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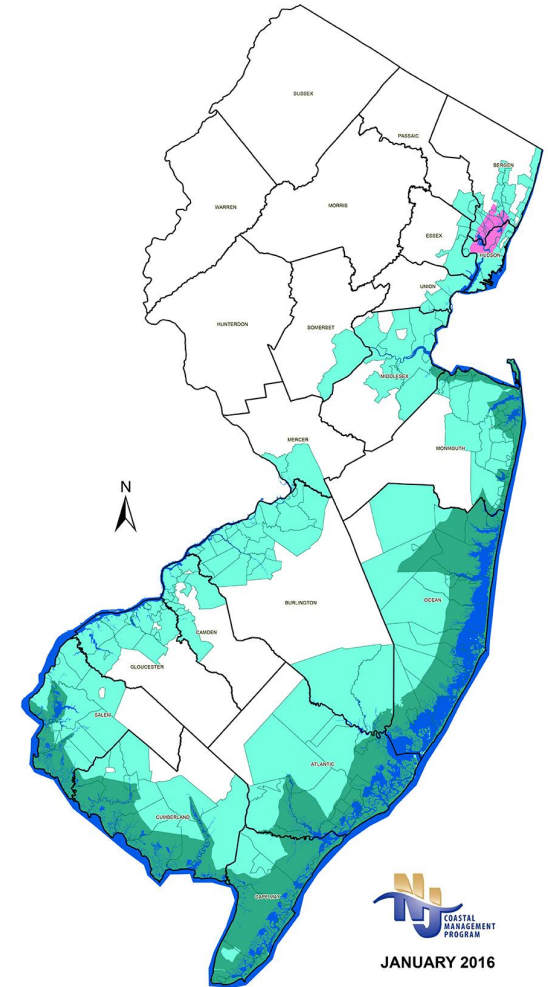
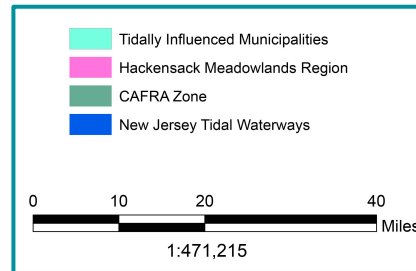


Frontline Families &  
Communities' Fight  
for a Fair Flood  
Insurance Program

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# Flood insurance is a big deal in New Jersey

- Almost 95% of New Jersey municipalities have submitted and received a payout from a flood insurance claim between 1978 – 2007.
- [New Jerseyans have received a total of \\$5.9 billion in flood insurance payments](#)
- 508,000 NJ residents live in a FEMA 100-year floodplain







No, flood insurance  
isn't just for fancy  
second homes.

## There are some myths out there about the NFIP:

→ **Everyone Else Pays for the Coastal States**

The NFIP is a taxpayer program that people from other states pay into so that coastal states can get billions for living places people shouldn't live.

→ **Coastal Elites Benefit the Most**

This is a program for wealthy beachfront homeowners.

→ **NFIP Encourages Risk**

It's a financial failure that encourages risky development.

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## Instead, here are the facts:

- *All homes in the program have the same maximum benefit*
- We need MORE participation in NFIP, not less
- Insurance companies chronically **under-pay** benefits for homeowners
- Not having affordable flood insurance or fair payouts are forcing working and middle class homeowners to draw on CDBG-DR grants and causing clawbacks/recoupments.





# 1. Two Homes, Same Coverage



Max coverage for home: \$250,000  
Max coverage for contents: \$100,000  
**Total: \$350,000**



Max coverage for home: \$250,000  
Max coverage for contents: \$100,000  
**Total: \$350,000**

## 2. Declining participation in NFIP

- Flood insurance has become prohibitively expensive for many homeowners, so they simply don't get coverage
- Expensive premiums lower home values and make some homes impossible to either insure or sell, or open them up to speculation/cash buyers and gentrification
- People who can't get coverage end up in CDBG-DR programs long after the storm has passed. These programs require participants to carry NFIP, regardless of affordability



## Risk Rating 2.0 is *not* a panacea

Better modeling is a good thing, but RR2.0 doesn't sufficiently address affordability

→ **RR2.0 came with price hikes for policyholders**

FEMA claimed that lower-value homes were over-insured under the old system as part of the justification for the RR2.0, but 80% of policyholders will experience price hikes under the new system

→ **FEMA estimates 20% of policyholders will drop out in 10 years**

FEMA's internal analysis shows that 900,000 policyholders will drop out of the program over the next 10 years because of unaffordable premiums



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## 3. Insurance chronically underpays

- Many of our members join us as they fight their insurance companies to pay out the benefits they're entitled to
- Homeowners have to adhere to strict rules to get coverage and payments, but insurance companies and FEMA violate their own rules and routinely lowball policyholders' damage assessments with no accountability
- Homeowners' premiums are used to pay insurers' lawyers to fight their claims



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## Tricia M.

