.

Mr. MAURSTAD. Well, we have been involved in addressing repetitive loss properties for well over a decade through the Flood Mitigation Assistance Program, which has been funded from the fees of policies that are purchased. We are in the process, we continue to be in the process of developing the repetitive loss pilot program that was a part of the reauthorization last year and we—Undersecretary Brown, Secretary Chertoff, the Administration, is committed to repetitive loss and the positive effects that it can have in the damage-repair-damage cycle of those properties that continue to be put at risk. And we are hopeful to continue to make progress on getting that program implemented.

Chairman NEY. A final question I have, I just wanted to note that on April 14th, we had a flood insurance hearing in Washington, Congressman Dutch Ruppersberger of Maryland strongly suggested that policies should be written in plain English, which is what I think other officials have stated. Are Ohioans—well, not only Ohioans, but the Nation—getting their policies in plain English? I know there are certain legal items that have to be written and everything, we all know that. Any comments from anyone?

Do you think there are ways we could actually sit down and try to get this—I know Panel II when they come here are going to say some things that we want to be able to take what they are saying that did not work and through this hearing be able to try to literally go in and correct those types of things. So do you think there is a way that things could be written easier?

Mr. MAURSTAD. Chairman Ney, let me lead off and then I will pass the microphone. I would say that the NFIP policy was written so that it would coincide with a homeowner policy and what is considered to be the plain English format for insurance policies a few years ago.

We are, as you are well aware, through the reauthorization, developing additional tools that will go along with that policy that will be written, I believe, in even plainer English, so that some of those issues that have been raised in the past and continue to be raised will be addressed starting October 1st and into the future. But I would also submit that as a former insurance agent for over 20 years, whether it be funeral directors or dentists or homeowners that I insured, you needed to sit down regularly and have discussions between the agent and the policy holder, whether it be a small business owner or a homeowner and discuss the provisions of that policy, because as you indicated, that policy is a contract, it is a two-party contract between the company and the policy holder. And so that is what I continue to encourage, that people contact their agent and that the agent provide the necessary services to that policy holder so there is a better understanding of what is being purchased, what is covered, what is not covered, what the deductible is, and the various provisions that are important that come up time and time again, such as the basement issues and the sharing of the burden for that part of a property that is below the base flood elevation, that is the most likely part of that structure to be flooded. So that communication I believe best occurs over that kitchen table or over that business owner's desk.

Mr. WILSON. If I may, Mr. Chairman, in discussing it with an insurance agent back home and asking him what he felt some of the issues were, some of it he felt were the expectations of the people who bought the insurance. Sometimes even though they were told this is not replacement or whatever, however it was going to be, they had their own sort of profile on what it really meant. So I think some of it is a misunderstanding from the boilerplate, if you will, of how difficult it is to understand, and then second, the expectations of the people buying it. And third, I think it is exacerbated by the fact that it happens at a bad time when people are emotionally upset and seeing everything, as I said in my testimony, being washed away, things that perhaps do not have a dollar value but they really do have an emotional value. I think that is a part of it.

And one of my concerns that I mentioned in my testimony also is the updating of the maps so that we have maps that if this is in the 100 year floodplain, that it be said that way and it is something that I think could be very helpful.

Chairman NEY. I just wanted to comment on the maps. We have had a hearing in Washington on the maps and now the appropriators did something I just read the other day about monies that

they were going to put in or not put in. During the hearing, basically it was pointed out—not to go into every detail of it, but one side of it is that maybe these companies are out here and one company had digitized England and maybe those companies should do this work that is more up to date. Then again, local communities would have to purchase that, they would almost have like a copyright.

But there was a question of what can be mapped, what cannot be mapped, but obviously trying to bring everything up to modernization. Because there are some areas, and we have got a case right now in Belmont County where someone says this is a new line, the owners that want to put some jobs in there have to dispute that themselves, you have to almost have a civil engineer and 90 days to do it. So the county commissioners are taking a look at trying to help with that. But if there was an up-to-date map, it would not have been anybody guessing whether this is a flood zone or not. So the mapping issue is huge that you mentioned, and we are trying to work with it.

I think FEMA said during the testimony that within "X" amount of months, there were some upgrades that they were doing, but it is a huge issue in Washington that we are trying to address.

Mr. WILSON. Mr. Chairman, may I ask is there funding to help the Commission with trying to address this?

Chairman NEY. With our committee?

Mr. WILSON. Yes.

Chairman NEY. Yes.

Mr. RILEY. Yes, we are working on it. Mr. Maurstad could probably address that.

Mr. MAURSTAD. The flood modernization mapping is a 5-year program that we are about at the halfway point. It is a billion dollar program over 5 years, with both additional funding coming from Congress and the full support of the Congress and the Administration and also funds continuing to be moved from the National Flood Insurance Fund along with the $200 million that is appropriated. So it is a multi-year program, we are working very closely with the States. I think you will hear testimony later about that working relationship, and we are committed to making sure we have modernized maps for that portion of our country that is at flood risk.

Chairman NEY. Anything you want to add, Commissioner?

Mr. METZGER. Thank you, Mr. Chairman.

The only thing, to answer your question, the original question that you had was should the language be made simpler. And I think that it is common sense, the simpler the language can be made, the more the language can be put into layman's terms, the better off. The less confusing it will be for policy owners because quite frankly sometimes I look at my policies and I wonder, what does that mean? And most people I think are under that. And again, being part of the legislature for 8 years, sometimes things are written—I have always said they are kind of written for full employment for attorneys, you know, to make sure that they have a job, to be able to interpret what was written in law or in policies or whatever.

The other thing is, getting back to earlier, I think it is good that FEMA is moving the insurance agents to make sure that they dis-

cuss the coverages, but I still feel it is important—you are leaving that up to the insurance agent to be able to determine what he wants to cover. I still think there should be something mandated in law that makes sure and requires them, each and every one, to consistently talk with their policy owners on the different types of coverages and to be able to explain that to them so that they have a full awareness of what is covered and what is not covered.

Thank you.

Chairman NEY. Thank you. One issue that has been raised is consumer education. Would you like to comment on that, as added to the legislation?

Mr. MAURSTAD. Again, sir, we try to—we have got a multi-million dollar effort, Flood Smart, that is not only a public awareness campaign across the country through print media, TV, radio, the normal media channels. We have also developed a very comprehensive website, floodsmart.gov, where we encourage people to go and learn about their flood risk, learn about the National Flood Insurance Program. They can find agents that are near them that are a part of the program.

So we are trying to do what we can with the resources that we have available to make sure that we get the message out about the flood insurance program, especially in those areas that are most flood prone. We are giving it our best shot.

Chairman NEY. In trying to get the information out, I know you go to insurance commissioners, I would assume. Have you also gone to the EMA directors across the country, did they get an e-mail on that, because they're the ones usually that get calls in the counties.

Mr. MAURSTAD. We work very closely with the State emergency managers across the country, local managers. I attend a number of their meetings trying to communicate with them. We host a flood conference every year.

Chairman NEY. So you go through the State and then the State should go through the local?

Mr. MAURSTAD. Yes, sir.

Chairman NEY. Are there any further questions for the witnesses?

[No response]

Chairman NEY. I want to thank—Senator Wilson had to leave—I want to thank all the witnesses and also local officials, Senator Wilson and Commissioner Metzger and other officials that are here, EMA directors that spent a lot of personal time trying to help people during the rounds of floods we had.

With that, we will move on to Panel II, we will take a second to set up.

[Pause]

Chairman NEY. Thank you. We will move on to Panel II. First, we have Elaine Roskovich, who lives in Lansing, Ohio, Belmont County. Her home was damaged by a flood in September 2004. She is here today to tell us about her experience collecting insurance and her experience with the NFIP.

Next, we have Chad Berginnis, who is the Chief, Mitigation Branch, in the Ohio Emergency Management Agency. He has co-authored a comprehensive revision of model State floodplain regu-

lations using his previous experience as a director of the Perry County Planning Commission. Mr. Berginnis is testifying today on behalf of the Association of State Floodplain Managers, an organization representing the flood hazard specialists of local, State and Federal Government, the research community and the insurance industry.

Cindy Crecelius is a Program Manager in the State and National Flood Insurance Program Coordinator with the Division of Water in the Ohio Department of Natural Resources. She is a certified floodplain manager and is recognized by the National Association of State Floodplain Managers and is an Ohio Floodplain Management Association Board member. During her tenure as program manager of Ohio's Floodplain Management Program, she has been recognized by the Association of State Floodplain Managers as a recipient of the Tom Lee Award of Excellence.

Derrick Dozier is a Supervisor for Property and Casualty Insurance in the Office of Consumer Services, Ohio Department of Insurance. Please give our regards to Director Ann Womer, Benjamin.

And Patty Levengood is no stranger to this county, she has been the Director of the Tuscarawas County Homeland Security and Emergency Management Agency for the past 10 years and has been a certified emergency manager since 1995. During the past 2 years, her county has dealt with one tornado and four Presidential disaster floodings.

Dick Quinlin is the Emergency Management Director with the Belmont County Disaster Services, where he has served since 1985. Prior to his appointment as the Coordinator, he served the agency for 10 years as a volunteer. And we know Dick quite well in Belmont County. I want to say to both directors, I have personally worked with them and been personal friends with Dick for years, worked with both directors and your staff, unbelievable job that you all did under a lot of stress. And I know there were nights where if you and your staff got 2 hours of sleep, you were very happy. But you really did a lot for the people and I wanted to mention that.

Also, Karen Upson is the Director of the Ohio Valley Relief Center and Donation Management for Belmont County. Reverend Upson is a United Methodist Church pastor and a disaster coordinator for United Methodist Church, and has done so much also to help people in the communities.

I would note Chuck Prost, Commissioner of Belmont County Commission, will submit testimony. And with that, we will give you basically 5 minutes or so to sum up your testimony and your statement will be placed in the record for the hearing.

We will start with Elaine.

STATEMENT OF ELAINE ROSKOVICH, FLOOD VICTIM

Ms. ROSKOVICH. Yes, thank you for letting me be here today. I would like to share my story with you. But when I tell you what happened to me on September 17th, I am not speaking only for myself; I am speaking for hundreds of other people who went through the same thing.

So I will start my story with September 17th. I got up in the morning and went to work at my shop like I normally did for al-

most 30 years. About 1:00 in the afternoon, I got a phone call from a lady that lives on Rain Barton Road and one of her relatives lived on the same street as my shop. She said I think you had better get home, there is something going on in Blaine, and they may close the road. And of course, everyone knows Perkins Field and Brookside gets flooded first. So if they blocked those two areas, I cannot get to Lansing.

So okay, I finished my appointment and I did go home. When I left my shop and drove through Wheeling, you would not believe what I drove through. It looked like every corner was a lake and I figured when I got to the Marion Street exchange in Bridgeport, they would flag me onto 214, but luckily they let me go through. Well, there were cars backed up. When I got into Bridgeport, there was a landswell and mud slide at St. Anthony's, and when I got further out, there was water coming down with gravel that you just would not believe.

In Brookside, it was starting to come up. It was in Perkins Field, it was already starting to seep across 40. When I got up almost to stop 16 by Bridgeville, there by the Workmen's Bureau of Compensation, there was a big hump of mud, debris, gravel, everything. So I was just trembling to get home.

The road at U.S. 40 by Lansing Carryout was unstable from Hurricane Frances' 4 inches of rain. It had already started to dig some of the side wall out. So when I did finally get up there, which took me almost 45 minutes to drive home, I drove across the road, it hadn't caved in, part of it was—it was gone a little bit, like just by the guardrail, and there was a fire truck sitting there and the water was coming over the road towards the Lansing Carryout.

Well, I live at least 2 blocks away from the creek, so when I finally got home and pulled in the driveway, my next door neighbor was leaving. She said that she was not staying to watch the water get in her house. Well, I would have sworn that water was never going to get in the house because water has always lain around there, but it has always gone down fast.

So I went on in and I said well, I am home early and it is Friday, I am going to clean house. So I changed my clothes, put a pair of shorts on and a T-shirt, and came back out of the bedroom. When I looked out the living room window, there was my other neighbor, across from me, who is in her 80's, being helped through waist-high water. So I opened the door and I yelled at her and she said water was coming in her house. At that time, my front steps floated away, so I tied them off. I went to the back deck and looked. I still had a foot on my deck, another foot to come up onto my deck and another step to come into the house.

At that time I saw my next door neighbor behind me jump off his deck and he had told me—he was an engineer—that he was above the flood level. I just would have sworn I was not going to get any water.

My phone rang and they said what is going on in Lansing and just then the water came through the door, hit my furnace with the cold water and water just started shooting out of the registers. I figured it was time to get out of there, so I just threw some stuff in a container, got my cat, and tip-toed out of there, because the water was all the way up to my chin.

The water was not gushing, it was not swirling, it wasn't doing anything; it was a very calm water. It just came up within 15 minutes. I mean I did not know that the road had caved in and dammed it up and back-flushed this water. So the water was up in Lansing for probably 12 to 14 hours. I did not sleep that night. I went up to the Methodist Church in Lansing but I walked Green Bank that whole night, walked where the edge of the line was.

It was sometime in the morning, I do not know, it was dark out, the boat came in, I guess looking for survivors, and I was standing there like a crazy woman screaming get away from my house because the boat has one speed—fast, and it was going around and around and around my house and circling the other ones. I could see the waves slapping up against my house. I presume that is why all my furniture was turned upside down, and the water had gotten so high in the house, because it covered everything.

And I do not think we would have had any flood if it had not been for Route 40 caving in, because we go downhill, when you get past that little turn, that goes downhill. We are much higher, but we got it when the road caved in, it dammed up.

I was raised in this area, I have never seen Lansing flooded like that before and there was a gentleman that night who was across from the church who said his people built that house 83 years ago and that was the first time any water got in the basement. But of course, that probably leaves what, 14 to 15 years of a 100-year flood; so you know, you don't know what happened before that 83 years.

When I purchased my land in Lansing, I purchased it after—which I found out now, I did not know before that it was in a floodplain. Nobody ever told me it was in a floodplain. And I just assumed it was not because I grew up there and I never—you know, that was an old ball field that they had platted out, you know, in half acre lots. So when I purchased the land, I was told I was not in the floodplain. The mortgage company went through it, they were supposed to do—they hire these title companies to do all the survey. What happened to the title company, why did they not know this was a floodplain? This is what they get paid for. When I was on the island, I had to have flood insurance because I was in the floodplain, so I was not unfamiliar with flood insurance. They told me all I needed was homeowner's. But why would a bank give you all that money and never do a complete search on your property. I owe $56,000 on my house, I had purchased it—I had bought the land at the end of 1988, around the end of the summer, and had the house put on just around Christmas time, December of 1988, it wasn't completely finished until the beginning of 1989, which was a year and a half, almost 2 years, after it was deemed a floodplain.

And I am mad, I am mad that my mortgage company did not tell me I needed it. I had the house refinanced in 1999. My husband was diagnosed with cancer at that time, he passed away 3 years ago, and I had it refinanced to make it a little bit easier for me. And that was Chase Manhattan Mortgage, which is part of J.P. Morgan Trust, which is the largest bank in the world. They did not tell me. Do the title companies that these mortgage companies are

hiring not do their job? Whose fault is this that I would not have flood insurance.

I am not blaming the county, I am blaming my mortgage company and the title company. But I now have flood insurance. I have flood insurance that FEMA gave me on a home that has been torn down. I have it until 2007. My house was condemned by Belmont County when they looked at it. FEMA measured the water inside, and said 30 inches to 3 feet from where the water line that they measured down. It was full of mold and they said, you know, it was unlivable and then Belmont County came down and tore down my house which was put in there at the end of 1988.

And I am mad, I am mad because someone did not tell me that I needed flood insurance and I do not know who to blame. I hope that FEMA can explain to some of these mortgage companies the people that need flood insurance.

I understand that when you have flood insurance, you are not going to get back everything that is owed to you, everything you lost. I mean, I lost everything, furniture, clothes, appliances and I collected diamond rings from the time I opened my business, it was just one of the things I did, it was like diamonds are 25 percent of me, if you ever need them, you have got them. And I lost between $60- and $100,000 worth. I mean I lost everything.

To make a long story short, I went from living in a $100,000 home, with $50,000 worth of contents, personal property, and an Olympic sized pool in the backyard to being a bag lady in 15 minutes because I did not have flood insurance and no one had told me. Somehow or other, they should make these mortgage companies give you a flood determination when you buy property because I did not do any search on it. I could have probably done a better title search than they did and I paid them all those closing costs.

So, as I said, I am glad that I came here and you let me voice my opinion on everything and I do not know why I have flood insurance now, but I do until 2007 on an empty piece of ground, which I could are less whether it floods or not now.

I hope I said a little bit for other people too, to see if they can change around the insurance, and the title companies.

Thank you very much.

[The prepared statement of Ms. Roskovich can be found on page 89 of the appendix.]

Chairman NEY. Thank you. We will have some questions but we will just go straight down the line and then I have some questions I want to ask you. Thank you for your time.

Chad.

STATEMENT OF CHAD BERGINNIS, MITIGATION BRANCH CHIEF, OHIO EMERGENCY MANAGEMENT AGENCY AND IMMEDIATE PAST CHAIR, NATIONAL MITIGATION POLICY LIAISON, ASFPM

Mr. BERGINNIS. Good morning, Chairman Ney. Thank you for allowing me, on behalf of the Association of State Floodplain Managers and the Ohio Chapter, the Ohio Floodplain Management Association, to testify before you today.

Indeed, the NFIP is approaching 4 years old and like any other program that is large and complex has been revised, updated, and

managed to reflect current conditions. While not perfect, the NFIP has been in many respects one of the world's best solutions in addressing flooding issues based on what other countries have or have not done compared to our own program in the United States.

Still, today we are not focused on the world, but floodplain managers and citizens affected by flooding here in Ohio. The balance of my testimony will address the National Flood Insurance Program where challenges exist and where opportunities lie. Although I will be talking from an ASFPM perspective, all of what I say has applicability to Ohio. I am hoping that my experience as a local floodplain manager as well as working here in the State of Ohio will contribute to that.

First, let us discuss how State and local governments operate under the NFIP. State floodplain management programs are unique. Some programs focus on technical assistance and building community capability while others focus more on mapping. The point is under the NFIP each State is given the flexibility to develop programs that best fit their State. However, it must be recognized that coordinating the NFIP is the beginning point for doing comprehensive flood management and not the end point. Even under the rules of the NFIP, States are encouraged to do other activities that result in more comprehensive floodplain management.

The ASFPM has recently produced a document, Effective State Floodplain Plan Management Programs 2003, that identifies 10 principles for effective State floodplain management. Based on that document, all States need to become more effective in their work. One recommendation the ASFPM makes in regard to State programs is that FEMA allow for delegation of all or portions of floodplain management related programs. For example, FEMA is currently looking how portions of the flood mapping programs can be delegated to qualified and willing States.

