

FEMA's flood insurance plan contrary to proposed legislation

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A new plan to rescue flood plain dwellers from high insurance premiums contradicts federal legislation introduced in July by Congressman Jerry Costello.

In a series of four meetings Dec. 15 and 16, David Schein of the Federal Emergency Management Administration (FEMA) promoted a plan that goes in a different direction than Costello's bill, H.R. 3415.

Costello's bill would block adoption of new flood risk maps expanding a high hazard zone from 35 percent of the vast American Bottoms to the entire plain. The new maps reflect an assumption that Mississippi River levees will fail in a great flood.

Under the bill, property owners could continue to choose between low risk coverage and no coverage.

FEMA proposes a compromise requiring flood insurance in the new high hazard zone while artificially reducing premiums for 10 years. Federal law provides 10 years of relief for regions restoring levees, and Schein urged audiences composed of business and developers, public officials, insurers and lenders and affected communities to apply for an "AR" designation allowing relief.

FEMA doesn't endorse Costello's bill.

"FEMA played no role in the drafting of the legislation in question and was not made aware of the bill until after it was introduced by the member of Congress," regional outreach specialist Laurie Smith-Kuypers of Chicago wrote prior to the meetings.

At the first meeting Schein said that there was pending legislation about maps and he added, "That's not what we're talking about here."

At first glance, FEMA and Costello's bill appear to offer the same benefit of low risk premiums on high risk properties.

Their plans, however, differ.

Freezing old maps, as proposed in Costello's bill, would prevent conversion of thousands of acres from low risk to high risk.

Under FEMA's proposal, Schein said each local government must apply for AR designation. He said one community might get AR while another does not.

He explained that the owner of a home worth \$150,000 would pay annual premiums of \$1,654 in

a high hazard zone or \$718 in a high hazard AR zone. The most insurance FEMA writes on a single family home is \$250,000.

Schein said lenders generally expect borrowers to obtain replacement cost coverage.

According to Schein, property owners who don't have flood insurance can buy it now at low risk rates and "grandfather" the rates after FEMA adopts new maps.

He said premiums have crept upward, but never more than eight percent a year.

Schein said AR requires levee restoration in 10 years with no extensions.

Schein asked for questions, and someone said his uncle owns a house in the flood plain. He asked who would contact his uncle about a new requirement to buy insurance.

"You hope an insurance professional will," Schein said.

He said FEMA limits commercial insurance to \$500,000.

He said businesses treat that as a deductible and obtain full coverage through their multi peril policies.

At a meeting with local officials, Schein said everyone must adopt an AR ordinance.

"We are going to be a pest," he said.

"We are going to be calling your clerk and saying hey, it's time to adopt that ordinance," he said.

Someone asked if FEMA was solvent, and he said it earns \$200 million a month in premiums, covers \$1 trillion of liability, and pays claims every day.

He said FEMA pays interest on a \$17 billion loan from the U.S. Treasury that covered losses from Hurricane Katrina.

Someone asked if there was any help if premiums were too expensive to bear.

"I don't have anything in my pocket to offer," Schein said.

At a meeting with lenders, he said they hire flood map certification companies that don't do a very good job.

"It's my number one problem," he said.

"Inaccurate determinations are causing a lot of aggravation and unnecessary expense," he said.

He said only a surveyor can tell if a building is in the flood plain.

"All it takes is here to here and you are out," he said as he took a long step.

He said it's sad when the federal government gets into nuts and bolts of a loan.

"You don't want us there and we don't want to be there," he said.

Someone asked about discrepancies when a lender and an insurer hire different certification companies, and he said resolving them is a huge effort.

"We push back and we tell them to come together and fix it," he said.

Someone asked what happens if a homeowner gets 45 days notice and has no money.

"What if they don't have the money for other insurance?" Schein responded.

He said the average premium here would be \$56 a month.

For those who can't afford it, he said, FEMA encourages loan modifications.

"You can extend the term, forgive some interest," he said.

"You've got some wiggle room," he said.

A man said his bank pays a year's premium and recaptures it in escrow.

He said his bank has started spreading it over two years, but added that in the second year the borrower must pay half of the first year and all of the second.

As the first of the four meetings ended, Patrick McKeehan, executive director of Southwestern Illinois Leadership Council, invited all to sign petitions and send letters to Senators Durbin and Burris.

The letters called on Durbin and Burris to sponsor Costello's bill.

McKeehan had acted as host of the meeting, a role the FEMA group didn't assign.

According to Smith-Kuypers, they granted it in recognition of the turnout he produced.

At the third meeting McKeehan ran power points while Schein talked.

At the last meeting, Schein's team announced from the start that FEMA and the petitions were separate and tables side by side carried Costello petitions and FEMA printouts.