

**Lackawanna
Flood Insurance
Report**

By the

Honorable Michael P. Kearns
New York State Assembly Member
142nd District

INTRODUCTION:

The National Flood Insurance Program (NFIP)

Federally funded flood insurance was made available to property owners in the United States who were most at risk for flooding with the creation of the National Flood Insurance Program (NFIP) and the passage of the National Flood Insurance Act of 1968. Congress created the *National Flood Insurance Program* (NFIP), and made federally backed flood insurance available to those most at risk for being victimized by flooding.

In subsequent years, Congress made flood insurance coverage a requirement for obtaining federal assistance for the acquisition, and/or construction, of any structure within a *Special Flood Hazard Area* (SFHA), with passage of the *Flood Disaster Protection Act* of 1973 and the *Flood Insurance Reform Act* of 1994. More recently, Congress took additional steps to strengthen the NFIP's mandatory flood insurance purchase requirement, increase the program's overall financial capacity, and ensure greater accountability in program administration.

Although program participation is considered voluntary, communities that elect not to participate within one year of learning that a Flood Insurance Rate Map has identified Special Flood Hazard Areas (SFHA) within that community are subject to significant penalties; non-participating communities are denied financial assistance provided by other federal agencies should the President declare a flood related disaster.

Furthermore, the Standard Flood Insurance Policy (SFIP) covers direct physical losses to the foundation elements of a structure that are necessary for its habitability. However, insurance carriers have advised property owners that floodwater would need to enter a structure through its first floor before any flood damage would be covered under a Standard Flood Insurance Policy.

The Lackawanna Smokes Creek Flood-Plain Insurance Survey

In 2008, then Council Member Michael P. Kearns along with his colleague Councilmember Richard Fontana, released a flood insurance report. As a result of an in-depth survey and in working with Federal Officials, 2,700 properties were removed from the floodplain in the South Buffalo and Lovejoy neighborhoods. Assemblymember Michael P. Kearns, Erie County Legislator Lynne Dixon, Lackawanna Mayor Geoffrey M. Szymanski, Council President Henry Pirowski, Councilmember Abdulsalam Noman, Councilmember Annette Iafallo, Councilmember Joseph Jerge, Councilmember Keith Lewis and former Councilmember Rebecca Darch Sireika, have conducted a survey of Lackawanna residents who are required to pay flood insurance on their properties. After receiving inquiries and complaints, the Assemblymember investigated and learned that properties in the Lackawanna neighborhoods are located within the 100-year floodplain or the 500-year floodplain, designated on the local Flood Insurance Rate Map (FIRM), prepared by the Federal Emergency Management Agency (FEMA). It became evident that the residents most

burdened by the costly federal mandate did not have a solid understanding of the details which define the National Flood Insurance Program (NFIP).

After a series of public meetings and announcements, the survey was distributed via mail, website and door to door; to these residents, with instructions explaining its purpose and objectives; also, comments were solicited with the understanding that they may appear in a report, but that respondent identities would be kept confidential.

Moreover, in the course of conducting the survey and its consequential report, the primary goal of Assemblymember Kearns and elected officials, was to better inform their constituents on the matter of mandated flood insurance, in an effort to assist them in any future and necessary action.

Observations

A Standard Flood Insurance Policy (SFIP) can be an expensive undertaking since mandatory SFIP premiums often cost property owners hundreds, and sometimes, thousands of dollars annually. In some instances, the total amount of premiums paid could exceed the amount borrowed; this typically occurs when lenders require SFIP coverage in an amount equal to the full replacement value of the structure or improvement being financed rather than in an amount equal to the NFIP's minimum coverage requirement (i.e., the lesser of the balance remaining on the financing agreement or the assessed value of the property).

In the Lackawanna, NY, area, there have been numerous reports of prospective buyers withdrawing their purchase offers on properties located within SFHAs, upon learning that they would be required to obtain a SFIP as a condition of their borrowing agreement. Conversely, buyers and sellers often negotiate how to compensate for the added expense of mandatory SFIP premiums, since this cost is not associated with the transfer of a property that is located outside a SFHA. Similarly, the potential for being subjected to the NFIP's mandatory SFIP purchase requirement has even dissuaded some owners from investing in improvements and making needed repairs to their property. In Lackawanna, NY, this has contributed to the accelerated deterioration of infrastructure that, in some instances, has led to the devaluation of streets and neighborhoods.

