

Statement
of
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on behalf
of the
BuildStrong Coalition
to the
United States House of Representatives
Committee on Transportation and Infrastructure
Subcommittee on Economic Development, Public Buildings and
Emergency Management
Hearing on
**Building a 21st Century Infrastructure for America: Economic
Development Stakeholders' Perspectives**

September 13, 2017

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Introduction

Chairman Barletta, Ranking Member Johnson, and members of the Subcommittee, thank you for inviting me to testify at today's important hearing. My name is Steve Linkous and I am the President and Chief Executive Officer of Harford Mutual Insurance Company. I also serve as Chairman of the Board of Directors of the National Association of Mutual Insurance Companies (NAMIC). NAMIC is a founding and executive committee member of the BuildStrong Coalition, on whose behalf I am testifying today.

The Coalition, formed in 2011 to respond to an increasing number of severe disasters, is made up of firefighters, emergency responders, insurers, engineers, architects, contractors and manufacturers, as well as consumer organizations, code specialists, and many others committed to building the nation's homes and businesses more resiliently.

Founded in 1842 in Harford County, Maryland, Harford Mutual Insurance Company has been providing property and casualty insurance products to our policyholders for over 175 years. One of the reasons we have been around for so long is the mutual insurance model, where policyholders are put first. This focus on policyholders is evident in our commitment to individualized customer service, fast, fair claims handling, and the creation of innovative products designed to meet our customers' changing needs. Growing from a small local insurer serving homeowners and farmers in rural Bel Air, Maryland to a regional company protecting policyholders in seven states and the District of Columbia, we're committed to mutual success.

Harford Mutual is a member of the National Association of Mutual Insurance Companies (NAMIC). NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400 member companies representing 39 percent of the total insurance market. NAMIC member companies, which serve more than 170 million policyholders and write more than \$230 billion in annual premiums, range in size from one person operating a farm mutual in a single county to national and globally active insurers providing a wide array of comprehensive commercial and personal lines coverages.

The insurance industry plays a unique and critical role in the disaster mitigation and recovery process, serving as a leader in promoting pre-disaster loss-prevention techniques, and standing shoulder to shoulder with the federal government and emergency responders to help victims recover and rebuild after a catastrophe. As we have seen in recent days, now is more important than ever to consider the devastating, and growing impact, of severe disasters. And during this critical time for the folks in Texas, Louisiana, Florida, and elsewhere, we commend the leadership of Chairman Barletta, who has never wavered in his mission to reduce disaster losses and better protect communities ahead of the next storm. As part of this effort, the Chairman held an important hearing earlier this year that highlighted specific ways we can help reform the way our nation handles disasters.

While progress has been made, serious concerns remain surrounding the federal government's current approach to pre-disaster mitigation, which has left communities across the nation vulnerable ahead of the next storm. In the face of an unsustainable, and fast-rising post-disaster federal cost share, Harford Mutual, NAMIC, and the BuildStrong Coalition are all calling on Congress to reform the government's backwards approach to disasters by creating a National Mitigation Investment Strategy designed to protect lives and communities. I look forward to discussing the policies that make up these important reforms in further detail today.

Disasters Have Long-Term Devastating Effects on Local Economies and Communities

As victims recover from the massive destruction left behind in the wake of Hurricanes Harvey and Irma, we should remember that the storm has not only destroyed lives and homes, but will have a devastating effect on local economies for years to come. According to FEMA, roughly 40-60 percent of small businesses never reopen their doors after a disaster.¹ The agency also says that 90 percent of smaller companies fail within a year unless they can resume operations within five days.² But it is not just small businesses that are negatively impacted by the long-term ramifications of extreme weather. Rather, catastrophes have lasting ramifications on entire communities. A recent study by the National Bureau of Economic Research shows that counties hit by severe disasters experienced greater out-migration, lower home prices, and higher poverty rates.³ The study's authors point to a 12-percent increase in the number of people leaving New Orleans following Hurricane Katrina.⁴

