

SENATOR BARBARA A. MIKULSKI
TESTIMONY BEFORE SENATE COMMITTEE ON BANKING
SUBCOMMITTEE ON ECONOMIC POLICY ON
NATIONAL FLOOD INSURANCE PROGRAM

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Chairman Bunning, Ranking Member Schumer, Senator Sarbanes and my other colleagues, I am pleased to have the opportunity this morning to testify before your committee on the experiences of my constituents with the National Flood Insurance Program following Hurricane Isabel.

I appreciate the work you are doing to review and reauthorize the National Flood Insurance Program. I especially want to thank Senator Sarbanes, my colleague from Maryland, and a member of this committee. Senator Sarbanes and I are working together on this issue to help the people of our state and to share lessons learned.

HURRICANE ISABEL

Today I would like to share with you the experiences of my constituents in the aftermath of Hurricane Isabel. In September 2003, my state of Maryland was devastated by Hurricane Isabel.

This was the worst natural disaster in Maryland history. The people who live on the Chesapeake Bay and the many rivers leading into the Bay lost their homes, their possessions, and many lost their livelihoods. Some of the communities that were hit particularly hard were Bowley's Quarters, Miller's Island, Bayside Beach, North Beach, Kent Island and Hooper's Island

The people who live in these communities are hard-working people. Many of those affected are retirees who scrimped and saved to buy these homes. I went to school with some of the people whose homes and businesses were devastated in the Hurricane. These communities are still struggling with the legacy of Hurricane Isabel. Many people still have polluted wells. Too many of those affected spent the winter living in trailers that are really campers with inadequate heat.

PARTNERSHIP

Right after Isabel, Senator Sarbanes and I went with Governor Ehrlich and Secretary Ridge to see the damage, to talk to the people, and to find out how we could work together to help Marylanders put their lives back together. When disaster strikes, we are TEAM Maryland and Team America -- federal and state officials -- Democrat and Republican. I'm so proud of how we worked together and how these communities pulled together.

IMPACT OF HURRICANE ISABEL

During our statewide tour of Maryland to see first-hand the devastation caused by the storm, we saw houses moved off their foundations in North Beach. We walked the streets of Bayside Beach and Bowley's Quarters where children's toys and personal items were pushed into yards

by 3 feet of flood waters. We saw mud more than foot deep or more three blocks away from the water. We talked to a business owner on Kent Island who lost her restaurant only 6 months after she bought it. I was incredibly moved by what I saw. Not only was I moved by the scope and scale of the devastation, but the way these people were pulling together.

We heard about daring rescues by our intrepid first responders. We heard how churches opened their doors to provide food and shelter. All over Maryland, we saw that neighbor was helping neighbor.

I promised them, their federal government would help them. I'm so proud of FEMA and how they responded. FEMA quickly set up local offices and worked with local officials to get help to those who needed it.

NATIONAL FLOOD INSURANCE PROGRAM

Unfortunately, the National Flood Insurance Program did not respond as quickly as FEMA. Today, nearly five months after Hurricane Isabel hit, my constituents are still struggling to rebuild. They're struggling to get the money that is owed to them. They are frustrated. They are confused. And frankly, many are fed up. They feel like insurance they paid for did not provide coverage when they need it most.

Today, I want to share with you their experiences and tell their stories to this committee. I respectfully ask that you consider what is happening in Maryland as you focus on reauthorization of the National Flood Insurance Program.

EXPERIENCES OF MARYLANDERS

Lack of Information

One of comments I have heard consistently from my constituents is that they were not provided with adequate information regarding their flood insurance policies. From the communities in Anne Arundel County to the Eastern Shore, people are telling me that they don't understand what their flood insurance pays for. They thought they were covered for damages related to flooding. They believed that because they often had both homeowners insurance and flood insurance, they thought they had purchased adequate coverage.

Now, they are finding out that isn't true. The limitations of their coverage were not explained to them when they bought these policies. For example, many didn't know that the contents of their home aren't covered without a separate policy. They thought that if they had \$200,000 worth of coverage on a home they bought for \$50,000 their flood insurance would pay to replace the home. Now, when they put in their claim, they are finding out that they will get only a portion of what it will cost to make repairs or rebuild.

Insurance Agents Training

When my constituents asked their insurance agents to explain things to them, they often couldn't get a straight answer. I want to know if this is because the insurance agents don't know what these policies cover or how they really work.