At the local level is truly where the rubber meets the road. Although in an ideal world, floodplain management decisions would be based on good data, local regulations, and building standards, and with the full backing of the community, this is often not the case. Political pressures, the lack of data, resources, and sometimes the low priority of floodplain management in the broader context with everything the community has to do are the reality of local floodplain management. The NFIP, while it does not directly fund the position of a local floodplain manager, does provide incentives for communities to participate in the program, such as what Mr. Maurstad had talked about, the community rating system. The ASFPM supports continuing community incentives to support effective implementation of local floodplain management programs.

In terms of problems, inconsistencies, and delays, again let me stress that one of the unique features of the NFIP is that there are many entities involved, so usually it is in a post-disaster situation that things become really hectic. However, I submit that here in Ohio, that situation has not been as problematic as it has been in some other States in recent years. Undoubtedly there are issues and instances and certainly as Ms. Roskovich had indicated, there are some disjointed issues with the NFIP.

For example, Lawrence County, which was sanctioned by the NFIP in the 1990's is now one of the best programs in the State.

This is on the Ohio River. This is not to say again that there are not some individual problems. From the ASFPM standpoint, some improvements can still be made in the post-disaster environment. These include: better notification of recipients of disaster assistance that local permits are required before repair and reconstruction; improved sharing of disaster assessment and insurance claims information with local officials to help identify potentially substantially damaged structures; and fully utilizing ICC insurance coverage by promoting its use, streamlining the claims process and implementing provisions allowing the more expansive use of ICC has changed in the 2004 Reform Act.

Mr. Chairman, your opening statement during a hearing in 2003 on the NFIP mentioned issues in the Powhatan Point. To illustrate how the program can work, the Powhatan Point floodplain administrator, using the tools provided under the NFIP, was able to access ICC funds to pay $30,000 towards elevating a home, making it no longer vulnerable to flood damage from a 100 year flood. These programs can work; however, there are some tweaks that can be made.

Another area where problems tend to creep up is when a flood disaster occurs in an area that has not experienced that event for a long period of time, from both a community compliance standpoint and from an insurance standpoint. The Title II provisions of the 2004 Reform Act should more clearly help policies be explained to policy holders and provide them with more detailed information on the claims and appeals process, which I personally remember helping folks in the Stowe, Ohio, area talk about because it was quite ambiguous in terms of how that process worked.

From a funding standpoint, the ASFPM believes that the NFIP is currently affected by one primary thing, the lack of funds to implement the 2004 Reform Act programs. We have already lost one year in 2005, and in 2006, we were happy to learn that the House fully supported full finding of those programs; however, the Senate did not. We are hoping that during the conference committee, that the House members will win out.

Floodplain maps are a foundational element of the NFIP. We simply have not invested funds to maintain the maps and complete the initial mapping effort that FEMA has done in the past. However, FEMA's map modernization program has the ability to make real and significant improvements. The ASFPM has always been a supporter of map modernization and we played a crucial role in the developing of the flood map coalition that garnered widespread support for map modernization efforts.

A couple of points to be made about map modernization. As previous panelists have indicated, map modernization must be about making quality flood maps that identify the proper extent of flooding in a community, ensures flood zones match topography and that flood studies are at a certain level of detail.

The map coalition, communities and property owners throughout Ohio and the Nation are depending on the recognition by Congress that map modernization is a worthwhile endeavor and that funding can continue with this program. There has been some discussion in past hearings about the cost of map modernization and the ASFPM does believe, based on data, that it will exceed the $1 billion

amount. Given the testimony that was provided, again we would submit that updating the flood maps is critical to the Nation's interest and that the Congress would continue to be interested in funding that modernization.

Is Ohio ready for the next flood? We are much better prepared than if the NFIP did not exist. In my professional experience in over 10 years with the NFIP, I can say that it has made significant improvements in the lives of Ohioans but there is still always a chance to improve.

Thank you.

[The prepared statement of Mr. Berginnis can be found on page 44 of the appendix.]

Chairman NEY. Thank you.

STATEMENT OF CYNTHIA J. CRECELIUS, PROGRAM MANAGER, OHIO DEPARTMENT OF NATURAL RESOURCES

Ms. CRECELIUS. Good morning, Chairman Ney. I am Cindy Crecelius and I am representing the Ohio Department of Natural Resources Division of Water, and we have been designated as the State Coordinating Agency for over 30 years. I would like to thank you for the opportunity to share the State coordinator's perspective on how well the National Flood Insurance Program works in this State.

In Ohio, the NFIP is an active partnership. The State and the communities have as much interest in reducing flood risk as the Federal Government. The State role is that of leadership for cooperative management of floodplains. We are building capability in all aspects of the NFIP and we complement the NFIP objectives by integrating floodplain management with State agency action, policy, and funding.

The NFIP framework allows Ohio to develop a floodplain management program based upon our needs, strengths, and opportunities, and this is a huge benefit.

The community role is tied to health, safety, and the economy of each community. Addressing flood problems is a local health and safety concern. The community has to commit to the need and the purpose of floodplain management in order to be successful in the NFIP.

To support these roles, FEMA can build upon the Community Assistance Program (CAP). The CAP is an efficient cost-shared funding mechanism that has been building State capability for over 30 years. FEMA should explore partnership models that use business plans and performance metrics to allow for delegation of NFIP and map modernization activities.

The 2004 Reform Act is well-focused on changes to better link mitigation funds and NFIP compliance, improving insurance agents' knowledge and creating easily understood consumer products. And your work in the committee is certainly to be complimented in having that good focus and targeting some of the major problem areas.

Although training sessions have been well-attended in the State of Ohio, agents' knowledge is not necessarily improving. We have already heard this morning that some States have strategies to improve agents' knowledge, which includes requirements for con-

tinuing education and more flood insurance content in their licensing exam. We do need to improve agent knowledge concerning flood insurance products in the State of Ohio.

The ICC or Increased Cost of Compliance is not well-utilized. Our floodplain managers need more education about how and why it should be used. FEMA has to continue implementing changes to current NFIP mitigation programs that will recognize the ICC as non-Federal funds, expedite processing of the ICC claims and support local NFIP compliance as an effective mitigation tool.

The CAP funding was intended and has been used to build State coordinator capacity to help implement the NFIP in over 20,000 communities. This is important because FEMA does not and never will have the resources and the funding to carry out all the program responsibilities nationwide.

Ohio currently has 12 staff supporting NFIP map mod and State floodplain management. CAP funds four of those positions. The bottom line is that effective State coordination of the National Flood Insurance Program means that State contributions go well beyond the required 25 percent non-Federal match.

Flood hazard maps are critical to safe construction and good development decisions. That is the bottom line for map modernization. The test of currency should be focused on whether the flood hazard identified is accurate and if it is the correct level of detail related to what is at risk. Another element of currency is the use of efficient technology such as Geographic Information System and digital data to support making good maps the best way.

The importance of quality flood hazard information cannot just focus on the date of a map. An inaccurate map, regardless of the date, can mean: somebody at risk will not know it; someone who is not at risk might have to purchase flood insurance and meet flood protection requirements; or someone in an area not yet identified might experience significant property damage and even loss of life.

The Ohio vision for map modernization is that all communities will have accurate, quality flood maps. The detail of study should be commensurate with the level of risk. Our State business plan contains minimum criteria for production of quality modernized maps. FEMA, State coordinators and the mapping partners need more dialogue about how and who will maintain those updated maps.

Following disasters, NFIP compliance is smart recovery. Local floodplain managers need support from both the Federal and State level as they enforce NFIP regulations. FEMA policies should allow reimbursement for substantial damage inspections as an eligible public assistance activity. Disaster victims who have available funds, volunteer manpower, and materials are anxious to repair and return to a "normal" life. To make the NFIP a successful mitigation tool, the enforcement and permitting process has to be as quick and efficient as disaster assistance and insurance claims processing.

In conclusion, Ohio is better prepared and more able to respond to flooding through participation in the NFIP. Further risk reduction is expected and can result from accurate, quality maps and improved NFIP compliance. The NFIP is a well-conceived mitigation

strategy that provides for the collaborative management of the flood hazards in Ohio.

Thank you.

[The prepared statement of Ms. Crecelius can be found on page 61 of the appendix.]

Chairman NEY. Thank you very much.

Mr. Dozier.

STATEMENT OF DERRICK DOZIER, SUPERVISOR, PROPERTY AND CASUALTY UNIT, OFFICE OF CONSUMER SERVICES, OHIO DEPARTMENT OF INSURANCE

Mr. DOZIER. Thank you, Chairman Ney and your committee members, for the opportunity to testify on the National Flood Insurance Program. I am Derrick Dozier, the Supervisor of the Property and Casualty Unit of the Office of Consumer Services at the Ohio Department of Insurance.

I am here today representing Ann Womer Benjamin, Director of the Ohio Department of Insurance. I have been with the Department for more than 22 years and have held my current position for the past 10 years. While I am not involved with every phone call, I do review every written complaint sent to the Department of Insurance involving flood insurance.

My Division, the Office of Consumer Services, is the consumer protection arm of the Department. We assist consumers with all types of insurance related complaints and answer a variety of questions. Annually, my division handles more than 90,000 consumer inquiries on all kinds of insurance issues. Some of these inquiries rise to the level of written complaints against an insurance company or agent and in 2004, we handled about 8000 written complaints from consumers; as a result, helped consumers recover over $6 million.

In my invitation to come to testify before the committee today, I was asked to address a number of issues regarding the NFIP.

The first issue I was asked to address was to comment on the responsiveness of the NFIP and private insurance companies participating in the NFIP to paying claims for recent floods and to describe the types of complaints we hear at the Department about payment of flood claims.

The information the Department receives from the responsiveness of the NFIP and the NFIP insurers to flood claims generally comes in the form of calls and e-mails we get from consumers.

The Department has a system of tracking consumer complaints. One category we track is flood claims relative to homeowners' insurance. Since 2000, the Department has tracked 24 complaints relating to flood insurance. The majority of these complaints relate to delays in processing claims.

Many of the calls the Department receives are not complaints, but inquiries where the consumer is seeking information. We regularly get calls from consumers about flood insurance, and the inquiries we get far outnumber the complaints. Some of the inquiries do involve flood claims. We work with the consumer even though no complaint is filed.

When a consumer contacts us about flood insurance and the NFIP needs to be involved, we will call the NFIP directly for the

consumer. In the case of a flood insurance claim, we contact an NFIP claims manager directly. In our experience, the NFIP claims managers get back to the Department promptly. We do not track all our referrals to the NFIP.

The second issue you asked me to address was the steps the Department has taken to educate consumers and agents about flood insurance and what else can be done.

As you know, neither the State of Ohio, nor the Department, regulates flood insurance products or rates. However, we do work to educate consumers and agents on the NFIP. We do this by publishing and distributing information about flood insurance, by answering consumer questions, by working with the NFIP on consumer issues, by speaking to consumer groups, and by sending representatives into the communities affected by floods. For example, during flood events, the Department sends personnel from my staff on site to Disaster Assistance Centers to help consumers with their questions, claims and complaints.

Another way the Department educates consumers is through our shoppers' guide. I brought some of those here today. This is our homeowners' shoppers' guide, for your review. We publish and distribute the consumer guide on homeowners insurance that contains a section on flood insurance. This guide stresses that homeowners' insurance does not provide coverage for floods, and that consumers must contact their insurance agents or companies to find out whether they need flood insurance and how to buy it. The consumer guide also provides information about the NFIP, including NFIP's phone number. This consumer guide is available in print form and also on the Department's website, which is www.ohioinsurance.gov.

The Department also has a dedicated staff of consumer analysts who can answer questions about flood insurance. Consumers can call the Department's toll-free consumer hotline, 1–800–686–1526, and they can talk to a consumer analyst with experience in flood insurance. The analyst will work with the consumer until the consumer's questions are answered.

The Department also has put together a "Consumer Tips" series of press releases, one of which deals with flood insurance. News organizations around the State can access the Consumer Tips for use in newspaper, radio, and television spots.

In terms of doing more, the Department is constantly working to improve the information it provides to Ohio consumers, and flood insurance is one of the topics on which we have focused. We believe consumers should know that homeowner's insurance does not cover flood damage and that flood insurance must be purchased separately. To make sure more consumers know this, there is a cooperative effort between FEMA and the Department. The information the Department circulates is clear on this subject, but more can be done to get the information to the consumer. Our Department welcomes the opportunity to work to improve the distribution of this information.

The third issue I was asked to address today deals with the training and licensure requirements that apply to insurance agents selling flood insurance in Ohio.

There is no special flood insurance license in Ohio. All property and casualty insurance agents licensed by the State of Ohio are authorized to write flood insurance with the NFIP. This means that the licensure requirements that apply to insurance agents generally are the licensure requirements that apply to insurance agents selling flood insurance.

An applicant for an agent's license must complete 40 hours of pre-licensing education that includes instruction on flood insurance, and is required to pass an exam, which includes questions on flood insurance.

After obtaining a license, an agent must complete 20 hours of continuing education every 2 years. The Department has approved 4 hours of CE if the Ohio agent completes FEMA's flood insurance seminar, which was discussed earlier. The Department has approved other flood insurance courses for CE credit as well. Other agent education courses are also available through FEMA.

Since 2000, the Department has received very few complaints against insurance agents involving flood insurance. We attribute this to the fact that a basic understanding of flood insurance is a requirement to obtaining an insurance agent's license in Ohio.

In closing, I want to say that we agree that it is very important that consumers and agents are knowledgeable about flood insurance. The Department is committed to educating consumers on a variety of insurance issues and is always seeking a better way to communicate with consumers. We welcome a discussion on how to better educate consumers about flood insurance.

Once again, thank you on behalf of Ann Womer Benjamin, our Director, and I would like to thank Chairman Ney and the committee members for inviting me today to testify.

[The prepared statement of Mr. Dozier can be found on page 71 of the appendix.]

Chairman NEY. Thank you. Patty Levengood.

STATEMENT OF PATTY LEVENGOOD, DIRECTOR, TUSCARAWAS COUNTY HOMELAND SECURITY AND EMERGENCY MANAGEMENT AGENCY

Ms. LEVENGOOD Thank you. I would like to thank Congressman Ney and the committee for inviting me to testify this morning.

My experience in the National Flood Insurance Program stems from the aftermath of recent flooding incidents in Tuscarawas County. Most problems with insurance issues are unveiled days after the incident, and for our agency, coincide with the FEMA, State and local damage assessment that we are required to do. The damage assessment process is a verification of financial and situational hardships faced by the community in the progression toward a Presidential declaration. While interviewing affected residents, a common issue has arisen about the complexity and confusion of different insurances that impact claims. Lack of knowledge on the regular homeowners insurance, the NFIP, sewer backup, and earth movement riders often surface as residents feel they are at odds with their insurance company.

Our course of action during these episodes is to give the resident the Ohio Department of Insurance hotline phone number established during these times. If a house experiences flooding at the

same time the earth saturated grounds break a foundation and the sewage system can no longer hold the pressure back, thus completing the task of filling the entire basement, what insurance is to be used or are residents forced to carry all or none? County residents have stated during the damage assessment that claims have been denied because they carried sewer backup but not NFIP or vice versa, when it was clearly a combination of both.

I understand their complaints, but have no other course of action besides the previous mentioned hotline. After many incidents of similar occurrences following the many recent floods, a lack of communication exists that delineates the purpose and coverage of the different insurances available.

And again, I would like to thank the committee for allowing me to testify today. Thank you.

[The prepared statement of Ms. Levengood can be found on page 75 of the appendix.]

Chairman NEY. Thank you, Patty.

Dick Quinlin.

STATEMENT OF RICHARD QUINLIN, COORDINATOR, BELMONT COUNTY, OHIO EMERGENCY MANAGEMENT AGENCY

Mr. QUINLIN. Thank you, Bob, for giving me the opportunity to testify here today. Actually though, my administrative assistant Becky should be the one sitting up here. She is the one that deals with all the complaints and prepared this information for me.

But just briefly I have some comments on what she experienced when people come into our office.

In September 2004 and January 2005, Belmont County residents suffered damage to their property due to flooding and mudslides. Regarding folks who carried flood insurance, some of the difficult things they had to deal with are as follows:

At the time of loss, most homeowners who had flood insurance policies had them because their mortgagee forced them to carry the coverage in order to finance their homes. The National Flood Insurance Program needs to market their product more. In marketing their product, emphasis needs to be put on the fact that flood insurance may also cover for loss against mudflow/mudslides. We had several homes slide off their foundations. These homes sit far above floodplains and their residents, therefore, did not dream about buying flood protection. Tenants are not aware that they too can purchase flood insurance on their personal property. However, in order for contents to be insured on a homeowner or tenant policy, the property must be situated on the first floor or above. Also, if an insured is away from their residence due to work, vacation, etc., they are unable, therefore, to move their contents from the basement in the event of a flash flood. Emphasis needs put on this. In addition to verbally, this may be indicated by a notice or sticker placed on the declarations page. Becky has also seen coverage provided in the amount the bank demands to cover their loan; therefore, contents coverage is not offered to the homeowner.

When suggesting flood insurance protection, people have told us it is not affordable. It might be a good idea to offer better deductibles or higher deductibles to help get the premiums down, but that would only, in my opinion, help the people that have the

funding to buy the insurance. You get into our area where you have got a lot of limited income, maybe single family breadwinners, you know, workers and stuff, they just cannot afford the additional cost, whatever it be and there needs to be some kind of a subsidy put in to help those too if the program is going to work.

Another area we got into in claims service, we heard at the time of loss, several homes are damaged or destroyed. In some instances, it has taken 30, 60, or even 90 days before an insured is contacted by an independent adjuster assigned by the NFIP. At the time of an NFIP sale, the potential insured should be made aware that there are numerous companies now selling flood insurance. These carriers may have a larger selection or availability of claim adjusters that can contact the insureds within 24 to 48 hours after the notice of loss.

Increased cost of compliance procedures are difficult to follow. It seems a claimant is forced to foot the cost of elevating their home before the policy will pay or reimburse the policy holder. We have not had much dealings with this, but there seems to be problems with ICC adjusting. The insured's dwelling flood claim is adjusted before they are contacted by an ICC adjuster. I think it should be the other way around if not taken care of by the same adjuster.

We did deal a lot with the mudslides and the issues there. I was not even aware until Becky researched this—and to give a little background on Becky's experience, she had been involved in the insurance industry for several years before I had and that was one of the things we wanted to get her on board for.

The question "Is Ohio ready?" I do not know. I can honestly say not only through some of the dealings we have had with people trying to get claims, with the exception of the loss of life in 1998 and again in 1998 and we lost a life this time too, take the loss of life factor out of this stress, these last years in dealing with a lot of the regulations and stuff has probably been the toughest of my career to deal with. I think probably a lot of the other EMA directors too.

I want to thank you for letting me come up and testify and hopefully these comments will help.

[The prepared statement of Mr. Quinlin can be found on page 88 of the appendix.]

Chairman NEY. Thank you, Dick.

Rev. Upson.