Natural catastrophes are not only wreaking havoc on our economies, they are increasing in frequency and severity at an alarming rate. Between 1976 and 1995, there were an average number of 39 yearly federal disaster declarations.⁵ This number skyrocketed to 121 between 1996 and 2015, during which we experienced Hurricane Katrina and Superstorm Sandy, storms that combined to kill over 2,000 people and cause \$225 billion in property damage.⁶ Having already spent nearly \$1 trillion on disaster recovery since 1983, taxpayers are left picking up an increasing share of the tab. In 1955, after Hurricane Diane caused significant damage to the coast of South Carolina, the federal government paid 5 percent of the recovery efforts. Following Hurricane Katrina, that number had risen to 50 percent, and in 2012, taxpayers were left to pay for a massive 77 percent of the recovery efforts following Superstorm Sandy. The dangerous trajectory of our nation's post-disaster cost curve is unsustainable, and ultimately puts Americans at risk.

¹ <https://www.fema.gov/media-library/assets/documents/108451>.

² https://www.fema.gov/media-librarydata/14412129880011aa7fa978c5f999ed088dcaa815cb8cd/3a_BusinessInfographic-1.pdf.

³ NATIONAL BUREAU OF ECONOMIC RESEARCH, THE EFFECT OF NATURAL DISASTERS ON ECONOMIC ACTIVITY IN US COUNTIES: A CENTURY OF DATA (MAY 2017) 22.

⁴ *Id.*

⁵ <https://www.fema.gov/disasters/grid/year>.

⁶ *Id.*

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A Backwards Approach to Mitigation

Even knowing the power of resilient building and despite multiple studies that show that every \$1 spent on preventative mitigation saves taxpayers \$4 in disaster relief, FEMA has taken a reactive posture to disasters.⁷ The agency spends far more on rebuilding after the catastrophe than proactively preparing communities before the next storm. From 2011 to 2014, FEMA spent 14 times more on post-disaster rebuilding measures, rather than those centered on increasing resiliency before disasters, allocating just \$222 million to the Pre-Disaster Mitigation Program compared to \$3.2 billion to the post-disaster, Hazard Mitigation Grant Program.⁸

But a larger issue is at play. From 2004 to 2013, FEMA spent a massive 89 times more on post-disaster assistance than pre-disaster mitigation.⁹ Victims of catastrophes, like those in the wake of Hurricanes Harvey and Irma, should always be put back on their feet in the aftermath of a disaster. But the fact that FEMA would invest such a small amount to prepare communities pre-disaster offers a stark reminder that our government needs a wholesale change in approach.

Leaving Communities and Individuals Vulnerable to the Next Storm

The increasing reliance on taxpayers to cover post-disaster losses has created a moral hazard, where the vast majority of the nation is stuck in an endless cycle of destruction, rebuilding homes and businesses following disasters to the same subpar standards that enabled their destruction. And because of the dangerous assumption that the federal government has a never-ending supply of cash to cover the cost of post-disaster recovery, individuals are not adequately protecting themselves.

This is evident right now in Texas, where only about 15 percent of those in the path of severe flooding caused by Harvey maintain flood insurance. And if we continue to go down our current path, there will be an even larger pool of victims that are uninsured and financially exposed. As two of the largest stakeholders in the aftermath of a catastrophe, both the insurance industry and federal government have a shared interest in reducing damage and losses from disasters, and this starts with ensuring Americans and homes are better protected. We have the science and ability to do better, but we need smarter policy that creates the right incentives and behaviors.

⁷ NATIONAL INSTITUTE OF BUILDING SCIENCES (2005) NATURAL HAZARD MITIGATION SAVES: AN INDEPENDENT STUDY TO ASSESS THE FUTURE SAVINGS FROM MITIGATION ACTIVITIES. VOL. 1.

⁸ UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE (2015) HURRICANE SANDY: AN INVESTMENT STRATEGY COULD HELP THE FEDERAL GOVERNMENT ENHANCE RESILIENCE FOR FUTURE DISASTERS. Rep. GAO-15-515.

Available online: <http://www.gao.gov/products/GAO-15-515>.

⁹ United States. Cong. Senate. Committee on Appropriations Subcommittee on Commerce, Justice, and Science. Hearing on National Water Hazards & Vulnerabilities: Improved Forecasting for Response & Mitigation Apr. 4, 2017. 115th Cong. 1st sess. (statement of Bryan Koon, Director, Florida Division of Emergency Management, Former President, National Emergency Managers Association), available here <https://www.appropriations.senate.gov/download/040417-koon-testimony>.