In Southern Maryland, some homeowners were able to get emergency advances in order to make urgent repairs so they could stay in their homes. Others were told that there was no way to get advances on their claims. Different agents gave different answers. In some cases, the same agent would give a different answer depending on the day. That is unacceptable.

Appeals

When I heard stories about claims denied or shortchanged, I asked my constituents if they could appeal. Many told me they didn't know. When they filed their claims, no one told them how to appeal or even if an appeal was possible.

My office became a clearinghouse for appeals. We asked the National Flood Insurance Program and FEMA for a fact sheet or instructions on filing an appeal that we could give to constituents coming to our office for answers. There wasn't one.

So I organized community meetings and appeals hearings. I brought FEMA and the Flood Insurance Program to Baltimore, Anne Arundel and Dorchester Counties to explain to Marylanders what they needed to do to get a fair hearing.

Adequacy of Payments

Once Marylanders figured out what their policy covered and filed their paperwork, the payments they are getting were not adequate to repair the damages. The flood insurance adjusters were not using real world estimates for how much it would cost to repair the damages or to replace what had been lost.

For example, in Bowley's Quarters, one insurance adjuster was giving unrealistically low estimates for people's repairs. So the community association asked a local contractor to come in for a second opinion. The local contractor's estimate provided an accurate assessment of what it was going to cost to repair the damage. It was also significantly higher than the estimate from the insurance adjuster. The community leaders then talked to the insurance adjusters working with NFIP and asked them to provide more accurate assessments and to review prior claims.

In the end, Marylanders received more accurate cost estimates to repair the damages from Hurricane Isabel. Claims were paid and repairs are underway. Today, the people of Bowley's Quarters are getting what they need; but, no one should have to go through all this to get a fair appraisal and a fair reimbursement from insurance that they paid for.

SENATORS SARBANES AND MIKULSKI RECOMMENDATIONS

Based on these experiences, Senator Sarbanes and I have four recommendations to improve the National Flood Insurance Program. Senator Sarbanes has been instrumental in developing these recommendations and is working with the committee to develop legislation.

I want to commend the work of my senior Senator who shares with me such grave concern for the plight of Marylanders affected by Hurricane Isabel.

Four Recommendations

1. Full Information and Disclosure of Flood Insurance Policies

The National Flood Insurance Program must provide a clear and understandable outline of policies so policyholders understand what is covered and what is not.

2. Better training for Insurance Agents

Agents who sell flood insurance must understand what they are selling and how claims are processed so consumers don't get the run-around instead of answers.

3. A Straightforward Formal Appeals Process

There must be a clear way for policyholders to appeal their claims awards or appraisals of loss

4. Adequacy of Payments

Consumers need assurance that the insurance they pay for will pay the real world cost of repairing the damage and replacing their loss.

REPORTS BASED ON MARYLAND'S EXPERIENCES

Finally, I respectfully submit to this committee 2 reports:

1. *Report to the County Executive of Baltimore County Maryland on the Response to Flood Victims of Hurricane Isabel by Insurance Companies and Agencies of the State and Federal Government*

This report was prepared at the request of the Baltimore County Executive, Jim Smith. Following Isabel, he asked Maryland's former Insurance Commissioner, Steve Larsen to examine the experiences of Baltimore County residents and make findings and recommendations.

2. *A Report to The Maryland Congressional Delegation on Hurricane Isabel*

This report was report prepared by the Maryland Insurance Administration and was lead by Alfred Redmer – the current insurance commissioner for Maryland.

I believe the committee and your staff will find these report very useful as you conduct your review of the National Flood Insurance Program. Many the findings in these two reports are similar to what Senator Sarbanes and I have heard directly from our constituents. I would also like to offer assistance if the committee staff would like to talk to any local Maryland representatives about these reports or our experiences following Hurricane Isabel. My office would be happy to facilitate such a meeting.

Again, I would like to thank Senator Bunning and Senator Schumer and the members of the Subcommittee for providing me the chance to discuss these important issues with you today. I know that you also have constituents who have been hard hit by natural disasters like Hurricane Isabel. Every member has had experience with hurricanes, tornadoes, floods or fires in their state. When disasters strike, people need to know that their government is on their side. That is why the work you are doing is so important. I hope that by working together, we can improve the National Flood Insurance Program so that no American is delayed in getting the help they need following a natural disaster. This concludes my prepared remarks. Thank you.