STATEMENT OF REVEREND KAREN UPSON, DIRECTOR, OHIO VALLEY RELIEF CENTER AND DONATION MANAGEMENT, BELMONT COUNTY, OHIO

Rev. UPSON. I also want to echo that I speak on behalf of others and their concerns.

I also am using my experiences from tornadoes, winter storms, blizzards, and the 1998 disasters that hit our community, along with my education as a fireman, a paramedic, and a minister. I have worked with Belmont County EMA since 1998 to construct a disaster plan for relief and donations to service each community. The program was put into action on September 9th, after the first of three floods hit our area. Since September of 2004, we at the Ohio Valley Relief Center have been assisting almost 1,500 families

and that is probably only approximately part of the 2,500 we feel may have been affected by flood from the 23 communities in Belmont County.

Persons from Jefferson, Noble, Harrison, and Munroe Counties have also sought our assistance, along with people from West Virginia. Every week, someone new comes in to seek assistance who may have fallen through the cracks or just needs someone to help them.

We have seen and heard many issues and many concerns in relation to the Federal assistance programs and "Is Ohio ready".

I would like at this point to offer some input about the concerns of delay of services, but at this time I will limit my comments to the subject before us. And this is my testimony based on what others have listed as issues and concerns about the flood insurance and their situation.

Some of the statements we have heard throughout our area of volunteering and working with those in need:

Some still are paying off loans from the floods of 1998 and some from 1990.

After the 3 years of paid flood insurance is done:

Some say they did not have clear notification that their 3 years is up that FEMA paid for their flood insurance, and that it is done. And at that time, it is their responsibility to pick up and continue coverage.

Some say that their loans were increased after the 3 years and the cost is now too high for them to be able to afford flood insurance.

Some say that each time the loan is sold to another agency, another bank, another mortgage company, their loan seems to go higher and higher and they have no control over the increases in their payments.

Some have told us that when their loans or mortgages have been sold or bought by other funding sources, their flood insurance coverage was not included and it was dropped without their knowledge.

Some say the bank and funding agencies told them that they did not need coverage and were not required to have it, or that they were not in a floodplain, even though they live next to a road. Eight families on one street were told they did not need it and they were right next to a creek.

The next issue I looked up is the cost:

Some say that it is $3,000 or more a year on top of the cost of their loans for their insurance and some have said it has been as high as $1,000 a month for them to continue their flood insurance.

Some say their award from FEMA was deducted as a part of the coverage for their insurance based on lack of knowledge or poor education of getting the information to them.

Coverage of flood insurance:

Some say that the fast rising floodwater damages are not covered, only slow rising waters.

Some say their contents are not covered, only structure is covered by their flood insurance.

Some have damage from the disaster caused by land slippage and it is not covered by the flood insurance because it was not a floodwater.

Some have had damage to their home with family rooms or what we consider, as has been said before, what is typically called a basement or living area. When we live on hillsides, it is a big controversy as to what level is living area and what is basement.

Some have damages from sewers and runoff waters and that is not covered.

Some have damage of flooding with the orange runoff water from mine slippages and the insurance will not cover that. And then we have issues with the Division of Mines verifying that it is a mine damage and who is going to cover that or not. That is verified by looking in our streams at this time and seeing the orange water.

Another issue is that now with more flooding and some who are not free from their past loans, they cannot even apply for more loans and some say they cannot afford the additional insurance that would go along with that loan had they been able to get it.

Some had their flood insurance dropped. Some say their insurance has been dropped when they filed a claim, their company came back and told them that they had been dropped as a carrier for them. Some say they were even dropped without their knowledge.

One issue I did not put on my statement I would also like to readdress is the processing time for claim insurance processing. We still—to this date I know one person in particular, but there are others out there, it has been 11 months since the flood and they have not received any money from their insurance, they have a private insurance carrier.

I also looked up suggestions that came from our staff and volunteers:

One is keep the information details simple and clear for understanding, even to the point of one or two pages, 12 font, and on a fourth grade reading level for the people to fully understand the information.

Bank loans and companies, mortgage companies could not increase the cost of insurance once that 3-year period is up for future first or second years. Some of the families are still getting back on their feet and if they do increase it, then they get a very low percentage cost of living or something of that percentage. Or the increase of flood insurance is based maybe on their income or their property value and not based on a company value of how much the insurance should cost.

The second—third thing I want to continue to share is also that the bank loan or mortgage companies contact the floodplain inspectors of the county where that residence sits and they have a written verification that flood insurance is needed. All the local officials such as floodplain inspectors have direct input to the insurance program and administration of those programs and understand clearly what is floodplain and what is not.

When loans are being sold to another mortgage company, the clients need to be notified very clearly as to the selling of their loan and to make the increased cost and services offered rather than being dropped.

Insurance companies cannot drop their clients based on a nationally declared disaster.

And that a cap should be set for the cost of the insurance policies. Just as there is a cap on what insurance will pay for damages, there should be a cap on what the client can afford to pay.

And then the last thing is that there should be a set deadline for those who are clients to receive renotification from the insurance companies, a call back, within 24 hours as has been stated. Or that a deadline date from a disaster, that they would receive those funds by that deadline date and not wait until a year later to receive them.

I also thank you for your time, your consideration to my sharing of this information.

[The prepared statement of Rev. Upson can be found on page 91 of the appendix.]

Chairman NEY. I want to thank all the witnesses for their testimony.

I wanted to just ask a few questions if I could, of Ms. Roskovich. What year did you buy the house?

Ms. ROSKOVICH. In 1989.

Chairman NEY. In 1989.

Ms. ROSKOVICH. We purchased the land in the summer, late summer of 1989. He was going to put condominiums in there and I guess there were objections and he just platted it out into half acre lots.

Chairman NEY. And now you say you have been notified by FEMA that you have insurance?

Ms. ROSKOVICH. Oh, yes.

Chairman NEY. But the house is gone, correct?

Ms. ROSKOVICH. It is gone, but they sent me a letter. I have it somewhere because I was staying with a friend of mine until the end of March and it's put away in one of the file boxes, but I got all these sheets, all kinds of papers. I called them and I asked them, I said why do I have flood insurance now, the house is gone. And they said well, we have to do this. And they said they took $600 out of the money that would have been allocated to me to buy me flood insurance and I have it now until November 19, 2007, on an empty piece of ground.

Chairman NEY. Onto the issue of when you purchased the home and the title search was done.

Ms. ROSKOVICH. Yes.

Chairman NEY. You say that Chase is the one that—or that did the refinancing.

Ms. ROSKOVICH. No, Chase is the one who refinanced it in 1999.

Chairman NEY. In 1999.

Ms. ROSKOVICH. Bank of America was the first mortgage and they did all whatever they had to do.

Chairman NEY. Well, yes, when you refinance, you get a title search automatically. Do you have a copy of that title search? Have you looked—been able to look at that or what it said?

Ms. ROSKOVICH. I lost all my papers, but I went to the courthouse and they made up what I had in the mortgage papers. There was a little one there, I did not really know what I was looking for. There was an extra little thin sheet of paper that gave a short defi-

nition, like frame house, you know, had different indexes all the way down, but I did not see a flood determination paper on it.

Chairman NEY. So the paperwork states nothing either way?

Ms. ROSKOVICH. It explains where the pins are in the yard and everything else.

Chairman NEY. But it does not say anything about flood.

Ms. ROSKOVICH. Not one word.

Mr. RILEY. Mr. Chairman, if I may, I know that as a standard part of purchasing a home and getting a mortgage, you have to pay a flood search fee. Did you pay that flood search fee?

Ms. ROSKOVICH. Well, I do not know, closing costs were like $4,000, so I am sure whatever they did, they were supposed to look through it. I have no idea what they have to do, all I know is they charge a lot.

Mr. RILEY. Perhaps somebody else on the panel can respond to that, but I know that as a part of getting a mortgage, you pay a flood search fee, which is a nominal amount, a third party fee, that is passed on to you, the consumer.

Ms. ROSKOVICH. I paid for the appraisal, I mean that was a separate fee I paid. If there was anything that I would have needed, if they would have said stand on your head and kick a ball around with your feet, I would have done that, because it is the mortgage company, you do what they tell you to do, whatever the cost would be. You know, you do not argue with them, they say you need an appraisal, okay, $300, pay for the appraisal. It is their place to tell you. I am not experienced in their field and so they are the ones—but you pay all this money and closing costs, should they not know about that?

Chairman NEY. We can work with you afterwards to look at some of the paperwork to see what was done at that time or not, what paperwork we can recover off of that, I mean if you would like that. I would be very curious to see, as Mr. Riley mentioned, I would be curious to see what was there at the time of the refinancing or the original purchase and what they did in that title search.

Ms. ROSKOVICH. Well, I will get all the papers together, I have an appointment with Mr. Thomas, one of the Commissioners, he deals in real estate and I would like to have him look at that.

Chairman NEY. Yes, and we can follow up with the Commissioner.

Ms. ROSKOVICH. I would like that.

Chairman NEY. Absolutely.

Ms. ROSKOVICH. I have all the papers that I got from the courthouse. The original ones that we had, my file cabinets were turned upside down, everything was under mud. I mean I had no titles to cars, mortgage papers, income tax returns, nothing.

Chairman NEY. We will follow up as you wish with Commissioner Thomas afterwards.

Ms. ROSKOVICH. Yes, that is what I am going to do, to see what he can find out.

Chairman NEY. He is also an attorney.

Ms. ROSKOVICH. Yes.

Chairman NEY. Do you have any comment, anybody?

Mr. WATKINS. I wanted to say one thing about her situation.

Chairman NEY. Just for the record, please identify yourself.

Mr. WATKINS. I am sorry. My name is Ed Watkins, I am with the Ohio Valley Relief Center in Belmont County.

In Lansing, they were declared, that area that they live in that is under question, was declared in the floodplain in 1987, and she bought her home in 1988.

Chairman NEY. 1989.

Mr. WATKINS. 1989. I just wanted to clarify that for the record.

Chairman NEY. Thank you.

Mr. BERGINNIS. Chairman Ney, maybe I am relating a more personal experience having just refinanced my house last year, in terms of the flood insurance; you know, at the closing, the closing agent is supposed to go through everything with you, explain line by line and also even show you the flood zone determination and spell that out. Now saying that, that was my experience there. I have in my professional experience before even talked to a banker who said it has not flooded here in 70 years, we are not going to make people go through that stuff.

Chairman NEY. Can I ask, if there a checkoff box of flood insurance or no flood insurance, whether you decline it or not? Is there a checkoff box? I don't recall that. What I was wondering, you know how when you refinance or you get a bank loan, you check whether you want credit life, you say yes or no, you have to initial it. I just wonder on policies—because I have not dealt with—where I live there was no—St. Clairsville, Noah's Ark would be there if it was flooded, but I do not ever recall a checkoff box for a yes or a no.

Ms. CRECELIUS. Chairman Ney, if I may. What probably went on is in the first financing back in the 1980's, there was not the Standard Hazard Determination Form and there was no requirement for the flood certification that Representative Riley referred to. However, I do not believe you can deny, you know, whether or not you want flood insurance because it is a mandatory purchase that kicks in and that is why they are using the Standard Hazard Determination Form. So that should be part of the closing package and that either does or does not justify the amount of fee that you pay, but that should be part of the closing from 1999 because it has been required since 1987.

Chairman NEY. Okay.

Ms. ROSKOVICH. I was told that it should be included in it, but I do not have the original papers, you know. And everything that they have at the courthouse, they have given me. I talked to several mortgage companies also in the area and one of them told me that they do 95 percent of their business with Chase Manhattan Mortgage and I said could you tell me from Blaine to Bridgeport, is it considered a flood area, and she said every loan that Chase Manhattan Mortgage does in that area is considered a floodplain. She said anything that is down by 40 is considered a floodplain and you have to get flood insurance before they will give you a mortgage.

So what happened? Did I fall through the cracks or what? You know, I want to know what happened.

Chairman NEY. Well, like I say, after you talk to Mark, if you want, we would like to communicate with you further, for the ben-

efit of the committee in Washington, to be able to get to know what happened, because there will be different policies I am sure in different States also—I mean different practices.

I also wanted to mention, Mr. Dozier, in the legislation that we passed is consumer protection. And if you would like to get the details, we would like to follow up with you on the details of what is in there nationally and what consumer protection and the information. What I am hearing a lot today is about information, clarification, communication, education. We would be glad to follow up, if you would like, we can get you the details of what was in the law.

Mr. DOZIER. Thank you, I look forward to receiving that.

Chairman NEY. I wanted to ask a question, just to jump around a little bit, an issue, Rev. Upson, that you raised. You had mentioned you dealt with someone whose policy was, you say, the loan was refinanced and that it did not move—the insurance did not move along with them?

Rev. UPSON. Yes, we have had clients that have come in and I wish I would have documented the complaints through this time period, and this came right after the first of our floods, they came right up and said that when their home was refinanced or remortgaged, their insurance did not carry with them, the flood insurance. And they had no idea that it was not part of that policy.

Chairman NEY. Because that raises an issue that we could look at about what requirements go along with the policy. I think we could definitely take a look at that.

The other question, the processing time. I think both of the directors, EMA and you, mentioned the processing time. And this is the processing time, is it due to the National Flood Insurance Program, was it due to private insurance companies? Anybody want to elaborate on that 11-month processing time?

Rev. UPSON. The one client I know in particular that I still know as of today still has not received any, his was a private insurance that he had. And he lives in the community of Quincy, and he has not been able to start doing any repairs or any work on his home due to the fact that he has not received any insurance. I refer back to the EMA's office, speaking with Becky Horn, who I thank him too, because she has worked with insurance and she has been working with him in the ICC trying to get this process in a manner, but as of today, Becky, I still do not think he has received any money yet.

Ms. HORN. No.

Chairman NEY. Do you have any comments, Patty or Dick, on that?

Mr. QUINLIN. Becky, what did you see was the best response, private or the NFIP?

Ms. HORN. I was referring to—

Chairman NEY. Just go ahead and give your name for the record, for the stenographer.

Ms. HORN. My name is Becky Horn, I'm with Belmont County, I'm the administrative assistant to Dick Quinlin. And what I want to say is that I think we are talking about two different things. Karen is talking about the payment from the insurance company, NFIP, and what we experienced was we have got the Write Your

Own companies that have a huge bank of adjusters. A volunteer of ours, of EMA, within 48 hours, he had a check for his policy value, $58,000 from Allstate. I think that is the company that writes their own flood policies. However, on National Flood Insurance, I believe they assign independent adjusters and I talked to a couple of my independent agent friends in Shady Side and Martin's Ferry and they were bringing adjusters from Tennessee—I do not have my notes in order here. We were not allowed to use Gideon Irvin, a local independent adjuster over in Wheeling, and therefore, turnaround time just—I lost my house, I have not heard from my adjuster, it has been 30, 45, 60, even 90 days before I heard from an NFIP independent adjuster or assigned adjuster. So the lack of adjusters is what the problem is with NFIP.

Chairman NEY. So you think the lack of adjusters has caused a lot of the delay time?

Ms. HORN. Yes, just because when you have this massive flooding, it is not like say you have a fire in a house here or there, the adjuster is right there even while the house is burning. Here you have hundreds of homes and it is overwhelming and we just need to get some qualified persons that are able to adjust NFIP claims and be on the spot within, you know, hours, if not a couple days.

Chairman NEY. Another question that I had, a question for Ms. Crecelius, is there a national number available or does ODNR have a number when it deals with flood insurance, or do you have anything to do with that?

Ms. CRECELIUS. Yes, there are both national numbers and the Department of Natural Resources has technical assistance available. We do not have an 800 number at the State level, which FEMA does, but we do provide through a general program number, any type of assistance that we can.

Chairman NEY. Okay. Somebody else have a comment?

Mr. QUINLIN. Yes. The one thing too we mentioned, Congressman, about the coverage available for mudslides and stuff on the hillsides that happened, I think that there needs to be—if there is in fact coverage available, customers could be made aware of that and local officials because historically once you move the people up out of the floodplains and put them up on hillsides, I see that is going to be the next major thing in a few years we are going to be dealing with, especially in our terrain, you know, loss due to hill slides, mudslides. And it slows down whether it is a subsidence issue or whether—there is just a lot of confusion, which I am probably as confused as anybody is when we get calls at the office, to tell them where to go to.

Chairman NEY. That raises a question that I would like to ask Mr. Dozier that maybe he will not be able to answer now, but possibly could look into.

The witnesses basically have mentioned that you could have a sewage backup problem, you could have a hillside or you could have direct flood, slow-moving or fast-moving. Has anybody looked at basically one policy that says if the following happens, you are covered, so that you do not have the dilemma of was it the sewage that came in and caused the damage to the foundation or was it slow-moving or fast-moving water. I wonder if anybody has looked at that and if there is a price difference on it.

Mr. DOZIER. Well, our shoppers' guide identifies mine subsidence and earthquake coverage on page 7. Mine subsidence is one issue that is totally different from flood insurance and the State of Ohio does have a mine subsidence coverage available.

Chairman NEY. I created that when I was a State senator. I still get a letter to the editor about every year complaining about me and Jerry Krupinski, who is not even in office any more. We created that, and as you know, we could not get the mine subsidence in Belmont County and Munroe and several other places. Homes literally were cracking in half and we could not get anything to help them. But we did have controversy on that issue, and as you know, we spread the risk by assessing the policy holders in those areas, whether you had mine subsidence or not, although 75 percent of Belmont County has got some kind of mine under it, but we had to assess and spread that risk.

People complained about that but they were not in the areas that had problems, but if you look at the community as a whole, when some houses in Martin's Ferry, you know, or Blair, to split in half, it hurts obviously the families, but it hurts the whole community and its valuation, so we spread the risk on that. I do not know if that is an idea we could look at for flooding. It was controversial, you know, amongst some, but it was a spread of risk and that is how we actually could get the insurance.

So I just wanted to clarify how that worked.

Mr. DOZIER. With the sewer backup, which is the homeowner policy, as they mentioned earlier, sometimes it is simultaneous with the flood and the language of the policy sometimes specifically says we will not pay if it is simultaneous with the flood. So it is really somewhat policy-specific as to whether or not there is coverage or not. And you are right, there could be three things going on at the same time—erosions, foundations are not covered by homeowners insurance generally, when they are knocked off anyway. So there are some areas of insurance where there just is not anyone out there who is willing to accept the risk because of the nature of the risk, foundations being one of them. There is just no one that wants to cover foundations when they get swept off and they are not covered under the NFIP, as far as I know.

Chairman NEY. I am assuming that if that was to happen, it would have to be a spreading of the risk around, which caused the controversy of assessing people that may not ever use it.

Mr. DOZIER. Right.

Chairman NEY. But again, you never know if your hillside is going to slide.

Yes, Cindy.

Ms. CRECELIUS. Chairman Ney, if I might, we did not look at it in terms of single insurance coverage or coverage of all the collateral damage, but that idea and modeling off of the Fair Housing Plan and subsidence insurance was discussed following the 1998 flood and again following the 2000 flood at the State level. Trying to come up with a similar risk pool, that would collect a reasonable fee across the board because we have flooding in all 88 counties and 700 communities, plus; in order to provide some type of mechanism that would either leverage mitigation dollars at the Federal

level or provide a State pool that would help manage that. But it did not get a lot of attention at the State level.