Correcting Course Through a National Mitigation Investment Strategy

Preventative reforms will help save lives, dramatically reduce damage, and reduce the cost of recovery for taxpayers. Unfortunately, the federal disaster system is fragmented and heavily skewed towards reactive post-disaster mitigation spending rather than thoughtful long-term investing. Congress must reexamine the balance between pre-and post-disaster spending, and incentivize states to build more resiliently, by adopting a National Mitigation Investment Strategy.

The BuildStrong Coalition is calling on Congress and the Trump Administration to include the reforms that constitute the National Mitigation Investment Strategy when creating a comprehensive aid package needed by victims of Hurricanes Harvey and Irma. The Strategy, more critical now than ever, is made up of a package of smart reforms that will ensure lives and homes are better shielded during the next storm.

1. *Incentivize States to Build Resiliently*

First, since the federal government is failing to incentivize states, communities, and individuals to invest in pre-disaster mitigation, leaving so many communities stuck in an endless cycle of destruction, we are calling on Congress to reverse this trend by giving states a reason to do the right thing before the storm. This policy would incentivize states to adopt and enforce modern building codes for residential and commercial structures by making available an additional 4 percent of funding in FEMA post-disaster grants for states that do so.¹⁰

2. *Fortify Communities with New Tools for Mitigation*

We must leverage the lifesaving and cost saving power of pre-disaster mitigation by shifting significant federal resources from being employed in a reactive, post-disaster setting, to being invested ahead of the disaster. This can be accomplished by first clarifying that the development and enforcement of state building codes are eligible uses under the existing Pre-Disaster Mitigation Program, and then shifting current misallocated resources into a National Hazard Mitigation Grant Program (NHMGP). The NHMGP will allocate funds for the development, implementation, or enforcement of modern building codes and other cost-effective mitigation purposes. As part of this important reform, 10 percent of all funds appropriated for the existing, post-disaster Hazard Mitigation Grant Program would be allocated to the new NHMGP, where funds will be available without regard to whether a disaster occurred, and can be used towards strengthening the nation's homes and businesses.

¹⁰ The additional 4 percent in funding would be allocated to states through FEMA's Hazard Mitigation Grant Program.

3. *Equip States with New Tools to Enforce Resiliency*

Many states that have adopted strong building codes don't operate an adequate inspection regime, and so we are calling for Congress to give communities new tools for enforcement by clarifying that "essential assistance" available to communities after disasters includes funds for the development and enactment of enforceable statewide building codes.

4. *Reform the Federal Cost-Share*

Given the unsustainable, and fast-rising post-disaster federal cost share, action must be taken to protect our states and communities, while reducing the dependence on taxpayers. We can achieve this measurable reform by adjusting the federal minimum cost share following a major disaster based upon adoption of FEMA-approved resilient mitigation plans and adoption and enforcement of safe building codes. Specifically, we are calling for the current 75 percent federal minimum cost share to decrease to 60 percent for states that fail to take resilient mitigation actions and do not adopt a modern building code, and to increase to 80 percent for states that have taken resilient mitigation actions and have adopted strong construction standards.

5. *Streamline FEMA Assistance Programs*

Increasingly, victims of disasters are going without assistance after a storm since assistance is distributed by 19 federal agencies, that frequently tie the funds to projects around the nation. We are calling for the federal government to more efficiently respond to victims after a disaster by consolidating ad-hoc federal disaster assistance programs under FEMA and requiring projects to meet cost-benefit standards.

Conclusion

Chairman Barletta, Ranking Member Johnson, and members of the subcommittee, thank you again for holding today's hearing on this important topic. It is more critical than ever that we ensure our nation's homes and businesses are built resiliently to withstand the devastating impacts of catastrophes. As Congress and the President work together to assist victims of Hurricanes Harvey and Irma and improve the nation's infrastructure, we urge lawmakers and the administration to adopt a national strategy for investing in disaster mitigation, which will save lives, property, and billions in taxpayer dollars. I look forward to answering any questions you may have.