

ALASKA STATE LEGISLATURE

SESSION

State Capitol, Rm. 30
Juneau, Alaska 99801-1182
(907) 465-3873 Phone
(877) 463-3873 Toll Free
Sen.Bert.Stedman@akleg.gov



INTERIM

1900 1st Ave.
Suite 310
Ketchikan, AK 99901-6442
Phone (907) 225-8088
Fax (907) 225-0713
www.BertStedman.com

SENATOR BERT K. STEDMAN

January 18, 2018

Honorable Senator Lisa Murkowski
522 Hart Senate Office Building
Washington, DC 20510

Honorable Senator Dan Sullivan
702 Hart Senate Office Building
Washington, DC 20510

Honorable Congressman Don Young
2314 Rayburn House Office Building
Washington, DC 20515

Re: National Flood Insurance Program Amendments
To Protect Alaskans

Dear Congressional Delegation

I urge you to take immediate action and amend the National Flood Insurance Program to protect Alaskans from financial abuse at the hands of the Federal Emergency Management Agency (FEMA). Right now, FEMA is expanding its' "flood zone" maps in several Southeast Alaska communities. (Sitka, Ketchikan, Angoon, and possibly others) For the first time ever, hundreds and possibly thousands of Alaskans homes or businesses will now be in a federal high risk "flood zone" or "special flood hazard area" "SFHA". Virtually none of these homes and businesses have ever experienced a flood and are unlikely to ever flood in the future. These property owners will needlessly be paying out of their pocket for losses thousands of miles away.

As an example of the low risk of flooding in Southeast, since 1990, FEMA has collected nearly \$1.9 million in flood insurance premium payments from the nearly 50 property owners in Ketchikan with homes or businesses in the existing SFHA. Only \$100,000 in claims have been paid. ***Flood Zone Map Expansion Affects More Ketchikan Property Owners***, KRBD Radio, January 5, 2018. (Attached) Similar loss histories exist throughout the region. With a

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demonstrated low risk and claims history, FEMA should be working to shrink the size of SFHA zones and reducing premiums in Southeast Alaska. Instead, with the national flood insurance program tens of billions in the red from hurricanes in New Jersey, Florida, Texas, Louisiana, and Puerto Rico. FEMA is now on a power grab to expand its authority and increase collection of premiums.

Negative impacts on property owners and the communities they live in from FEMA designated SFHA flood zones are very significant.

First, when FEMA includes your property in a flood zone, there is an immediate loss of property value. Realtors have estimated the loss in home value from being included in a FEMA flood zone can run as high as 34% in the value of a home. *The Truth About Flood Zone Homes*, Worthington Daily Globe, October 8, 2014. (Attached) Property buyers don't want to be saddled with all the federal red tape on how they build and use their property or increasing cost of flood insurance that is now permanently attached to the property. The average cost of flood insurance in Alaska is \$901 per year (estimated \$2,000 a year in Ketchikan) and rising.

Second, the ongoing requirement to purchase federal flood insurance will become a greater and greater financial burden on the property owners in Alaska. These owners pay higher and higher rates to cover more and more claims from hurricane alley (Florida, Texas, Louisiana, and Puerto Rico). Billions in losses for the national flood insurance program (NFIP) occur in these areas every few years from a single storm event. NFIP is tens of billions in the red from these losses and looking to make up the difference. As these losses drive the NFIP further into debt, flood insurance premium rates in Alaska and other states will keep increasing. This is an ongoing and unnecessary burden to nearly every Alaska property owner where flooding is not an issue.

This burden is particularly hard and unfair to home and business owners in small and rural communities like Angoon with a small local cash economy and high unemployment rate. The local store will have to pass these costs onto the already high price of groceries and fuel.

Third, property owners in the SFHA lose control of the ability to decide how and where to build on their property, and conditions for rebuilding after certain events like a fire are imposed. Local control of planning and zoning decisions is replaced by a maze of federal rules and regulations. In fact, FEMA flood zones and the high cost of federal flood insurance and regulatory burdens prevent and can severely restrict future development in the flood zone, i.e., coastline in Southeast Alaska. “[FEMA flood zones] stop new development in high-risk areas. If it [flood insurance] is too expensive you won't be able to afford [to build in a flood zone].” *Will Private Insurers Rescue Leaking Flood Insurance Program?*, CBS News, June 12, 2017, citing Joshua Saks, National Wildlife Federation (Attached)

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These negative impacts are being pushed by FEMA onto Alaskan property owners and families without justification or need. Southeast Alaska is not Texas, Florida, or Louisiana. Southeast Alaska does not have hurricanes. Southeast Alaska's rocky and steep geography right to the tide line is the opposite of the flat lands and sandy beaches on the coast in the lower 48. Southeast Alaska communities have a good record of managing local planning and zoning, and as mentioned above, there have been very few flood claims filed in Southeast Alaska. Alaskan families and businesses should not have to subsidize claims for flood damage thousands of miles away.

To protect Alaskans, you should include language in the pending reauthorization of the National Flood Insurance Program to:

- (1) Allow individual property owners and communities in states with historically low loss ratios, or like Ketchikan with a 25 plus year history of property owners paying 19 times as much in premiums vs. funds paid out in losses to opt out of the program and suffer no penalties of any kind. This would include being exempted from 42 U.S.C. 4012a, (Attached) which requires flood insurance for any federally backed or insured mortgage loan on a property in an SFHA.
- (2) Require the NFIP to set premium rates at levels that reflect actual losses in a community or region over the last 25-30 year period, and to gradually step down rates as additional years pass without claims.
- (3) Require NFIP to modify FEMA flood zone designations from the higher SFHP level to a lower level that does not require the purchase of federal flood insurance when a lack of historic flood events and claims has occurred over decades, as in Southeast Alaska.
- (4) Allow a state entity like the Alaska Housing and Finance Corporation to make loans to property owners in an SFHA area in Alaska with a demonstrated low risk history of flood claims to make mortgage loans without flood insurance.
- (5) Allow individual states and local communities with platting authority and low loss ratios to control the mapping and determination of flood zone areas using historic flood occurrences; and
- (6) Implement reforms that currently prevent private insurers from fully participating in the market and that needlessly increase the cost of flood insurance. This would include,
 - Requiring FEMA and the federal flood insurance program to share data on policies and properties with the private insurance sector;

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- Eliminating the use by FEMA of covenants not to compete in their contracts with insurance companies who have signed up with the federal program to sell federal flood insurance. Private companies need to be completely free to sell competitive private market policies at levels and rates they set. The covenants not to compete also seem to violate principles of anti-trust and monopolization of a market; and
- Allow insurers to include flood insurance in an overall casualty and liability policy covering loss from fire, etc., with terms and amounts of insurance set by the private market.

Immediate action is needed to protect Alaskans from abuse by FEMA. Please contact my office if you have any questions.

Sincerely,



Senator Bert Stedman

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