Chairman NEY. Okay. A question I had for Mr. Berginnis. You mentioned in previous hearings a problem with State and community caps on spending for mitigation. Do you want to elaborate on that a little bit about the mitigation part and the caps on the spending?

Mr. BERGINNIS. Yes, at least on the caps, it is very specific to the flood mitigation assistance program, the FMA program. Prior to the 2004 Reform Act, the FMA program I think was funded annually $20 million nationwide, and so there were first State and first community caps on the FMA assistance. With the Reform Act and the fact that the pilot program that FMA has essentially doubled—the pilot program is out there and the individual program is out there, and a possibility of up to $90 million in additional funding for mitigation, those caps could be problematic in areas that are the high repetitive loss areas. And again, maybe not such a big issue here in Ohio because we do not have, proportionate to other States, a large number of repetitive loss properties. However, in those States and communities that do, those caps could be very problematic, because the objective is to address those repetitive loss properties, and therefore, reduce the burden on the funds to increase premiums every year.

Chairman NEY. Another question I had, FEMA had stated earlier that some of the new information that is out there on consumer education and policies has went to the States through the emergency management. Has that filtered to you?

Ms. LEVENGOOD Not to our county, I do not know if it has been to other counties or not, but not to us.

Mr. QUINLIN. I have not seen much of anything on it.

Chairman NEY. We can find out with the State EMA because FEMA has direct contact with them and that information is there. Of course, it is new, so we can see about running that down.

Ms. ROSKOVICH. I have a question. I just remembered when FEMA was coming in, they needed to have a paper stating I did not have flood insurance and M.C. Thomas was my independent insurance agent, and I called him, he said everything was touched by water, it was not covered. So I said FEMA wanted a letter stating I did not have flood insurance. Well, he wrote that my policy would expire like in a month or 60 days or something at 12:00 midnight and that they wouldn't even be able to sell me flood insurance.

Chairman NEY. Because?

Ms. ROSKOVICH. That was stated on that letter.

Mr. RILEY. That is a private insurance company.

Ms. ROSKOVICH. Well, Westfield Insurance Company is the same insurance company I had flood insurance with on Wheeling Island when I lived there. And I lived there for 6 years and I had insurance with them. But it was not through M.C. Thomas, it was through another independent agent in I think Roseberg. And I had flood insurance with them through them. But I still have the letter, I kept it, I made two or three copies so that I did not lose it. But it states that they could not even sell me with flood insurance if I had needed it, which I thought was real odd.

Chairman NEY. Did it state why, do you remember?

Ms. ROSKOVICH. No, it was a two sentence letter. And you was asking me about the time I bought that property. My 1980's get mixed up a little bit, bought the property in 1989, the summer of 1989, and move into the house around Christmas time of 1990.

Chairman NEY. And refinanced in 1999.

Ms. ROSKOVICH. And refinanced in 1999. I get my 1980's mixed up. Just to clarify that, thank you.

Mr. RILEY. I think that is why we have the National Flood Insurance Program, I do not think—it is very difficult to get private insurance for homes when it comes to flooding. Mr. Maurstad? Yes, that is not uncommon that you would get a letter saying you would not be covered.

Ms. ROSKOVICH. But I had it through the same company on the island.

Chairman NEY. The island she is referring to floods easily and many times.

Ms. ROSKOVICH. Water comes up.

Chairman NEY. Wheeling Island.

Mr. RILEY. I understand. Private insurance companies give insurance on Wheeling Island?

Mr. MAURSTAD. The company she may be referring to may not be one of the Write Your Own companies, that has arrangements with the National Flood Insurance Program.

Ms. ROSKOVICH. But I had flood insurance with them when I lived on the island.

Chairman NEY. The National Flood Insurance Program, as Mr. Riley points out, was created because if you did not have it, there would be many, many cases where you have no form of relief.

We can again check.

Ms. ROSKOVICH. It just dawned on me that they said they could not even sell it to me.

Chairman NEY. A question I had, Mr. Dozier, there was a statement by Rev. Upson that some people had their policies canceled without their knowledge, which there was also the issue of passing on the coverage or not and they did not know, but also policies canceled without their knowledge. What about the State insurance, do you know the laws on that?

Mr. DOZIER. I can only address the laws that deal with State regulated issues. Every policy in the State has to have a cancellation provision and they have to be notified. But I cannot speak to the NFIP policy as to whether or not there is a notification procedure and as to what they have to be told when the policy is canceled.

Mr. RILEY. I believe that was in our legislation, that is part of our legislation, part of the consumer protection division, which may not have trickled down yet, but I think there is a notice provision in there. Mr. Maurstad?

Mr. MAURSTAD. Yes, the requirement or the arrangement with the Write Your Own companies is that they have the same notification provisions for their flood policies that they do have on the balance of their portfolio. The requirement is that they mirror the private sector as much as possible. This issue has come up before and when we have looked into it, some of the difficulty has been in tenant situations where the notice for cancellation of the policy goes

to the owner of the property that may live somewhere else other than the community of that property. The notice goes to the policy holder and not necessarily to the tenant. And sometimes they just get misplaced.

But the point is that they are supposed to be the same notification of cancellation of a policy or nonrenewal of a policy for nonpayment or whatever the circumstances may be that they would have under their other portfolio.

Chairman NEY. Yes, Reverend?

Rev. UPSON. My question, the point being, and I may direct that to you also, if a Write Your Own company would go ahead and, because they felt they paid too much out after a natural disaster, say that they are dropping those, and that was what the client came back to explain.

Mr. MAURSTAD. I have not heard of that circumstance. Again, I am not disputing whatsoever the information that you have been provided.

Rev. UPSON. Sure.

Mr. MAURSTAD. There really would be no reason or incentive for the Write Your Own company to stop writing insurance policies because of losses, because they do not pay for the losses, the National Flood Insurance Program pays and reimburses the company for the losses that they have as a result of whether it be a natural disaster or loss on the policy whatsoever. So that is one of the benefits associated again with the program, is that the coverage is available because of the Federal program backing the losses through that program. By the collection of premiums from all the 4.7 million policy holders that are part of the program, it spreads the risk among the 4.7, but the Federal Government backs it.

Chairman NEY. Any other comments?

Ms. CRECELIUS. Yes, Chairman Ney. One other point I would like to clarify a little bit or maybe shed a different perspective on that I believe Rev. Upson was speaking about; that is the transition from a group flood insurance policy to a standard flood insurance policy. As part of the Reform Act provisions of the Stafford Act, in trying to do a better job with mitigation amendments kicked in the requirement for group policies if a client receives Federal assistance. That rate is set basically to cover the Federal assistance, so it is a lower amount, or if you will, a false premium idea to a homeowner. Then when they become the party that is responsible for maintaining insurance and they go to the local agent, it is either a subsidized policy or an actuarially rated standard flood insurance policy, and the cost generally does increase. We have had complaints from the agent sector saying they are in a "no-win" situation because homeowners and policy holders do not believe them when they tell them the $200 premium that you got as part of the disaster now goes to the average premium of $600 for a homeowner's policy.

Chairman NEY. I see.

Ms. CRECELIUS. So that might help clarify I think what Rev. Upson was trying to convey, a perceived increase in cost.

Chairman NEY. Okay. I want to thank everybody today for your time. I also want to introduce Leslie Applegart, our field rep who

also has worked with many of you constituents when they called in with flooding issues.

I want to thank both panels and especially this panel because I think this is very productive for us. It will allow us to put this in the record for Washington. Also to compare across the Nation as we hear things. The visibility we have had from the hearings that we have had in Washington has brought people out of the woodwork that now call to the House, U.S. House, and tell their story and what went wrong. In order to help other people, we need to know what went wrong, what we can do to try to always correct it.

I also gathered from here today that it deals a lot also with education and information and how to get it out there so people know where they are standing and not standing and are at least better able to prepare for such terrible trauma that hits them.

And also, I would just like to note that some Members of the House who are not here today may have additional questions for the panel and they may want to submit them in writing. So without objection, the hearing record, this record of the hearing, will remain open for 30 days and members can submit additional questions. And if you have additional information you would like to submit, you may do that.

Also, beyond the record, I would also like to note that we will be communicating with all of you to follow up on some things that we have heard today. And again, I think this helps nationally what you have done today, to give of your time and your stories and we look forward to following back up so that hopefully we can, during this trauma at least take some of the problems out of it so people have a clear understanding of where they stand with it.

With that, I want to thank you and the hearing is concluded. Thank you.

[Whereupon at 12:20 p.m., the subcommittee was adjourned.]

A P P E N D I X

August 17, 2005

Opening Statement of the Honorable Bob Ney
Chairman, Subcommittee on Housing and Community Opportunity

Field Hearing on

"A Look at the National Flood Insurance Program: Is Ohio Ready for a Flood?"

Wednesday, August 17, 2005

Today the Subcommittee on Housing and Community Opportunity meets in New Philadelphia, Ohio for its first field hearing of the 109th Congress to continue its review and oversight of the National Flood Insurance Program. This hearing will focus on how state and local governments operate under the National Flood Insurance Program (NFIP), and the steps currently being taken by the Federal Emergency Management Agency (FEMA), local officials, and the insurance industry to resolve problems dealing with inconsistencies and delays inherent to the program. In addition, the hearing will investigate current implementation difficulties in counties such as Tuscarawas, Ohio; specifically, how implementation of the Flood Insurance Reform Act has affected constituents and local organizations.

Last year, this Committee spent considerable time and effort on legislation to reauthorize and reform the National Flood Insurance Program. On June 30, 2004, President Bush signed into law the Flood Insurance Reform Act. This legislation reauthorizes the National Flood Insurance Program (NFIP) through September 2008.

During deliberations on the reauthorization legislation, however, many concerns were raised regarding the administration of the program and these concerns were brought to the attention of FEMA. Policy holders often did not have a clear understanding of their policy; insurance agents often did not understand what they were selling or how to process claims correctly; many policy holders did not know of or understand the appeals process; and many questioned the adequacy of payments and the adjustment system. A lack of coordination between private insurers, NFIP and FEMA, and inadequate training were listed as possible sources for some of the administrative problems affecting the program.

Since the enactment of the Flood Insurance Reform Act, Members of Congress have continued to hear from their constituents who are frustrated with the NFIP. This Subcommittee has continued its oversight in an effort to address the many concerns that continue to be raised regarding the administration and implementation of the program. Today's field hearing will be the third in a series of hearings on this issue.

Floods have been, and continue to be, one of the most destructive and costly natural hazards to our nation. During this past year alone, there have been three major floods in my district in eastern Ohio. All three of these incidents qualified for federal relief granted by the President. Recent flooding in January of this year

resulted in historic levels in several local dams, and, in Tuscarawas County, three communities were forced to evacuate, which displaced 7,000 people. I was able to witness this devastation first-hand when I toured damaged properties in both Tuscarawas and Guernsey counties.

The National Flood Insurance Program is a valuable tool in addressing the losses incurred throughout this country due to floods. It assures that businesses and families have access to affordable flood insurance that would not be available on the open market.

Prior to the passage of the National Flood Insurance Act in 1968, insurance companies generally did not offer coverage for flood disasters because of the high risks involved. Today, almost 20,000 communities participate in the national flood insurance program. More that 90 insurance companies sell and service flood policies. There are approximately 4.4 million policies covering a total of $620 billion.

Last year's Flood Insurance Reform Act achieved significant reforms to this important federal program and I look forward to hearing from all of our witnesses today as we discuss how best to implement the legislation, as well as determine whether new reforms and initiatives are in order to compliment the work we accomplished last year.

I would like to thank David Maurstad from FEMA, who has participated in all of our hearings on flood insurance. I would also like to thank Senator Charles Wilson and Commissioner Metzger for participating in our panel of witnesses. While Commissioner Chuck Prost could not be here today, he did submit testimony that will be a part of the official hearing record. Finally, I would like to thank all of our witnesses, local officials, local mayors and citizens as we continue our oversight of this important federal program.

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TESTIMONY

Association of State Floodplain Managers, Inc.

before the
Subcommittee on Housing and Community Opportunity
House Committee on Financial Services

A Look at the National Flood Insurance Program: Is Ohio Ready for a Flood?

presented by

Chad Berginnis, CFM
Mitigation Branch Chief, Ohio Emergency Management Agency,
&
Immediate Past Chair / National Mitigation Policy Liaison, ASFPM

August 17, 2005

INTRODUCTION

The Association of State Floodplain Managers, Inc. (ASFPM), and its 21 Chapters represent over 8,000 state and local officials and other professionals who are engaged in all aspects of floodplain management and hazard mitigation, including management, engineering, planning, community development, hydrology, forecasting, emergency response, water resources, and insurance. ASFPM members are concerned with working to reduce our nation's flood-related losses. Our state and local officials are the federal government's partners in implementing programs and working to achieve effectiveness in meeting our shared objectives. Many of our members are designated by their governors to coordinate the National Flood Insurance Program (NFIP). For more information on the Association, please visit http://www.floods.org.

The ASFPM and the ASFPM's Ohio Chapter, the Ohio Floodplain Management Association (OFMA), are enthusiastic that the Committee has chosen Ohio as the location for a field hearing on the implementation of the NFIP. In the past 10 years, Ohio has only had two years without a flood event significant enough to warrant a Presidential disaster declaration and in many of those years where a declaration has occurred, it has occurred multiple times in that year. Ohio, like the rest of the nation, has spent the last 30 + years addressing the problem of flooding with the NFIP as a tool. It is important to realize that the NFIP is not the only tool for addressing flooding problems; however, it has been the primary tool used by most communities and states. During that same period of time, FEMA and the Congress have made programmatic changes along the way to improve the effectiveness and efficiency of the NFIP. Certainly,

Ohioans have benefited from these changes, yet there are still further opportunities for improvement. ASFPM is appreciative of Congress' support of the NFIP, as demonstrated by the Committee's leadership with the passage of the 2004 Flood Insurance Reform Act. As requested by Chairman Ney, the following testimony primarily addresses the following items:

1. How State and Local Governments Operate Under the NFIP.
2. The Steps Currently Being Taken by FEMA and the Private Insurance Industry to Resolve Problems with Inconsistencies and Delays Inherent in the Program.
3. NFIP Funding Levels & Administrative Structure, and their Impacts on the Implementation of the Flood Insurance Reform Act of 2004.
4. Flood Map Modernization.

While the remainder of this testimony will be provided from an ASFPM perspective undoubtedly much, if not all, will be pertinent in Ohio.

1. HOW STATE AND LOCAL GOVERNMENTS OPERATE UNDER THE NFIP

States have a responsibility to do floodplain management – floods are inevitable; damage will occur; and there will be adverse impacts on the citizens and disaster costs in that state. The principal roles played by states in floodplain management today include coordinating the NFIP activities within their jurisdictions; planning and implementing programs and projects for managing their own floodplains, including state-level regulations; and providing technical expertise to individuals and other levels and governments. Some states directly regulate certain aspects of land use, while some states emphasize public outreach and direct technical assistance

to local governments. This variety of activities and participation makes state level floodplain management unique to each individual state.

Recently, the ASFPM produced the document *Effective State Floodplain Management Programs 2003.* This document identified 10 guiding principles for effective state floodplain management as there is no single "perfect" model for a state floodplain management program. These guiding principles are :

1. State floodplain management programs need strong, clear authority.
2. State floodplain management programs should be comprehensive and integrated with other state functions.
3. Flood hazards within the state must be identified and the flood risks assessed.
4. Natural floodplain functions and resources throughout the state need to be respected.
5. Development within the state must be guided away from flood-prone areas; adverse impacts of development both inside and outside the floodplain must be minimized.
6. Flood mitigation and recovery strategies should be in place throughout the state.
7. The state's people need to be informed about flood hazards and mitigation options.
8. Training and technical assistance in floodplain management need to be available to the state's communities.
9. The levels of funding and staffing for floodplain management should meet the demand within each state.
10. Evaluation of the effectiveness of states' floodplain management programs is

essential and successes should be documented.

It is notable that the NFIP and mitigation programs authorized by the Stafford Act and administered by FEMA at least touch on many of these guiding principles. However, it is also important to note that it is up to states to take these tools and more fully develop a comprehensive approach to floodplain management.

To assist with undertaking NFIP coordination, states are provided funds through NFIP's Community Assistance Program (CAP). The ASFPM has been working with FEMA and the CAP program to identify what resources are necessary to effectively coordinate the NFIP by developing a 5-year floodplain management plan, and encouraging the development of a needs assessment based on the *Effective State Floodplain Management Programs* document. Many states have years of experience with administering their own floodplain management program and the NFIP and have developed extensive and unique capabilities. In the future, qualified states should be delegated the authority to perform and administer floodplain mapping programs, perform engineering studies and reviews, review applications for Letters of Map Change, and perhaps be delegated other aspects of the NFIP. Many federal programs function through delegation to states with federal audit and oversight.

Communities are the foundation of comprehensive floodplain management and the successful implementation of the NFIP. They plan for, determine, and supervise the use of land within their jurisdictions and are the impetus for obtaining financial and technical assistance from the state and federal levels. At the same time, communities can be limited by their legal authority, financial considerations, the amount of technical expertise available to them and the

fact that flooding must take its place among numerous other local concerns.

Local floodplain management programs vary according to the size of the community; the policy, political structure, and economic status of the state in which the community lies; the type of flooding it faces; and the amount of development pressure existing in the community as a whole and in its floodprone areas. Typical small communities have no formal floodplain management office *per se*, and may have only one official, usually a floodplain administrator or building inspector, who monitors and enforces compliance with the local flood hazard reduction ordinance (that is required by the NFIP) along with other unrelated duties. In general, the larger more flood prone the communities tend to have the more sophisticated and comprehensive the floodplain management efforts.

The NFIP has never provided direct financial support for communities to administer local floodplain regulations; rather, they benefit from the availability of flood insurance provided through the NFIP. Additionally, the NFIP uses incentives that ultimately help communities and citizens within them. One such program is the Community Rating System (CRS). The CRS provides premium discounts to policyholders in communities that undertake activities that go beyond minimum NFIP standards. For example, Licking County, Ohio is a CRS Class 8 community, so policyholders receive a 10% discount on flood insurance premiums. Other incentives include the Increased Cost of Compliance (ICC) insurance provision and the Flood Mitigation Assistance (FMA) program. For example, ICC was used in the Village of Powhatan Point to elevate a structure that was declared by the village's floodplain administrator as substantially damaged. The result was a win-win-win situation for the property owner, community and the NFIP. The property owner's structure is elevated resulting at a significantly

reduced risk of flooding, the community's local floodplain management ordinance has been met, and FEMA doesn't have to worry that this will be the next repetitive loss structure. The ASFPM supports continuing community incentives to support effective implementation of local floodplain management programs.