Her husband died February after the storm and she had two strokes by late fall of 2013. She was awarded initially only \$5,000 from her flood insurance and her appeal was initially denied because it had not been submitted within 60 days of the discovery of new damage. The deadline was not communicated to her, and it was the same period in which she had a stroke. She has been diagnosed with PTSD.





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## Krista S.

She carried maximum flood insurance coverage - \$250,000 /100,000. Her home was substantially damaged but her initial insurance payout was \$29,000. She and her partner Mike and two children (pictured here, 5 years after Sandy) moved 7 times until they finally got home. She sued and was finally awarded the full \$250,000 but her legal fees were \$73,000 while taxpayers covered the WYO company's legal fees to fight against her.





# UNDERPAYMENT OF FLOOD CLAIMS

DOLLAR AMOUNT OF  
DAMAGE REPORTED



10%



19%



24%



48%



DOLLAR AMOUNT OF  
CLAIM RECEIVED



28%



38%



28%



5%



\$0 - \$25,000



\$25,001 - \$75,000



\$75,001 - \$150,000



OVER \$150,000

# The Storm After the Storm

- Because of widespread underpayment, major pressure and fraudulent engineering reports FEMA reopened all Sandy claims (around 144,000) in 2015.
- Nearly 85% of people who asked to have their claims reopened got additional funding.
- Additional payouts totaled \$258,648,226 and, FEMA also paid out \$164,320,515 for cases that were in litigation, which brought the total additional paid out to \$422,968,741 as of January 29 2018.

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## Joe M.

“Four years later I was able to get \$43K. It was a relief to finally see that money but it would have had a bigger impact in 2012 when I really needed it. When Sandy hit I lost a home, a business, and a second job. I foolishly thought I could get us back home in 6 - 8 weeks and we spent our entire savings replacing the heating, electric and plumbing. I kept expecting our flood insurance to money to arrive any day. It didn't come, not even the advance I requested. All the money we had in the world was in my pocket. My wife, two young daughters and two cats were living in one small bedroom at a friend's house.





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The prolonged recovery process, due in part to the failure of the NFIP to pay out quickly or fairly and in part to failures in NJ's recovery programs has real consequences.



**NINETEEN PERCENT** of respondents reported a new or increased dependence on alcohol or drugs. They also reported new or worsening health conditions:

67% Depression

44% PTSD

4% Heart Attack

75% Anxiety

11% Asthma

2% Stroke



**40%**

Saw their household income decline.



**32%**

Say they have fallen behind on mortgage/rent payments, taxes or other expenses related to their Sandy damaged home.



**35%**

Say it has been hard to pay bills or afford food and gas.



**67%**

Say their children's college plans have changed due to the financial impacts of Sandy.

**The current flood insurance system is made for insurance companies, banks and developers, not families.**



**Insurance Firms  
Profited \$400 Million  
After Sandy**

MAY 24, 2016 // BY LAURA SULLIVAN

## 4. CDBG-DR is the last resort

- Without insurance or sufficient payouts from insurance, homeowners have to rely on CDBG-DR programs that are intended to serve low- and moderate-income households
- CDBG-DR is picking up the slack created by a terrible insurance system that isn't serving people
- AND unaffordable flood insurance can prevent families from accessing grant dollars because generally, it is a requirement to carry it.





# Real Time Example: CDBG-DR Funding and NFIP Requirements

“You do not need to have flood insurance to qualify for these grants if you’re a homeowner or a landlord. However, if you do accept grant funding, you will *from that point* be required to obtain and maintain a flood insurance policy through the National Flood Insurance Program assuming that you live in a flood zone as recognized by FEMA and flood insurance is available to you.

**There are two pretty specific catches here - probably won't apply to a ton of people but if they apply to you - rut roh.**

- If your property is located in a 100 year flood plain (aka you needed to have flood insurance), you make 120% of AMI, and you didn’t have NFIP-backed flood insurance or equivalent private insurance when the storm hit you’re not eligible for the HARP Program.
- If you’d gotten grant funds previously and were required to keep flood insurance after (this is a requirement) and didn’t, you’re not eligible for the HARP Program.
- Landlords - if your rentals should have had flood insurance, then this would also apply to you..

If you have private flood insurance, and that private flood insurance meets the requirements then you should be okay. This is sort of new ground - so please connect with us if you have private flood insurance.

- You’d know you met the requirements because you’d find the following statement within your policy or as an endorsement to the policy by the insurer: "This policy meets the definition of private flood insurance contained in 42 U.S.C. 4012a(b)(7) and the corresponding regulation." Here’s a [good summary guide](#) put out by FDIC.”

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# Join us

- Sen. Menendez centers affordability as the primary NFIP challenge. He and his co-sponsors will soon reintroduce a bill to reform NFIP. **Please consider supporting this bill!**
- Share our perspective or invite us as frontline survivors into future conversations.

