

Commissioner's Column

May 2016

Flood Insurance Update

Flood insurance is one of the most critical insurance needs in our state and a timely topic considering the severe weather we experienced this spring. In March 36 parishes received federal disaster declarations and just weeks later Houston experienced deadly flooding. The Federal Emergency Management Agency (FEMA) reports nearly 5,000 claims have been filed in Louisiana for the flooding that occurred in March and more than \$118 million has been paid out in claims. Unfortunately this is not a rare occurrence as floods are the most common natural disaster in the United States. FEMA statistics show that Louisiana property owners have filed more than 400,000 claims since 1978, for more than \$16.7 billion in damages with claims coming from all of the state's 64 parishes. The numbers point to the necessity of flood insurance, not only in our state but across the nation. So as we prepare to enter hurricane season, I'd like to address some of the developments in the flood insurance arena at the local and national levels.

Following Hurricanes Katrina and Rita, FEMA's National Flood Insurance Program (NFIP) saw a significant increase in the number of flood insurance policies purchased in Louisiana – from about 380,000 policies in 2003 to nearly 500,000 policies by 2006, an increase of about 30 percent. But that figure has been on the decline in recent years – with the number of flood policies dropping back down to 450,000 policies today. This number has dropped by 10,000 just since 2015. Louisiana still has the third most NFIP policies after Florida and Texas and we have, by far, collected the most payments from the NFIP. Louisiana has received about \$16.7 billion in payments over the last 35 years. The next closest states in terms of payouts are Texas, New York and New Jersey that have each received about \$5 billion from the NFIP.

Serving as the primary provider of flood insurance with subsidized premiums has put the NFIP in the red, while consumers have had few choices when it comes to flood coverage. Removing barriers to the development of a private market for flood insurance will help provide options and possible savings. There is legislation that has received widespread support in Congress that would open up the flood insurance market to more private insurers. The Flood Insurance Market Parity and Modernization Act, which was passed unanimously by the U.S. House of Representatives in April, provides for additional choices for flood insurance products. The bill clarifies language in the Biggert-Waters Act of 2012 regarding the ability of privately issued flood insurance to meet lenders' mandatory purchase requirements.

The Market Parity and Modernization Act encourages new private market development as an alternative to the National Flood Insurance Program (NFIP) while maintaining strong consumer protections. I commend the House of Representatives for passing this bill and encourage the Senate to act quickly to pass this bipartisan legislation.

Closer to home, FEMA has released new flood insurance maps for the New Orleans area which indicate lower premiums for many property owners within the upgraded hurricane levee system. Some homeowners are no longer required to purchase flood insurance due to being removed from the Special Flood Hazard Areas. This is due in large part to the levee system improvements that are the result of a \$14.5 billion project by the U.S. Army Corps of Engineers. The Hurricane and Storm Damage Risk Reduction System consists of 350 miles of levees and floodwalls as well as dozens of pumping stations across a five-parish area (Orleans, Jefferson, St. Bernard, Plaquemines and St. Charles parishes). I took a tour of this system and was truly impressed with the results. This network of levees, floodwalls and pumps provides protection for 100-year events and reduces the risk from even larger storms.

FEMA has submitted the new maps to the New Orleans City Council which has six months to adopt them. A vote is expected this summer. Should the council approve the new maps, policyholders in Orleans Parish can expect to see changes in insurance rates at their next renewal date.

While this is a positive step, indicating that the time and money invested into the upgraded levee system has been successful, I would caution anyone who is no longer required to purchase flood insurance to think hard about the decision. Homeowners that are no longer in these risk zones according to the maps can still be affected by a flood event. In fact, policyholders outside of mapped high-risk flood areas file a quarter of all National Flood Insurance Program claims and receive one-third of Federal Disaster Assistance for flooding. I strongly recommend maintaining flood insurance whether the maps require it or not.

I have written on the topic of flood insurance in previous columns, addressing the drastic rate increases under Biggert-Waters that came with the reauthorization of the National Flood Insurance Program in 2012. Fortunately, those increases were modified by the subsequent passage of the Homeowner Flood Insurance Affordability Act of 2014. All of the issues (including affordability and the NFIP's \$23 billion debt) surrounding flood insurance will be revisited during the debate surrounding the NFIP reauthorization in 2017.

I am pleased that we are seeing some positive developments regarding flood insurance in the first half of this year but want to ask for your cooperation in continuing to bring attention to an issue that is so important both here at home and across the nation.