2. THE STEPS CURRENTLY BEING TAKEN BY FEMA AND THE PRIVATE INSURANCE INDUSTRY TO RESOLVE PROBLEMS WITH INCONSISTENCIES AND DELAYS INHERENT IN THE PROGRAM

One of the most important aspects of refining any program that has existed for some time is to undertake a comprehensive evaluation in order to gather facts, analyze data, and ultimately make recommendations for future changes. The NFIP is currently being evaluated in this way. A comprehensive assessment by the American Institutes for Research will dissect the NFIP and make recommendations for improvements. Sections include evaluating the costs and consequences of flooding, environmental and developmental impacts of the NFIP, community compliance, market penetration, building standards and the 1% chance annual flood standard. The ASFPM looks forward to the completion and release of this evaluation and recommends that the Committee conduct a thorough review and consideration of the findings by conducting a hearing at the appropriate time.

Recently, there has been criticism of FEMA for its overall handling of flood insurance claims and policies. While there will always be some disagreement and issues, overall, FEMA has done a good job in administering the flood insurance program. Still, there are areas where the NFIP can be improved.

First, floodplain administrators continue to be concerned about the difficulty of the post-disaster environment and permitting the repair and reconstruction of buildings. On one hand,

FEMA has sped up the delivery of disaster assistance and insurance claim payments; however, the NFIP requires communities to undertake an assessment to determine substantial damage, permitting, and compliance with local floodplain regulations which usually takes more time. As a result, many property owners have already received funds and repaired their structures before going through the permitting process. To complicate the situation further, in many instances, it is exceedingly difficult in the post-disaster environment to undertake permitting and require compliance with local standards. There are many ways FEMA can improve this situation including:

- Better notification of recipients of disaster assistance that local permits are required before repair and reconstruction.
- Improved sharing of disaster assessment and insurance claims information with local officials to identify potentially substantially damaged structures.
- Providing assistance through the Disaster Relief Fund where an inter or intra state compact is exercised that allows qualified building officials to assist in other communities to perform substantial damage determinations.
- Fully utilizing the ICC coverage by promoting its use, streamlining the claims process, and implementing the provisions allowing more expansive use of ICC contained in the 2004 Flood Insurance Reform Act. The ICC provides financial assistance to those property owners whose structure is substantially damaged to mitigate that structure against future flooding.

Second, the insurance industry should improve its delivery of flood insurance. While there

are some extremely knowledgeable insurance agents selling flood, there are others, who are quoted by the media and clients, that are absolutely incorrect in the information they are providing. This problem seems to be more acute in areas that have not been flooded for a long period of time, indicating a need for updated agent training. In areas were flooding is more frequent, agents and property owners better understand the claims process. Similarly, policyholders must become better acquainted with their flood insurance policies to understand what is and is not covered. Flood insurance, to be an actuarially sound program, has certain exclusions that make some types of coverage unavailable. Policy holders need to be aware of these exclusions prior to an event occurring. The ASFPM believes that the Title 2 provision of the 2004 Flood Insurance Reform Act will improve these aspects of the program.

NFIP FUNDING LEVELS, ADMINISTRATIVE STRUCTURE, AND IMPACTS ON THE IMPLEMENTATION OF THE FLOOD INSURANCE REFORM ACT OF 2004

The Flood Insurance Reform Act of 2004 brings to bear additional funding and mechanisms to focus mitigation efforts on "severe" repetitive loss structures that result in a disproportionate amount of claims to the National Flood Insurance Fund. Importantly, additional funds are to be derived from that Fund, which recognizes that the NFIP and policyholders, rather than taxpayers as a whole, are the primary beneficiaries of the added mitigation elements. A primary focus of the Act is to augment the existing Flood Mitigation Assistance Program in three ways:

- **Basic Flood Mitigation Assistance Program:** Increases the authorized limit of funding for the Basic FMA to $40 million per year; the funds are transferred from the National Flood Insurance Fund and shall remain available until expended. As authorized in 1994,

Basic FMA had an annual ceiling of $20 million and funds were available only for two years.

- **Pilot Program:** Authorizes the Pilot Program, which essentially is an adjunct to the Basic FMA program with particular focus on "severe repetitive loss properties" as defined by the Act. The Pilot Program, authorized for just five years, has an authorized limit of funding of $40 million per year. These funds are to be transferred from the National Flood Insurance Fund and they are time-limited; the Act specifies that FEMA may not provide assistance after September 30, 2009. S. Report 108-262 clarifies that the policy service fee shall not be increased because of the transfer for this program.
- **FMA Individual Program:** Authorizes a program, with an annual funding limit of $10 million, under which FEMA may work directly with individual property owners of severe repetitive loss properties if a state or community do not meet the requirements.

With respect to these programs, the ASFPM is especially appreciative of the House's support for full funding of these programs; however, we are deeply concerned about the Senate's support of only $28 million of the $90 million authorized from the National Flood Insurance Fund. Already, one year (2005) of funding has been lost. We are puzzled why funding is an issue when it is a simple transfer of funds from the National Flood Insurance Fund to the National Flood Mitigation Fund. Given FEMA's long-standing and repeated emphasis on the long-term benefits of mitigation of repetitive loss properties, we assumed that the 2004 Reform Act would be fully funded as no new money is being requested. From an administrative

standpoint, the Basic FMA is a mature and functioning program so there should be no delay in maximizing the funding to $40 million/year. These monies will address the $200 million/year drain on the fund from repetitive flood loss properties.

FLOOD MAP MODERNIZATION

The importance of Floodplain Map Modernization cannot be understated. Flooding continues to be the nation's most costly natural hazard, and affects citizens in all geographic areas of the country.

Map Modernization must meet the expectations and vision originally laid out for the program. FEMA's 1997 "Modernizing FEMA's Flood Hazard Mapping Program: A Progress Report" indicated that FEMA's map modernization plan will improve map accuracy and completeness, map utility, map production, and public awareness (in that order). The plan identified that nearly 25,000 of 100,000 existing flood map panels would include flood data updates. It also indicated that flood hazard data would be developed for approximately 13,700 new flood hazard map panels for an estimated 2,740 flood prone communities without flood hazard maps. All of this would occur at a projected cost of $1.1 billion (1997 dollars).

What were the expected results of the effort? The primary result was to be a set of maps that pass the "red face" test. In other words, maps that the public would have confidence in their accuracy, maps that wouldn't show a home 40 feet up a hillside as being in the floodplain. Map Modernization was to create a nationwide set of flood maps that would identify previously unidentified flood risks, and update the existing older flood studies that were no longer accurate. That was the original vision – one that FEMA proposed, Congress believed in, and a diverse Flood Map Coalition, including ASFPM, supported.

What happens if what we do is simply create digital flood maps that are more readily available without addressing updating the accuracy of the flood maps? We will have maps that will fail the "red face" test more quickly because the user was able to get the information faster over the Internet. We will not have addressed the fundamental expectation that the flood maps would be accurate, complete, and correct. Although there is now a quality standard in FEMA's mapping plan that we fully support and applaud FEMA's efforts in placing it in the document, it will be difficult to meet it under the current program constraints – of both budget and time.

The ASFPM submits that there isn't enough money to meet the expectations of Congress, the Map Coalition, and the original vision of Map Modernization. How did this happen? First, FEMA used the very best information it had when detailing the original Map Modernization vision. After it appeared that Congress was supportive of the program and it was in its earliest stages, FEMA also correctly requested that states develop "business plans" that identified the costs of map modernization in each state based on a needs assessment approach. An ASFPM analysis of the state business plans indicates that the state-projected cost of updating the flood maps was typically two to three times the funding allocated to the state in FEMA's mapping plan (also known as the MHIP). So, by extension, the ASFPM believes that Map Modernization is a $2-3 billion program. This is not the fault of FEMA—refined data, in consultation with its state and local partners, showed a more accurate cost estimate—but the cost issue must be recognized as significant.

For the cost identified in the state business plans, the ASFPM believes that we can have a nationwide set of flood maps that meet the "red face" test. Flood maps that wouldn't be the top-of-the-line ("Cadillac") version, but they would be dependable, accurate, and generally

reflective of the flood risk in a given area. So, a choice must be made now. The ASFPM hopes that the Committee will continue to be committed to its original expected outcome: the result of Map Modernization should be that we have an accurate and complete set of flood maps nationwide for significant flood risk areas that are digitally available and comparatively simple to maintain. This will require a dedication of resources beyond the 5-year funding period but will be well worth the investment.

Flood Map Modernization should be primarily concerned with correcting existing maps or providing maps where none exist but are needed. Fixing the maps should include matching the flood data layer to existing topography, new studies to address developing areas, and/or addressing changes or mistakes that are not reflected on the current maps. Failure to address the current conditions of the maps can have significant impact on property owners by incorrectly identifying their flood risk. Those who are mistakenly identified as being located in a floodplain are required to carry flood insurance and may have significant regulatory restrictions placed on their properties. Conversely, there are property owners who are not identified as being in the floodplain but should be. Their risk will go unidentified until the maps are modernized, and will probably not have flood insurance to protect them when flooded.

Quality is the cornerstone to the success of Flood Map Modernization. The initial key to quality is for the flood zones to match topography. In other words, floodplains should not be mapped on the sides of hills while adjacent low areas are mapped as risk-free. In Section 7 of the mapping plan FEMA has committed to ensuring the modernized maps are quality products. Flood Maps that do not meet the quality standards of Section 7 should not be considered modernized. We applaud FEMA for undertaking that commitment.

ASFPM is also concerned that the Section 7 topographic compliance standard was not developed and implemented until late in Year 2 of Map Modernization. It may be that many studies completed in the first two years of Map Mod will not meet the quality standard and should not be identified as modernized. This will necessitate plans for modernizing these maps to bring them into compliance with the quality standards under a future map maintenance program. This is a particular problem in Ohio where several counties have had early mapping projects completed under the Map Modernization program. Ohio plans to work with FEMA to establish a workable plan for those communities.

Quality flood maps primarily depend on two components – a quality flood data layer and quality topography. In a perfect world we would have both; however, the costs to do both would even be more significant than the numbers that have been discussed in this testimony. The ASFPM believes that the primary investment should be made in developing the quality flood data layer. Existing topography, although in some instances may not be the most current, is widely available through the United States Geologic Survey (USGS). As the federal agency responsible for mapping topography in the United States, the USGS provides a free product that is a good base layer (low cost and easy availability are important especially in rural and impoverished communities). We do not even have a complete base layer of flood data yet – there are many flood hazard areas that still need identified. Doesn't it make sense to focus our limited funds on at least developing a complete and updated flood data layer? Also, in the process of urbanization and land development, where more structures are going to be put potentially at risk, improved topography is usually generated – either by the community as it needs more refined data for a variety of purposes (infrastructure planning, zoning, etc.) or by the developer. Thus, a

good flood layer can be easily converted to better topography when it is made available.

ASFPM is hopeful about the Floodplain Map Modernization program. The nation is already beginning to receive benefits from modernized maps, and we may expect the benefits to increase exponentially as the number of maps increases and better map delivery systems are implemented. In general, FEMA partnerships are working well and are providing great value to the general public at risk for flooding. ASFPM also generally supports FEMA's strategy for Map Mod. However, we recommend that FEMA clearly articulate that a primary goal of Map Modernization is accurate and complete flood maps. To do this FEMA's plan (MHIP) must identify the "true" cost of modernizing the nation's maps and lay out a longer time frame to achieve the original Map Modernization vision. The ASFPM would support the MHIP containing alternative scenarios and costs – running the gamut from doing nothing, to mapping every stream in the nation. This would show the relative value of the selected Map Modernization program.

Long-term map maintenance procedures need to be addressed. One way to address long-term maintenance is to involve state and local partners. Many state and local governments have shown a long-term commitment to floodplain management. Because local government is responsible for land use management, developing floodplain maps that match local base mapping is crucial. In addition, they often have developed topographic mapping and infrastructure inventories of their bridges and culverts. Both are very important components of floodplain mapping projects. Bridges and culverts and their associated roads often block flow significantly impacting upstream property owners.

FEMA may increase the quality of and shorten the time frame for studies if they can build

up their mechanisms for communication with partners, including Cooperating Technical Partners (CTP). These partnerships provide real tangible benefits for local, state, and regional mapping partners and provide an avenue for insuring buy-in to Flood Map Modernization. There are numerous examples of CTPs from across the nation that have provided significant effort the Flood Map Modernization initiative. The CTPs offer multiple opportunities for cost savings and leverage.

CONCLUSION

Is Ohio ready for the next flood? Certainly Ohio is more ready from the next flood than it was 30 years ago, and the NFIP has been a significant force in being more prepared. Now, Ohioans have over 35,000 flood insurance policies, and thousands of buildings have been constructed to NFIP standards or beyond. Over 700 Ohio communities participate in the NFIP with more than a third of them having one or more regulatory standards that exceed NFIP minimums. Mitigation programs are working well, and the state has prioritized mitigation projects in communities that are doing their day-to-day mitigation through the administration of their local regulations. Finally the State of Ohio has demonstrated a commitment to the NFIP and flood mitigation by exceeding the required match for the Community Assistance Program and Stafford Act mitigation programs which have overwhelmingly been used for flood mitigation projects.

Still, there are opportunities for improvement. FEMA should continue to provide program leadership. An example is addressing the very foundation of the flood insurance program -- flood maps – by invigorating the Map Modernization program. Accurate flood maps will lead to

the correct identification of flood risk on properties and help property owners take appropriate actions. States should continually adjust to program changes and strive to improve their programs. It is incumbent on communities to faithfully administer their flood regulations and conduct technical assistance, education and outreach to citizens. Insurance agents have a role in providing accurate and timely assistance to policy holders and finally the policy holders themselves must become better educated about the content of their flood insurance policy.

Thank you for the opportunity to provide our thoughts on these important issues. The ASFPM and its members look forward to working with you as we move towards a common goal of reducing flood losses.

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TESTIMONY

Ohio Department of Natural Resources
Division of Water
National Flood Insurance Program State Coordinator

before the
Subcommittee on Housing and Community Opportunity
House Committee on Financial Services

"A Look at the National Flood Insurance Program: Is Ohio Ready for a Flood?"

presented by
Cynthia J. Crecelius, CFM, Program Manager
Ohio Department of Natural Resources
August 17, 2005

INTRODUCTION

Flooding is the leading natural hazard in Ohio. Since 2000, there have been eleven Presidential flood disaster declarations and many additional events that were not declared. **All 88 of Ohio's counties and over 700 cities and villages have identified flood hazard areas within their jurisdictions**. The fact that they have mapped hazards and supporting risk information is a direct benefit of the National Flood Insurance Program. At both the state and local level, Ohio floodplain management activities are designed to reduce future risk; yet, we continue to see significant damage and economic impact due to flooding. The State and local communities have learned from experience and understand that the natural process of flooding becomes a problem when development decisions do not result in actions consistent with the risk.

Ohio responded to the initial request for partnership with the federal government to reduce flood loss in 1969. **The Ohio Department of Natural Resources was designated as the State Coordinating Office of the National Flood Insurance Program**. The ODNR, Division of Water was chosen because of clear statutory authority, technical knowledge, experience and mission to balance the land use and development needs with the hazard and capability of floodplain resources.

For thirty years, the ODNR Floodplain Management Program has provided leadership of public and private interests for the cooperative management of Ohio's floodplains to reduce flood damage and protect the floodplain resources. The Program focus is on building local capability for effective floodplain management and sustainable development. Coordination of the National Flood Insurance Program has provided the framework for partnership, technical assistance, public awareness / education and recommended flood protection standards that are applied to actively influence floodplain development and management decisions.

The State of Ohio and communities throughout have improved their ability to deal with flooding through the coordination of and participation in the National Flood Insurance Program. In the early years of the Program, distribution of the Flood Insurance Studies and Flood Insurance Rate Maps assisted in increasing awareness and acknowledgement of flood risk. Community participation in the NFIP and adoption of minimum flood protection standards assisted in making new development safer, and provided a way to correct existing at-risk development. During the 1980's the emphasis was on assisting Ohio communities to implement the NFIP as a day-to-day mitigation strategy. By reviewing development, sharing the risk information from flood maps and enforcing protection standards, communities were making themselves safer and reducing the potential for damage. During the last decade, there have been "windows of opportunity" following our many disasters to implement projects that further reduced the flood damage in repeatedly flooded areas with federal and state mitigation funds.

Ohio has 95% participation in the NFIP from communities with identified flood hazard areas. Over 50 communities, with no identified flood hazard areas, have adopted flood damage prevention regulations and participate in the NFIP to avoid increased future flooding. Thirty-seven percent of the communities participating in the NFIP have adopted at least one regulatory standard that exceeds the minimum NFIP criteria. The most frequently adopted higher standard is applied in the "Approximate A zones," or areas where FEMA maps provide the least information about the flood risk. Communities have stepped forward and applied a freeboard (safety factor) of 2 feet above the highest adjacent grade to help address the uncertainty of the approximate flood zones. This additional two feet of freeboard also results in significant flood insurance premium savings for property owners.

As an active partner with FEMA, and a stakeholder in the success of the National Flood Insurance Program, the Ohio Department of Natural Resources appreciates the invitation to testify before the Subcommittee on Housing and Community Opportunity. Thank you Mr. Chairman and members of

the subcommittee for allowing us to share our knowledge and observations on the National Flood Insurance Program and Ohio's readiness for the next flood. This testimony addresses:

1. State and local roles in the National Flood Insurance Program
2. Current actions by FEMA and insurance industry to make the NFIP more effective
3. NFIP funding levels and administrative structure
4. Flood Map Modernization – State Coordinator's Perspective
    - Currency of Ohio's flood maps
    - Impact of outdated maps
    - State's support of map modernization
5. The Real Value of the NFIP – Mitigation!
    - Public Assistance support of substantial damage determinations
    - NFIP compliance in the post-disaster period
    - Mitigation Planning to define community role in reducing risk

STATE AND LOCAL ROLES IN THE NATIONAL FLOOD INSURANCE PROGRAM

State Role

The **core role of the State Coordinating Agency is** provided in Section 60.25 of the National Flood Insurance Program Regulations [44 CFR], and can be **summarized as that of a facilitator**. The State Coordinator must build capability and expertise to support a liaison role between the federal government and hundreds of NFIP participating local communities. Basic responsibilities include: enabling legislation to allow local floodplain management programs; assisting communities with NFIP participation; assisting with the development and enforcement of local floodplain management standards that are at least consistent with the minimum NFIP criteria; coordinating local, state and federal floodplain management activities for consistency with the NFIP; providing flood hazard information; assisting in identifying flood hazard areas; assisting to prioritize local and state floodplain management needs for federal assistance; coordinating remedial actions to correct community deficiencies and violations of NFIP standards; establishing state flood damage reduction standards; assisting in identifying flood mitigation opportunities; and participating in flood hazard awareness training and education. It is interesting to note that some of the recent State Coordinator priorities, such as map modernization and responsibility for maintenance of map information, have not traditionally been expected of state partners.

In addition to the basic responsibilities and duties, the ODNR, Division of Water has accepted a leadership role for the cooperative management of Ohio's floodplains by building local capability for effective and comprehensive local programs. Some state coordinators have defined stronger roles in the creation of flood hazard maps, and regulatory and enforcement authority than the Ohio approach. This ability to develop a floodplain management program that is unique to the strengths and opportunities in Ohio is a very positive benefit of the current NFIP framework.

The role of the State Coordinator is further defined by the multi-year business plans required for the Community Assistance Program-State Support Services Element Annual Cooperative Agreement and the Map Modernization Management Support. These plans include the strategic goals, performance measures, timeframes and resource needs for supporting the goals of producing and adopting modernized maps and continuing the successful implementation of the NFIP in local communities.

There is also a broad role associated with being the State's Floodplain Management Program, beyond NFIP coordination, that must be comprehensive and integrate with state agency projects, funding, and public buildings and facilities in flood hazard areas. Many state agencies take actions and develop policies that influence new development and can assist with mitigation of current flood risk. Effective floodplain management at the state level traverses many agencies and offices. During my 20-year tenure

with the ODNR, Division of Water, I have seen the basic role of the State Coordinator expand into broader program areas. The most obvious are:

- Expanded coordination with a variety of mitigation grant programs (Flood Mitigation Assistance, Project Impact, Pre-Disaster Mitigation, Hazard Mitigation Grant Program) and the agency that administers the funds (Ohio Emergency Management Agency);
- Technical assistance and monitoring of communities and support of the Community Rating System;
- Participation in pre- and post-disaster planning activities and mitigation projects ("Silver Jackets," short and long-term recovery committees both state and federal initiatives, state mitigation team); and
- Supporting and developing state and local contributions for flood hazard mapping (Cooperating Technical Partners, Mapping Activity Statements).

In summary, the State's role in coordinating the National Flood Insurance Program is to build an active partnership with FEMA and local NFIP communities to ensure that the NFIP is meeting the state and local needs for reducing flood risk and protecting floodplain resources and functions.

Local Role

The local role is critical within the framework of the NFIP partnership at the federal, state and local levels. In the broadest sense, **local officials' floodplain management role is tied to the health, safety and economy of their community**. Once FEMA provides the Flood Insurance Study and Flood Insurance Rate Maps to a community, the flood hazard is known. The local responsibility is to understand the flood problems and determine the risk. Two broad areas of impact are private (lives, property, businesses, housing) and public (debris removal, response and rescue, infrastructure repairs, public buildings) losses. FEMA, through the NFIP and disaster assistance helps to lessen the impact of these losses in both areas. Too frequently, local officials and communities do not view the National Flood Insurance Program as a broad strategy that can both prevent and correct worsening flood damage.

As a local participant in the NFIP, the community agrees to adopt and enforce local flood damage prevention regulations in exchange for eligibility to purchase flood insurance for its citizens. The major duties and responsibilities of the local floodplain manager are contained in the regulations adopted by the community. The basic duties include: reviewing development and determining that actions within the flood hazard areas are compliant with flood protection criteria; understanding and interpreting the flood hazard information provided on flood insurance maps and in flood insurance studies; using available data from local, state, and federal sources when FEMA has not provided it in hazard areas; determining the applicable flood damage reduction standards for development actions; maintaining records and evidence of compliance with NFIP criteria; enforcing and remedying violations; completing post-flood inspections and permitting activities; and assisting FEMA to maintain accurate and current flood hazard information.

The State Coordinating office has identified another hurdle in defining the local community role in the NFIP. **We have observed that many local communities do not view flooding as a local health and safety concern or responsibility**. This is no doubt partially due to the past federal and state response to disasters. Fiscal and technical resources have been commandeered and delivered at the local doorstep for many decades in response to flooding. Local communities have not been asked to accept or define their role in helping to eliminate the problems.

An example of this local thinking was demonstrated in 2004 when communities were asked to help assess the repetitive loss properties in their jurisdiction. Many communities just ignored the State and FEMA request for response and attention to the repetitive loss properties. Follow-up conversations with several of our local communities indicated that from their perspective, the people with flood insurance

(those repetitive claim property owners) were not likely to demand service, response or complain to the local community. Their vehicle for recovery and reimbursement for losses is flood insurance. The local officials also expressed that they thought this is "how it should work."

In summary, the **local community must commit to the need and purpose of floodplain management in the community to successfully use the NFIP to reduce flood risk and ensure the best use of their flood hazard areas.**

CURRENT ACTIONS BY FEMA AND THE INSURANCE INDUSTRY TO MAKE THE NFIP MORE EFFECTIVE

The NFIP is a well-conceived mitigation program with thirty years of implementation experience. Since it's inception, major reform actions and changes have occurred regularly. The mandatory purchase provisions for flood insurance, the development of flood protection criteria, the introduction of mitigation strategies and funding, and the incorporation of new mapping technology have all helped to make it what it is today. **The NFIP is a solid framework for the cooperative management of flood hazard areas that provides for preventive and corrective actions, reduced disaster impact, and sustainable development.**

The most recent reform (2004 Reform Act) focuses on mitigating repetitive loss properties and improving agent and policyholders' understanding of flood insurance processes and coverage. Although the State of Ohio does not have the number of repetitive loss properties that many of the coastal states and more flood-prone areas have, addressing the impact of repeat flood insurance claims and disaster assistance expenditures for this category of risk structures will benefit every flood insurance policy holder. According to FEMA, the reduction of the repetitive claims will make the National Flood Insurance Fund more stable and reduce the need for increasing flood insurance rates. This means over 37,000 current flood insurance policy holders will benefit in Ohio. Using the broadest definition of a repetitive loss property, FEMA has identified 1581 properties in Ohio. This number represents approximately 1% of the structures identified as being in the flood hazard areas. Not all the repetitive loss properties are located in the flood hazard area, and with only approximately 25% of the structures at risk covered by flood insurance, focusing too narrowly on this objective would not be good floodplain management for the State of Ohio.

Efforts to improve the number of flood hazard area structures with flood insurance are needed in Ohio to improve our ability to deal with the economic impact of floods. The policies in force as of September 2004 were 35,109. As of June 30, 2005 there were 37,135 policies. This is approximately a 6% policy growth. **There tends to be an increase in policies immediately and for a short period following flood disasters in Ohio**. Through the 1990s we experienced a steady growth of 3-4% annually. We also experienced significant flood events in 1990,1992,1996,1997 and 1998. The creation of the Group Flood Insurance Policy for Individual Assistance recipients and Stafford Act changes helped to drive this growth. From the State Coordinating agency perspective, the efforts to focus on repetitive losses and more effective implementation of policies, coverage and insurance mitigation mechanisms are positive actions.

The education and training of insurance agents and lenders has been an element of State Coordinator duties since the early 1970s. Initially, the State Coordinator provided training and information to agents and lenders in conjunction with Community Assistance Program Evaluations (early community compliance monitoring vehicle that has been replaced by Community Assistance Visits and Contacts today). Near the end of the 1980s, FEMA removed this activity from the State Coordinators and utilized an independent contractor to perform the training and education. **This change resulted in a loss of the linking of the insurance and lending professionals with their local floodplain management**

resources. When FEMA refocused State Coordinators on other initiatives such as community compliance, mapping and flood mitigation, the training and education of these key stakeholders was not a priority. ODNR, Division of Water has continued to partner with our independent insurance agent associations, the Ohio Dept. of Insurance and lending associations to support education and information exchange about flood insurance. The current outreach to State Insurance Commissioners and Departments of Insurance is a positive step.

Our experience indicates that, although the training and education sessions are well attended by insurance agents, their knowledge of the products, services and processes is not necessarily improving. In several recent disasters, we have heard or been told about local insurance agents providing misinformation to the media and clients. Our office has prepared news releases and identified an activity to deal with misinformation as part of our disaster response procedures. We have also cooperated with the Ohio Department of Insurance to assist their public information staff to provide correct and timely information about flood insurance availability, coverage and procedures. **We agree with the provisions of the 2004 Reform Act focused on building agent knowledge of the NFIP policy products and procedures**. Informed and competent agents ensure that policyholders are receiving the correct information about their flood insurance coverage. Some states have required continuing education for agents and increased their licensing exam content concerning flood insurance. In our activities as NFIP State Coordinator, we have not seen that the provision of training opportunities alone achieves the outcome of better-educated agents.

From the State Coordinator's perspective, an opportunity is still being missed in the use the Increased Cost of Compliance (ICC) coverage to mitigate repetitive loss properties. The ICC is not being well utilized and floodplain managers need more education on how and why to use it. The ICC was designed to provide economic support (up to $30,000) for citizen's who own structures in the flood hazard area that are either substantially or repetitively damaged. In Ohio, many of the substantially damaged and repetitively damaged structures were built prior to the adoption of local flood damage prevention regulations. This means, that following a disaster the structure must be elevated or floodproofed to comply with the minimum NFIP criteria. Without flood insurance, this can result in significant cost and many residents of the flood hazard area do not have the financial resources to accomplish the compliance requirements. ICC provides a funding source that is not drawing from the federal or tax payer contributions. It also can be used as the non-federal share for projects funded through the federal mitigation programs such as the Hazard Mitigation Grant Program.

To make more effective use of ICC in Ohio the ODNR, Division of Water will continue to assist communities with cumulative loss language in their regulations, provide timely and effective substantial damage and post flood permit training and continue education on ICC coverage for local floodplain managers. **FEMA must continue to implement changes to existing NFIP mitigation programs that will recognize the ICC as non-federal funds, allow for quick processing of ICC claims, and support local officials in NFIP compliance as a mitigation strategy**.

NFIP FUNDING LEVELS AND ADMINISTRATIVE STRUCTURE

FEMA does not have the staff or fiscal resources to implement the NFIP in over 20,000 communities nationwide and maintain the hazard identification and mapping elements required by the program. This fact is not new and is part of the reason that the framework of partnership is needed. FEMA has been funding and building State Coordinator capacity to assist with NFIP and mapping activities through the Community Assistance Program – State Support Services Element (CAP-SSSE) for 30 years. Both efficiency and effectiveness have been achieved in the partnership with State Coordinators.

The majority of NFIP State Coordinator activities in Ohio have traditionally been funded through the CAP-SSSE. This funding mechanism requires at least a 25% non-federal match for the 75% federal funding the agency receives. In 1990 the ODNR Floodplain Management Program budget was approximately $320,000 with FEMA CAP providing $120,000 and the State General Revenue Fund providing $200,000. Four staff supported the activities for NFIP coordination and state floodplain management. In 2005, the Program budget was approximately $ 1,205,000 with FEMA CAP providing $230,000 and State General Revenue Fund providing $785,000. There are currently twelve staff supporting NFIP coordination, map modernization and state floodplain management. **The fact is that for effective State Coordination of the NFIP, a state must contribute much more than the required 25% non-federal funding.**

The State Coordinating agency negotiates an annual work plan with their respective FEMA Regional office. These annual work plans assure FEMA of specific activities and performance measures that the State will perform to help achieve the goals and objectives of reducing flood damage and containing disaster costs. The work plan also defines the federal and state cost for completing the activities and products. In the last few years, there have been modest increases in the funding available to State Coordinators through CAP. Also, the map modernization effort has resulted in funding for activities related to map production (Cooperating Technical Partner – Mapping Activity Statements) and ordinance adoption to reflect updated maps and Flood Insurance Study information (Map Modernization Management Support). The ODNR, Division of Water has committed to both map modernization initiatives providing an additional $185,000 in federal funding. With state budget challenges it is difficult to commit to more federal funding when state match monies and positions are not available. This has been a challenge for Ohio as well as other states in Region V.

FEMA tends to treat State Coordinators in a "consultant" role whereby they define a scope of work and agree to a fixed cost for the products and services. This approach is not consistent with the administration of many other federal / state partnerships such as those administered by U.S. Environmental Protection Agency, Housing and Urban Development and Natural Resource Conservation Service. **FEMA should pursue other partnership models that build on the business plan and performance measures to allow FEMA to delegate the NFIP and map modernization program elements and activities to the State Coordinators with comfort and accountability.**

The current administrative structure of FEMA within the Department of Homeland Security seems to have added delay and increased bureaucracy, from the State Coordinator's perspective, in the distribution of funds, development of policy and decision-making.

FLOOD MAP MODERNIZATION – STATE COORDINATOR'S PERSPECTIVE

The flood hazard maps and supporting risk information contained in the Flood Insurance Study are the basis of the land use and management approach employed by the NFIP. The local community has to have confidence that the hazard area information is accurate and current before they will commit to enforcement of performance standards and criteria that restrict, limit or avoid development in certain areas. **The maps are critical to safe construction and good decisions about whether to use or avoid flood hazard areas.**

Map Modernization in Ohio

How current are Ohio's flood hazard maps? In 2002, the State Coordinating office prepared Ohio's first map modernization plan. We discovered that the average age of a Flood Insurance Rate Map in Ohio was nearly 15 years. Approximately 74% of the FIRMs were more than 10 years old. Since that

first assessment we have had nearly three years of map modernization implementation. Of the 23 Ohio counties currently in some state of modernization, 22 of them had FIRMS more than 10 years old. Progress is being made to ensure that the currency of flood hazard information is appropriate.

"How current is the map?" may seem like an easy question to answer; however, the currency of a flood hazard map depends on much more than just the date. For example, rural areas with little to no structural development and natural floodplains can have 25-year old maps that currently reflect the flood hazard. By comparison, an urbanized NFIP community fully developed at the time of their original flood insurance study, who conscientiously notifies FEMA if and when conditions warrant a map revision or update, may also have a map that is 10-15 years old, but still reflects their current flood risk. **The test of currency should be focused on whether the flood hazard depicted is accurate and if it is the correct level of detail related to what is at risk**. Another consideration for **currency is related to the efficiency of maintaining and updating the flood hazard information.** Modernization of the nation's flood hazard maps, using geographic information systems and creating digital products, will contribute to efficiency and save money in the long-term. FEMA has appropriately designed a plan to use the current technology for hazard analysis and mapping.

What is the impact of outdated flood hazard maps?

Simply put, an inaccurate map can mean that those who should be aware of flood risk are not, and some who are not at risk may be required to purchase flood insurance and comply with flood protection standards. The latter consequence may not be all that much of a burden to property owners, because in many cases there is a real risk due to proximity to areas that may flood. Another impact is that outdated maps will not reflect areas that have never been mapped or identified since when the original risk assessment was done, the risk did not merit a study. If we truly want to assess the impact of quality flood hazard information to protect and inform citizens we cannot focus only on dates of maps.

How is Ohio assisting with Map Modernization?

The State of Ohio's vision for Map Modernization is that Ohio communities will have accurate, up-to-date flood maps. Accurate and current information on flood hazards will allow for better decisions concerning the flood risk and development alternatives for both public and private activities. The details of our actions and method for accomplishing the vision have been provided in detail in the business plans for Map Modernization Management Support, Community Assistance Program, and Cooperating Technical Partner Mapping Activity Statements.

FEMA's planned approach for a multiple year production schedule, incorporation of new technology for mapping and analysis (geographic information systems), and the countywide format will improve the efficiency and effectiveness of the information. The State recognizes and agrees that the ideal flood hazard map may not be achievable for all 57,000 plus miles of stream in Ohio due to cost, time and resources. However, **we strongly support the approach described in the original Multiple-year Flood Hazard Identification Plan (MHIP) that the level of study should be commensurate with the level of risk.**

The following mapping guidelines should be applied to the Map Modernization efforts throughout Ohio:

- Watercourses with drainage areas greater than two square miles should be assessed for level of risk and appropriate level of study assigned accordingly. Ohio currently has approximately 30% of identified flood hazard areas in approximate A zone. We do not know how many watercourses are not currently identified but should be.
- Current approximate study areas (A zones) should be assessed and if risk indicates such, at least enhanced approximate areas be tied to best available topographic information.

- Current detailed study areas with high risk should have hydrology and hydraulics rechecked.
- All flood maps should be converted to Digital Flood Insurance Rate Maps (this is to address efficient storage, update, retrieval and distribution).
- All mapping needs should be collected and maintained by FEMA in a database. Needs addressed by the Map Modernization should be tracked as success measures, and unmet needs should be used to plan for future map modernization funding and priorities.
- Sequencing of counties for Map Modernization should be in accordance with MHIP plan and capitalize on any ability to leverage federal, state, local or private resources.

During these initial years of Map Modernization, FEMA, State Coordinators and local communities have discovered that the original estimates for accomplishing this effort may not be adequate. The State MMMS and CAP activities include mapping and needs assessment and digital base map inventory tasks to help develop information that will support better scoping and map production cost estimates. **The refined state business plans, the MHIP updates and FEMA projections should be used to identify appropriate levels of funding to accomplish the Map Modernization goals of providing accurate quality flood hazard maps to communities.**

From the State Coordinator's perspective there is another unresolved issue related to Map Modernization. **The current MHIP is a good tool for sequencing, prioritizing and funding map production; however, it does not address the need for maintenance and update of the modernized digital data**. There have been preliminary discussions of how FEMA would like for state and local partners to assume this activity. However, as noted earlier in this testimony, map maintenance and flood hazard map production has not been a responsibility or strength to which our agency can commit. **More dialogue is needed between FEMA, state and local mapping partners to discover alternatives and solutions for this maintenance need**.

THE REAL VALUE OF THE NFIP IS THE ABILITY TO MITIGATE FUTURE DAMAGE!

The NFIP is a day-to-day mitigation program. It is available to every community in every development decision. It provides an effective framework between federal, state, local government and the private sector. Support of local enforcement and NFIP compliance after disasters is critical to smarter recovery.

FEMA Mitigation Division and Recovery Division should revisit Policy #RR9523.2 to allow for reimbursement of substantial damage inspections as an eligible Public Assistance activity. Substantial Damage determinations in the post-disaster environment usually: exceed local capacity to inspect and issue permits; are intended to protect the public's health and safety; and trigger the corrective ability of the NFIP in the case of Pre-FIRM at-risk development. The substantial damage determination is key to rebuilding and reconstructing in compliance with flood damage reduction standards.

Local floodplain managers need more support to enforce their regulations. The development review process, site inspections and issuance of permits by the floodplain administrator are not on the same time-line as other disaster response capabilities. FEMA has streamlined the delivery of disaster assistance and flood insurance claim payments. Volunteers mobilize quickly to provide repair and rebuilding support. Even private sector companies respond by providing materials for repair in a quick and efficient manner. **Disaster victims with available funds, manpower and materials are anxious to repair and return to a normal life**. If the NFIP is to work successfully as a mitigation strategy, the enforcement and permitting process must also be quick and efficient. As the State Coordinating office, we continue to bring this issue forward in dialogue with FEMA and have structured a post-disaster response role supporting local officials that will allow effective regulation as the response and recovery occurs.

Mitigation planning is an opportunity for Ohio communities to establish a floodplain management program that meets their needs. The Disaster Mitigation Act of 2000 established the requirement that communities must complete a natural hazard mitigation plan to maintain their eligibility for disaster assistance and FEMA mitigation funds. The plan will help to clearly define the role of the community in managing the health and safety threat of flooding locally. Increased awareness of the flooding and its impact has not been fully realized in most Ohio communities. **Continued support of mitigation planning is needed.** FEMA has been working mostly through Emergency Management Agencies and there are many other state and local players that have the ability and interest in contributing to the planning and solutions for flood problems.

CONCLUSIONS

The State of Ohio and communities statewide are better prepared and have improved their ability to respond to flooding through participation in the National Flood Insurance Program. The greatest strength gained is the adoption of local land use and development standards that require performance criteria appropriate for the risk. Improved warning abilities, better response plans, improved enforcement and flood insurance policy growth are some of the ways Ohio has reduced flood risk.

Modernized flood hazard maps that are accurate and represent the current flood risk will support better decisions concerning the risk and use of flood hazard areas and continue to improve Ohio's ability to respond and recovery from future floods.

The State Floodplain Management Program has a strategic plan and long-term business plans clearly articulating the vision and goals of effective floodplain management in the State that includes our commitment to partner with FEMA for coordination of the NFIP.

Ohio communities have joined the NFIP and are participating in the post and pre-disaster mitigation programs to make their development and community less vulnerable to future floods.

Much progress has been made through the NFIP and the State is working toward complimenting the objectives of the NFIP (flood damage reduction and disaster cost containment) with a balanced program to also address the protection of natural floodplain resources and functions.

Bob Taft, Governor
Ann Womer Benjamin, Director

2100 Stella Court, Columbus, OH 43215-1067
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United States House of Representatives
Subcommittee on Housing and Community Opportunity

Derrick Dozier, Supervisor
Property and Casualty Unit, Office of Consumer Services
Ohio Department of Insurance

Testimony on "A Look at the National Flood Insurance Program: Is Ohio Ready for a Flood?"
Chairman Bob Ney, Ohio
August 17, 2005

Thank you Chairman Ney and committee members for the opportunity to testify on the National Flood Insurance Program (NFIP). I am Derrick Dozier, Supervisor of the Property and Casualty Unit of the Office of Consumer Services at the Ohio Department of Insurance.

I am here today representing Ann Womer Benjamin, Director of the Ohio Department of Insurance (the Department.) I have been with the Department for more than 22 years and have held my current position for the past 10 years. While I am not involved in every consumer phone call, I do review every written complaint sent to the Department involving flood insurance.

My Division, the Office of Consumer Services, is the consumer protection arm of the Department. We assist consumers with all types of insurance related complaints and answer a variety of questions. Annually, my division handles more than 90,000 consumer inquiries on all kinds of insurance issues. Some of these inquiries rise to the level of a written complaint against an insurance company or agent. In 2004, we handled about 8,000 written consumer complaints, and as a result helped consumers recover over $6 million.

In my invitation to come to testify before this Committee today, I was asked to address a number of issues regarding the NFIP.

The first issue I was asked to address was to comment on the responsiveness of the NFIP and private insurance companies participating in the NFIP to paying claims for recent floods, and to describe the type of complaints we hear at the Department about payment of flood claims.

The information the Department receives about the responsiveness of the NFIP and NFIP-participating insurers to flood claims generally comes from the calls and emails we get from consumers.

The Department has a system for tracking consumer complaints. One category we track is flood claims relative to homeowners' insurance. Since 2000, the Department has tracked 24 complaints relating to flood insurance. The majority of these complaints relate to delays in processing claims.

Many of the calls the Department receives are not complaints, but inquiries where the consumer is seeking information. We regularly get calls from consumers about flood insurance, and the inquiries we get far outnumber the complaints. Some of the inquiries do involve flood claims, and we work with the consumer even though no complaint is filed.

When a consumer contacts us about flood insurance, and the NFIP needs to be involved, we call the NFIP directly for the consumer. In the case of a flood insurance claim, we contact an NFIP claims manager directly. In our experience, NFIP claims managers get back with the Department promptly. We do not track all of our referrals to the NFIP.

The second issue you asked me to address was the steps the Department has taken to educate consumers and agents about flood insurance, and what else needs to be done.

As you may know, neither the State of Ohio nor the Department regulates flood insurance products or rates. However, we do work to educate consumers and agents on the NFIP. We do this by publishing and distributing information about flood insurance, by answering consumer questions, by working with the NFIP on consumer issues, by speaking to consumer groups, and by sending representatives into communities affected by floods. For example, during flood events, the Department sends personnel from my staff to on-site Disaster Assistance Centers to help consumers with their questions, claims and complaints.

Another way the Department educates consumers is through its consumer guides. We publish and distribute a consumer guide on homeowners insurance that contains a section on flood insurance. This consumer guide stresses that homeowners' insurance does not provide coverage for floods, and that consumers must contact their insurance agent or company to find out whether they need flood insurance and how to buy it. The consumer guide also provides information about NFIP, including NFIP's telephone number. This consumer guide is available in printed form and also on the Department's website at www.ohioinsurance.gov.

The Department also has a dedicated staff of consumer analysts who can answer questions about flood insurance. Consumers can call the Department's toll free consumer hotline (800-686-1526) and they can talk to a consumer analyst with experience in flood insurance. The analyst will work with the consumer until the consumer's questions are answered.

The Department has also put together a "Consumer Tips" series of press releases, one of which deals with flood insurance. News organizations around the state can access "Consumer Tips" for use in newspapers, radio and television spots.

In terms of doing more, the Department is constantly working to improve the information it provides to Ohio consumers, and flood insurance is one of the topics on which we have focused. We believe consumers should know that homeowner's insurance does not cover flood damage, and that flood insurance must be purchased separately. To make sure more consumers know this, there is a cooperative effort between FEMA and the Department. The information the Department circulates is clear on this subject, but more can be done to get this information to consumers. Our Department welcomes the opportunity to work to improve distribution of this information.

The third issue I was asked to address today deals with the training and licensure requirements that apply to insurance agents selling flood insurance in Ohio.

There is no special flood insurance license in Ohio. All property and casualty insurance agents licensed by the State of Ohio are authorized to write flood insurance with the NFIP. This means that the licensure requirements that apply to insurance agents generally are the licensure requirements that apply to insurance agents selling flood insurance.

An applicant for an agent's license must complete 40 hours of pre-licensing education that includes instruction on flood insurance, and is required to pass an exam, which includes questions on flood insurance.

After obtaining a license, an agent must complete 20 hours of continuing education (CE) every two years. The Department has approved four hours of CE if an Ohio agent completes FEMA's flood insurance seminar. The Department has approved other flood insurance courses for CE credit. Other agent education courses are also available through FEMA.

Since 2000, the Department has received very few complaints against insurance agents involving flood insurance. We attribute this to the fact that a basic understanding of flood insurance is a requirement to obtaining an insurance agent's license in Ohio.

In closing, I want to say that we agree that it is very important that consumers and agents are knowledgeable about flood insurance. The Department is committed to educating consumers on a variety of insurance issues and is always seeking better ways to communicate with consumers. We welcome a discussion of how to better educate consumers about flood insurance.

Once again, on behalf of our Director, Ann Womer Benjamin, I would like to thank Chairman Ney and the committee members for inviting me here today to testify, and I am happy to answer your questions.

Testimony

Presented to
House Committee on Financial Services
Subcommittee on Housing and Community Opportunity
On
"A Look at the National Flood Insurance Program:
Is Ohio Ready for a Flood?

By
Patty Levengood, CEM
Director
Tuscarawas County
Homeland Security & Emergency Management Agency
2295 Reiser Ave. S.E.
New Philadelphia, Ohio 44663

Hearing: August 17, 2005

My experience in the National Flood Insurance Program (NFIP) stems from the aftermath of recent flooding incidents in Tuscarawas County. Most problems with insurance issues are unveiled days after the incident, thus for our agency coincide with the FEMA, State, and Local Damage Assessment. The damage assessment process is a verification of financial and situational hardships faced by the community in the progression towards a Presidential Declaration. While interviewing affected residents, a common issue has arisen about the complexity and confusion of different insurances that impact claims. Lack of knowledge on the regular home-owners insurance, NFIP, sewer backup, and earth movement riders often surface as the resident feels they are at odds with their Insurance company. Our course of action during these episodes is to give the resident the Ohio Department of Insurance hotline established during these times. If a house experiences flooding at the same time the earth saturated grounds break a foundation and sewage systems can no longer hold the pressure back thus completing the task of filling the basement, what insurance is to be used or are residents forced to carry all or none? County residents have stated, during the damage assessment, that claims have been denied because they carried sewer backup, but not NFIP (or vice versa) when it was clearly a combination of both. I understand their complaints but have no other course of action beside the previous mentioned hotline. After many incidents of similar occurrences following the many recent floods, a lack of communication exists that delineates the purpose and coverage of the different insurances available.

Testimony of
David I. Maurstad
Acting Director and Federal Insurance Administrator
Mitigation Division
Federal Emergency Management Agency
Department of Homeland Security
Before
The U.S. House of Representatives
Subcommittee on Housing and Community Opportunity
August 17, 2005

Good morning Chairman Ney, Ranking Member Waters, and Members of the Subcommittee. I am David I. Maurstad, Acting Director and Federal Insurance Administrator of the Mitigation Division in the Federal Emergency Management Agency (FEMA), a component of the Department of Homeland Security. I would like to thank you for the invitation to appear today before the Subcommittee on Housing and Community Opportunity to talk about the National Flood Insurance Program (NFIP).

As you know, over 37 years ago the NFIP was established to reverse the trend of rising costs to communities, states and the nation from flood disasters. The objective of the program was to provide a comprehensive system of flood hazard management through a three pronged approach of flood hazard identification, flood hazard reduction, and flood hazard insurance. Prior to the NFIP, flood insurance was expensive and largely unavailable. Further, community management of flood risk was not an established practice. Today there are over 4.7 million policies issued for citizens living and working in over 20,072 participating communities. The State of Ohio has 726 of those participating communities with nearly 37,000 flood insurance policies in effect, providing over $4 billion worth of coverage. After humble beginnings, the NFIP has now become the largest single-line, property-insurance writer in the United States.

The NFIP is designed to provide a reasonable method of sharing the risk of flood loss that requires balancing competing demands—discouraging unwise development yet providing affordable insurance to offset individual property owner risk. The federal government assumes a significant portion of the risk by managing the National Flood Insurance Fund (establishing premium rates, the claims reimbursement process, etc.), while the insured still retains a portion of the risk through deductibles and coverage limitations. Participating communities are required to reduce their risk of flood loss as a condition of making affordable flood insurance available for their citizens.

I believe we have been very successful in achieving that balance. I am proud to state that the more than 20,000 participating communities that I referenced earlier have adopted and enforced construction standards that save over $1 billion annually in avoided flood damages. In fact, one of the most successful components of the NFIP is the Community Rating System (CRS). CRS is a voluntary incentive program that provides flood insurance premium discounts in communities where floodplain management activities exceed the minimum NFIP requirements. CRS communities represent a significant portion of the nation's flood risk, accounting for over 66 percent of the NFIP's policy base, and providing over $150 million in discounts annually to 3.1 million NFIP Policyholders.

I am also pleased to note that the NFIP annually pays an average of between $750-$850 million in claims payments to its policyholders. In years with catastrophic events, such as last year, we have paid as much as $1.7 billion. Ohio policyholders received more than $35 million in flood insurance claims payments last year. Over the past five years in Ohio, the NFIP has received more than 4,500 claims and paid out nearly $62 million in flood insurance claims. The program's ability to provide this resource reduces the taxpayer burden for disaster assistance and clearly meets our objective of distributing, more fairly, the economic burdens of flood risk in the U.S.

NFIP Program Implementation

Another strength of the program is its partnerships. The NFIP has partnered with over 96 private insurance companies, known as Write Your Own (WYO) companies, that sell and service approximately 95 percent of the existing policies in force. It is the responsibility of these WYOs to manage NFIP policies as part of their insurance portfolio, and it is the NFIP's responsiblity to ensure their effective performance. Ensuring a consistant level of performance throughout the NFIP may be one of FEMA's greatest challenges. FEMA through its various audit programs routinely conducts over 70 audits of WYO companies a year to ensure consistent program delivery and policy management. FEMA conducts claim reinspections of WYO companies to ensure their compliance with Program standards and directives. If errors are discovered in the audit process or during claims reinspections, FEMA works with the WYO company to rectify the error and put procedures in place to make sure the error does not reoccur. FEMA conducts workshops for both adjusters and agents that address underwriting and claims issues.

Immediately after a major event, FEMA provides a briefing to the adjusters in the area regarding local conditions and continues to provide guidance as needed. Insurance specialists are detailed to the FEMA Joint Field Offices to assist policyholders with their questions during recovery. For example, after the February 15 flooding disaster declaration in Ohio this year, NFIP staff at the Joint Field Office (JFO) established a Flood Insurance Task Force comprised of FEMA JFO staff and state staff to address

NFIP issues associated with the disaster. The Task Force defined objectives and short- and long-term solutions to address the issues. Flood Risk Information Open Houses were conducted by FEMA regional staff and the Ohio Department of Natural Resources staff. The Open House format is designed to educate the public on the specific flood risk they are facing, inform them of ways to reduce that flood risk and highlight the benefits of the NFIP. Local official meetings were held to educate Floodplain Administrators and community/county officials on the preliminary Flood Insurance Rate Maps and the role they play in floodplain management.

We have also partnered with our state counterparts to help us implement the NFIP. For example, the State of Ohio has incorporated effective local floodplain management programs into its criteria and evaluation of all Hazard Mitigation Grant Program, Pre-Disaster Mitigation Grant Program and Flood Mitigation Assistance Program applicants. State policy requires effective local floodplain management as a condition for communities to receive mitigation funding. The policy promotes sustainability and avoids the damage-repair-damage cycle that occurs if risk reduction standards and strategies are not developed and implemented. NFIP information has been included in packets for local officials at mitigation briefings. Over 25 briefings were held from March 8 through March 31, 2005 in Ohio.

Nonetheless, we recognize there is room for improvement. As I stated at the April 14 hearing before this Subcommittee, we are providing a robust program of flood insurance training for insurance agents via live seminars across the Nation and online training modules available to agents at any time. Both beginning and advanced flood insurance training topics are provided to interested agents. In most States, agents earn continuing education credits for attending the NFIP training seminars. As we work with the State Insurance Commissioners, such as Ann Womer Benjamin, to implement Section 207 of the Flood Insurance Reform Act of 2004, more agents will take advantage of these training opportunities to fulfill their State's new mandatory flood insurance training requirements. This is just one example of FEMA's commitment to ensuring that all agents are provided the necessary tools to provide policyholders comprehensive, accurate information on the coverage afforded by their policies in a timely manner.

Consistent with the Flood Insurance Reform Act of 2004, we have developed a comprehensive information package for all new and existing policy holders that provides easy to understand information on NFIP coverage, regulations and procedures. This package features "Plain language" forms developed to help policyholders understand their flood insurance coverage.

NFIP Program Challenges

Unfortunately, I have noticed that the NFIP is hindered, in some cases, by a fundamental misunderstanding of its intent. For example, some policyholders believe that if they carry flood insurance coverage with a $250,000 limit on their dwelling, they are entitled to a claims payment for that amount regardless of the actual flood damages sustained. Another common misconception is that flood insurance coverage should fully restore policyholders to pre-flood condition. My review of the history, structure, and the administration of the program since its inception clearly indicates that the NFIP was never intended to fully restore policyholders to pre-flood condition – it was designed to help them recover.

Title II of the Flood Insurance Reform Act of 2004 contained requirements that can help eliminate some of the misconceptions associated with the NFIP. FEMA has been working in cooperation with insurance industry representatives to fulfill the requirements of Title II, and starting October 1, 2005 several new documents will be distributed to NFIP policyholders at the time of policy purchase, renewal, and upon reporting a claim. Specifically, the Summary of Coverage, the Claims Handbook, the loss history, and the acknowledgement of receipt of materials will enable policyholders to gain a clearer understanding of coverage and claims procedures. Insurance agents will be informed by the insurance companies they represent of these materials and will be offered training on them, so they can more accurately answer policyholders' questions. In addition, many insurance companies are planning to reinforce their flood insurance customer service operations with staff members prepared to address flood insurance inquiries that may be generated by the new material.

As you are well aware, Title II also included additional agent training requirements. The Subcommittee's hearing last April also identified agent training as an area in need of improvement. To that end FEMA has been coordinating with the National Association of Insurance Commissioners (NAIC) and the insurance industry to establish and publish minimum flood insurance training and education requirements for all agents who sell flood insurance policies. Because State Insurance Commissioners have the authority for insurance agent licensing and continuing education requirements, FEMA's role is to:

a) Establish the training course content that enables agents to have a good understanding of the NFIP,

b) Offer incentives whereby trained agents receive sales leads from FEMA's advertising campaign and larger cost-shares for their own flood insurance advertising activities, and,

c) Provide technical assistance to the States.

This technical assistance includes providing information such as NFIP materials and online training modules, live flood insurance training sessions for agents across the Nation, and other necessary support to implement a State-required flood insurance training program.

FEMA conducted a webcast/teleconference for all State Insurance Commissioners, Licensing Directors and other staff on July 13, 2005. There were 145 participants from 46 states who joined the forum to discuss the Flood Insurance Reform Act flood insurance training requirement. This was the third NFIP webcast/teleconference conducted for State Insurance Departments since August, 2004, wherein FEMA offered assistance to State Insurance Department staff. FEMA staff members are available to meet individually with any State Insurance Department and to provide specialized training to the staff members.

Flood Map Modernization

The flood hazard identification component of the NFIP is undergoing a major overhaul. This year represents the third year of our map modernization effort and we anticipate that by the end of the year, there will be GIS flood hazard data available for more than for 40 percent of the nation's population. Although FEMA's Flood Insurance Rate Maps have served the Nation well for insurance purposes, these paper panels have become outdated and cumbersome to update.

The Ohio Department of Natural Resources (DNR) serves as the NFIP State Coordinating Office. Through this office and the partnership FEMA has built with the state, direct technical assistance is provided to each Ohio community that participates in the NFIP.

FEMA has worked closely with state organizations such as the Ohio DNR and our other stakeholders and partners to implement a major initiative of modernizing the nation's flood maps. In FY2005, the State of Ohio will receive approximately $2.5 million to update its flood hazard information.

Our plan for implementing the modernization effort, the Multi-Year Flood Hazard Implementation Plan (MHIP), reflects this partnership. This plan has been released for comment and provides a five-year strategy for updating flood hazard data across the country. FEMA is increasing the sense of shared ownership of these flood maps through the expansion of its mapping partnerships. Since FY03, FEMA has provided over $133 million to Cooperating Technical Partners, like Licking County, Ohio, who are working with FEMA to develop the flood hazard information for their communities.

In FY2005, we plan to initiate studies for close to 500 additional counties. This will bring the total number of counties that will have a flood hazard map update underway to nearly 1,300.

Conclusion

I would like to thank Chairman Ney for holding this field hearing in the beautiful State of Ohio. I would also like to thank this Subcommittee for its oversight of the NFIP. Your diligent oversight has helped this program become successful and will help make it even stronger in the future.

NFIP COUNTY NAME	*LOSS COUNT*				
	2001	*2002*	*2003*	*2004*	*2005*
ADAMS COUNTY		3			1
ALLEN COUNTY			1	4	3
ASHLAND COUNTY					4
ASHTABULA COUNTY	2	2	2	5	
ATHENS COUNTY	4	3	4	103	44
AUGLAIZE COUNTY	1		8	1	2
BELMONT COUNTY		1	1	260	30
BROWN COUNTY	1	1			3
BUTLER COUNTY	28		67	17	6
CARROLL COUNTY			2	20	2
CHAMPAIGN COUNTY				1	2
CLARK COUNTY	1	3	1	1	13
CLERMONT COUNTY	17	2	6	2	14
CLINTON COUNTY	2				1
COLUMBIANA COUNTY			8	35	2
COSHOCTON COUNTY	1			1	14
CRAWFORD COUNTY		1		3	1
CUYAHOGA COUNTY	1	1	36	62	3
DARKE COUNTY		1	2		3
DEFIANCE COUNTY			2		20
DELAWARE COUNTY		1	3	6	10
ERIE COUNTY	1	1			7
FAIRFIELD COUNTY	4	7	31	57	49
FAYETTE COUNTY				1	
FRANKLIN COUNTY	3	4	9	23	25
FULTON COUNTY	1	1			
GALLIA COUNTY	4	3	9	8	2
GEAUGA COUNTY			1	1	
GREENE COUNTY	3	4		11	2
GUERNSEY COUNTY	1			154	7

NFIP COUNTY NAME	*LOSS COUNT*				
	2001	*2002*	*2003*	*2004*	*2005*
HAMILTON COUNTY	79	3	61	25	35
HANCOCK COUNTY		3	5		3
HARRISON COUNTY			1	63	2
HENRY COUNTY	3		3		
HOCKING COUNTY	3	8	2	29	12
HOLMES COUNTY		2	1	3	11
HURON COUNTY				2	
JACKSON COUNTY	4	3	1	5	
JEFFERSON COUNTY			2	165	7
KNOX COUNTY		2	1	4	
LAKE COUNTY		1	3	3	14
LAWRENCE COUNTY	2	26	17	25	4
LICKING COUNTY	1	3	2	14	19
LOGAN COUNTY	1	1	21	3	11
LORAIN COUNTY	2	2	14		
LUCAS COUNTY	2	12	3	3	8
MAHONING COUNTY	3		21	14	2
MARION COUNTY			1	1	14
MEDINA COUNTY	3	2	28	27	3
MEIGS COUNTY	3	1	1	44	10
MERCER COUNTY			7		11
MIAMI COUNTY		1	9	3	13
MONROE COUNTY	2		1	48	3
MONTGOMERY COUNTY	3	7	8	25	23
MORGAN COUNTY			1	35	43
MORROW COUNTY		1			1
MUSKINGUM COUNTY		1	1	21	31
NOBLE COUNTY			2	105	1
OTTAWA COUNTY	1		1	1	3
PAULDING COUNTY					3
PERRY COUNTY				18	2

NFIP COUNTY NAME	*LOSS COUNT*				
	2001	*2002*	*2003*	*2004*	*2005*
PICKAWAY COUNTY	3			15	25
PIKE COUNTY	1		2	1	15
PORTAGE COUNTY		1	8	7	1
PREBLE COUNTY	1	1	7	1	2
PUTNAM COUNTY			1		6
RICHLAND COUNTY		1	3	18	4
ROSS COUNTY	4	12	1	6	19
SANDUSKY COUNTY			1		2
SCIOTO COUNTY	16	9	17	4	7
SHELBY COUNTY			16		5
STARK COUNTY			73	19	6
SUMMIT COUNTY		1	72	67	6
TRUMBULL COUNTY	1	12	139	21	1
TUSCARAWAS COUNTY			5	61	14
UNION COUNTY		2	2	2	3
VAN WERT COUNTY			5		
VINTON COUNTY			1	4	
WARREN COUNTY	13	4	3	7	10
WASHINGTON COUNTY	1	1	6	482	264
WAYNE COUNTY			2	2	3
WILLIAMS COUNTY		1		2	
WOOD COUNTY				2	12
WYANDOT COUNTY			2	1	2
* Losses where the county could not be determined are not included.					

SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY
Public Hearing entitled, "A Look at the National Flood Insurance Program: Is Ohio Ready for a Flood?"

Wednesday, August 17th, 2005
McDonald/Marlite Conference Center
New Philadelphia, Ohio 44663

Dear Chairman:

Thank you for the opportunity today to provide public testimony on the National Flood Insurance Program and its impact here in Tuscarawas County, especially in light of the recent flooding issues we have had throughout the county.

While I have not had any direct personal experiences with the National Flood Insurance Program, I have had conversations with our Director of the Tuscarawas County Homeland Security and Emergency Management Agency, Patty Levengood, regarding the frustrations and confusion the county residents have experienced with the program as she has conducted local damage assessments throughout the county.

Director Levengood has told me that the general public has a general lack of knowledge and understanding of the different forms of insurance that could cover claims brought forth by a flooding event. Most are unaware of what their coverage is until after the disaster has occurred and when help is most needed! Unfortunately, it is then that they are informed, after the fact, that their claims are denied because they did not have the proper insurance coverage at the time of the event.

I would wager that a majority of homeowners are unaware that their regular homeowner's insurance doesn't cover their property from flood damage. Or that, even if they had some form of flood insurance coverage, that it may not cover them for sewer backup or earth movement damage, even though the damage may have been caused by the flooding incident. The property owner, more often than not, believes that this is part of their regular homeowner's insurance or their flood insurance policy, not knowing that this additional coverage needed to be obtained with the purchase of riders to their insurance policy. The system is too confusing and complex and it's no wonder why people get frustrated and angry with government officials or private insurance agents when their claims are denied!

That's why I believe that the system should be simplified. Instead of having to go to multiple sources to obtain essential coverage for flooding, sewer back-up, or earth movement, a system should be created where this type of disaster coverage can be obtained from a single source, a One Stop Shop if you will. The consumer will benefit from having the myriad of insurance options explained to them once and can then make

informed decisions on the risk that they are prepared to assume and the coverage's they wish to obtain.

Should this not be feasible, then I would recommend that governmental agencies , like FEMA, and private insurance agencies be **mandated** by law to discuss, explain and inform the general public on the insurance coverage options that may affect flooding issue claims prior to the consumer obtaining flood insurance. This will allow the consumer to become better educated and informed about their insurance coverage and allow them to make better proactive rather than reactive decisions regarding their potential flood insurance claims.

Sincerely,
Commissioner Kerry Metzger
Tuscarawas County

Dick Quinlin Introduction:
He has been employed as Coordinator of Belmont County Emergency Management Agency since 1985. Prior to his appointment as coordinator, he volunteered with the agency for ten (10) years.
****

In September 2004 and in January 2005 Belmont County residents suffered damage to their property due to flooding and mudslides. Regarding folks who carried flood insurance, some of the difficult things they had to deal with are as follows:

At the time of loss, most homeowners who had flood insurance policies had them because their mortgagee forced them to carry the coverage in order to finance their homes. I feel NFIP needs to market their product more. In marketing their product, emphasis needs put on the fact that flood insurance may also cover for loss against mudflow/mudslides. We had several homes slide off their foundations. These homes sit far above flood planes and the residents, therefore, don't dream about buying "flood" protection. Tenants aren't aware that they, too, can purchase flood insurance on their personal property. However, in order for contents to be insured on a homeowner or tenants policy, the property must be situated on the first floor or above... Also, if an insured is away from their residence due to work, vacation, etc. they are unable, therefore, to move their contents from the basement in the event of a flash flood. Emphasis needs put on this. In addition to verbally, this may be indicated by a notice/sticker placed on the declarations page. I have also seen coverage provided in the amount the bank demands to cover their loan... therefore, contents coverage is not offered to the homeowner.

When suggesting flood insurance protection, people have told us it's "not affordable". We would like to see the NFIP offer higher deductibles in order to keep premiums down. $2,500 or $5,000 or even a $10,000 deductible should make the premiums more attractive.

Claims service: At the time of loss, several homes are damaged or destroyed. In some instances it's taken 30, 60 or even 90 days before an insured is contacted by an independent adjuster assigned by NFIP. At the time of an NFIP sale, the potential insured should be made aware that there are numerous (captive) companies now selling flood insurance. These carriers may have a larger selection or availability of claims adjusters that can contact the insured within 24 – 48 hours after notice of loss.

ICC: Increased cost of compliance procedures are difficult to follow. It seems a claimant is forced to foot the cost of elevating their home before the policy will pay or reimburse the policy holder. Haven't had much dealings with this but there seems to be problems with ICC adjusting. The insured's dwelling flood claim is adjusted before they're contacted by an ICC adjuster. I think it should be the other way around if not taken care of by the same adjuster.

Prepared Testimony of Elaine Roskovich

Subcommittee on Housing and Community Development

Hearing on

"A look at the national Flood Insurance Program: Is Ohio Ready for a Flood"

August 17, 2005
New Philadelphia, Ohio

I will begin my story about September 17, 2004, the day my life changed. I received a phone call around 1:00 pm telling me if I didn't leave work I may not get home.

She told me water was coming up in Brookside and that Rt 40 at Blaine may close.

I cancelled my remaining appt and went home. As I drove thru the streets of Wheeling W Va they were like small lakes. When I got to Bridgeport Oh I drove thru water – mud- debris. I finally made it home and there was water on the streets about 1 and 1/2 feet.

As I drove up to my house my next door neighbor Linda Bumbico was leaving. She said she couldn't bear to stay and watch her house get flooded. At that time my thoughts were it will not get in the houses, as you know, I was wrong. I went in the house and changed from my work clothes, I put on a pair of shorts and t-shirt. As I came out of my bedroom I saw Flo Caprita walking thru waist hi water, I opened my front door and my steps started to float away.

I tied rope to the railing and tied it to my front door knob. By then I had one more step to go before the water would be on my deck out back. Just as I came into the kitchen the water must have gotten to the furnace and water came blowing out my register, it had turned on aux. heat. I hit the main in the circuit breaker, I didn't want to get electrocuted. I had to tippy toe out, water was up to my chin. I left with a few clothes in a see thru container, and my cat. The rest is history!

The water was up in Lansing for maybe 12 – 14 hours.

My house, furniture, appliances, clothes and most of all my tapes and pictures. family albums all lost. Pictures of my children and tapes of my grandchildren gone forever. I was avid collector of diamonds – they were about $60,000 - $100,000. - all were gone.

I do not believe we would have been in a flood had Rt 40 not caved in and dammed up and back flushed the creek water.

I was born and raised in Bel. Ct. I can't remember Lansing ever being in a flood.

When we purchased the land in Lansing I was never told I was in a flood plain. My bank never told me I needed flood ins. All they said was homeowners ins. was needed. Why would a bank give all that money for a home and not do their homework?

I understand I probably would not get fair value for what I lost, but I think I would be in better shape than I am now. If only someone would have said get flood ins. I now have flood ins, but I don't have a house.

I will tell you my story of what is happening in my life after the flood, if you are interested in how one person is trying to survive, I would be glad to share. Also, I now have flood ins. on property that has been torn down.

Karen Upson Ohio Valley Relief Center 8/16/05

Date of Hearing: Wednesday, August 17, 2005 at 10am in the McDonald/Marlite Conference Center, New Philadelphia, Ohio. Subcommittee on Housing and Community Opportunity

Two sentence introduction:
I am Rev. Karen Upson, Director, Ohio Valley Relief Center and Donation Management for Belmont County, Ohio, a United Methodist Church pastor and a disaster Coordinator for United Methodist Church. I wish to share the comments for those (1500) who have concerns and issues. Many are about the Flood insurance program and have sought information, supplies or our assistance at the Relief Center.

Using my experiences from tornados, winter storms, blizzards, and the 1998 disasters of floods, along with my educational training as nurse, fireman, paramedic and minister, I worked with the Belmont County EMA, since 1998, to constructed a disaster plan for relief and donations to service each community. The program was put into action on September 9th after the first of the three floods hit our area. Since, September 2004, we at the Ohio Valley Relief Center have assisted nearly 1500 of the approximant 2500 flood families/victims from 23 communities in Belmont County. (Persons from Jefferson, Noble, Harrison, & Munroe Counties in Ohio and West Virginal have sought assistance and information.) Every week someone new comes to seek assistance that may have fallen through the cracks or who just needs some to help them. We have seen and heard many issues, and many concerns relationship to Federal assistance and "Is Ohio Ready for a Flood?" I would like at some time to offer input to some of the concerns of delayed services, but at this time I limit my comments to the subject before us. This is my testimony based on what others have lifted as issues relating to their situation and flood insurance.

<u>These are the statements we have heard</u>
Some were still paying off loans from the flooding of 1998 and possibly since 1993 flooding.

1- After the three years of paid flood insurance is done:
   a. Some say they are not clearly notified that the three years of FEMA paid flood insurance is done and that it was their time to pick up the cost for continual coverage.
   b. Some say that their loans were increased after the three years and cost is too high with flood insurance.
   c. Some say that each time the loan was sold it went up higher and higher and they had no control over the increase of their payments.
   d. Some say the loan/mortgage was sold/bought by another funding source and their flood insurance coverage was not included, it was dropped without their knowledge.
   e. Some say the bank/funding agent told the person they needed not coverage they are not required to have it, they were not in a flood plan. Though they are next to a creek that floods. (Neffs/ Shield Hollow – possible 8 families on this road)
2- The cost:
   a. Some say it $3,000 or more a year on top of the cost of their loan.
   b. Some say it is as high as $1000 a month.
   c. Some say their award from FEMA was deducted to cover the amount of the flood insurance coverage.

3- The coverage of the flood insurance:
   a. Some say that fast rising (flash) floodwater damages are not covered, only slow rising waters.
   b. Some say that contents are covered only structure, is covered by their flood insurance.
   c. Some have damage from the disaster causing land slippage that is not covered by flood insurance due to it not being floodwaters.
   d. Some have damage in their home with family room not covered because it was in a basement.
   e. Some have damage from sewage or run off water in their homes, due to floodwaters and flood insurance would not cover the damage.
   f. Some have damage of flooding with orange run-off water from mine slippage, and insurance will not cover the damage. The division of mines seems not to verify mines in our area.
4- Now more flooding and to some who are not free from the loans of the past floods:
   a. Some would or could not afford to apply for more loans
   b. Some say they could not afford the additional insurance.
5- Dropped flood insurance:
   a. Some say their flood insurance is now been dropped to their filing a damage claim due to these disasters.
   b. Some say they were dropped before and without their knowledge till they went to process a claim

Suggestions for Flood insurance program.

1. Keep the information details simple and clearly written for all to understand. A one or two page, 12 font, at a 4th grade reading level overview of the information.
2. Bank/loan companies could not increase the cost of insurance once the three-year period is up for the first year or two, then a 1-3% increase (cost of living rate). Or, the increase of flood insurance is income based, or based on property value and not insurance company based.
3. Bank/loan companies are required to contact the flood plain inspectors or the County office to verify who are required to have flood insurance.
4. Local,/County officials, Flood plain inspectors have direct input to the flood insurance program and administration of the flood insurance program.
5. When loans are being sold to another loan/mortgage company the clients are to be notified in clear manner as to the selling of their loan and to the increase cost and services offered or dropped.
6. Insurance companies cannot drop clients based on nationally declared disasters damage.
7. A cap should be set for the cost of insurance policies, just as there is a cap on what insurance will pay out in damages.

Thank you for your time, your work and your consideration in these matters. I am honored to be ask to speak to you today and to be serving with you in God's mission field.

Senator Charlie Wilson
Testimony
Committee on Financial Services

Good Morning and thank you for the opportunity to speak this morning and discuss the issue of "Flood Insurance" and how it effects the citizens of Tuscarawas County and the region.

Last September the flood waters came and washed away the dreams, the hard work, and for some their only possession. You or I might see a shingled house with a mailbox but for the homeowner it was where they grew up, where their parents were born; where memories were made and where life was simple and away from the world. And in the blink of an eye rising waters moved foundations, cracked walls, with the force of mother nature destroyed a home in hours. The neighbors helped each other, friends carried boxes, relatives pitched in and brought food all in hopes that their lives could be put back together. Fire departments worked all hours and volunteers showed that generosity has many names and is boundless. People were not looking for hand outs; but only for support and hope.

Congressman Ney and I joined EMA Director Dale Shipley as we flew in a helicopter over parts of the area to see firsthand the devastation and the magnitude of the flood waters. I visited Jefferson, Belmont and Columbiana Counties to see how residents were affected and how they were dealing with the clean up operation.

What I found was confusion and frustration on the minds of citizens who were attempting to put their lives back together. Speaking with Joe Bachman, Tuscarawas County Engineer, he described a system of eligibility that depended on personality; not facts. In my opinion, we must communicate the procedures and depth of our services at the beginning rather than offering misinformation and bureaucracy. He also explained that "our flood maps are next to worthless and they need to be updated." I can see that a prospective homeowner would be paying the additional cost to survey the property to determine its flood status or they may be needlessly paying it for years because the maps were inaccurate. Also, there is a communication gap between federal, state, and local governments because of a lack of enforcement in floodplain rules. Since Tuscarawas County does not require a building permit nor does it have zoning in many of the effected

areas, developers or homeowners are taking their chances and are unsure of their need for flood coverage.
I support the message of Patty Levengood, Director, Tuscarawas County Homeland Security& EMA who will be speaking here this morning that there is confusion on the part of home owners as to their coverage. When a disaster occurs we need to have answers and communications systems in place to direct residents not give them an 800 numbers and an answering machine.

I also offer you the insight of Mike Wallace of Belmont County who is a 30 year veteran of the fire department and currently the Floodplain coordinator. He believes that both the insurance agents and the homeowners need educated on the National Flood Insurance Program. He witnessed first hand how renters who lost items in recent floods received settlements and homeowners who you would think would be eligible received nothing.

Also, I found that the insurance companies view a basement differently than the homeowner. The company sees a concrete floor with a water heater and a wash tub. The homeowner has a recreation room with carpet, computer desk for the kids and an entertainment system. Maybe it's the mother-in-law suite so she can be close to the grandchildren. Once flooding occurs, this area is destroyed and unusable. The homeowners find out that little if anything is covered. They find out that the $400 premium that they paid for the last 10 years was only for replacement cost not damage. They receive little if any compensation and are frustrated for months waiting for an answer.

I hope that we can address this communication gap and the level of education to all parties with the insurance issue. Last year when we stood in the mud and witnessed the effects of the rushing water, we knew that our response and effectiveness was critical to our constituents. Today, we see that the bridge on County Road 19 is beginning construction and countless roads and parts of our infrastructure are not fixed.

Our goal should be to put peoples' fears to rest by protecting their property. My testimony along with the others here today should give you some insight and personal examples to the problems that face residents regarding insurance issues. I look forward to working and improving your agencies methods so that they can be more responsive and effective for the people. Thank You.

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