In a less flood prone area, such as Lackawanna, NY, SFIP premiums appear to be no more than a thinly veiled regressive tax. The elderly, the disabled and those living on fixed incomes or earning low wages and least able to afford their annual premiums find that, due to their location and extraordinarily low probability of ever having to invoke their SFIP benefits, they appear to be subsidizing SFIP claims in communities with a much greater risk and incidence of catastrophic flooding and associated damage.

The significant costs involved in applying for a Letter of Map Revision (LOMA) or Letter of Map Revision Based on Fill Process (LOMR-F), along with the uncertainty of being able to successfully remove the flood insurance purchase requirement from a property, has discouraged many property owners from challenging FEMA's elevation determinations. Consequently, property owners often forgo taking action to remove the SFIP purchase requirement from their property, and continue to pay for insurance which they feel they do not need.

A Survey Summary – By the numbers:

- Property owners in Lackawanna were invited to participate in the survey:
 - **155** responded:
 - **152** owned their property
 - **97.8%** owned property
 - **107** had a first or second mortgage
 - **129** reported that obtaining flood insurance was a requirement for purchasing their property

- Property Owner Income levels:
 - Were as high as **\$60,000** annually
 - Averaged between **\$15,000 - \$40,000** annually

- Flood insurance carriers:
 - **29** Different carriers were named as providing flood insurance locally

- The cost of flood insurance:
 - Premiums were as high as **\$3022** annually
 - Premiums averaged **\$764.42** annually
 - Premiums were reported most often as being **\$600** annually
 - Over **\$100,000.00** in flood insurance premiums is paid annually
 - **106** respondents said that the price of their policy has increased over the last 5 years:
 - Some policies increased by more than **\$300** during the same period of time

- **12** property owners reported that they had their property's elevation surveyed

- **23** respondents purchased a “Rider” to their Homeowner's insurance to cover basement flooding:
 - The cost of these Riders was as much as **\$629** annually
 - The average cost of these Riders was **\$194.25** annually
 - The cost of these Riders was most often reported as **\$35** annually

Appendix #1 - A Summary of the Questions and Responses from The Lackawanna Smokes Creek Flood-Plain Insurance Survey

Note: Some respondents failed to answer every survey question and the most common questions left unanswered were those seeking specific financial information. In instances where a respondent elected not to answer a survey question, answered “I don’t know” or “not applicable”, or provided an answer that appeared unreasonable in light of other respondents answers to the same question, additional attempts were made to obtain the missing information or verify the inconsistent responses; if these efforts proved unsuccessful, the participant’s response was entered as “Unsure” or “Not Applicable.”

	Respondents	Percentage
Lackawanna	155	

Question # 1: Do you own your home/property?

Yes	152	97.8%
No	1	0.7%
Blank	2	1.5%
Total	155	100%

Question # 2: Do you own rental/income property?

Yes	29	17%
No	117	77%
Blank	9	6%
Total	155	100%

Question # 3: What is your approximate annual income?

Under \$15,000	18	14%
\$15,000-\$25,000	19	13%
\$25,000-\$40,000	42	27%
\$40,000-\$60,000	44	27%
Over \$60,000	20	12%
Blank	12	7%
Total	155	100%

* Seven percent of those surveyed did not answer this question

Question # 4: If you own your home/property, do you currently have a first or second mortgage out on your home?

Yes	107	66.7%
No	43	29.6%
Unsure	5	3.7%
Total	155	100%

Question # 5: Do you pay for flood-insurance on this property?

Yes	131	83.0%
No	20	14.0%
Unsure	4	3.0%
Total	155	100%

Question # 6: Was obtaining flood-insurance on your home/property a requirement for obtaining this mortgage?

Yes	129	81.3%
No	16	11.9%
Unsure/Blank	10	6.8%
Total	155	100%

Question # 7: Who is your flood insurance provider?

Provider	Respondents
NY Central Mutual	7
State Farm	25
Allstate	42
Travelers	5
Liberty Mutual	7
Nationwide	5
Hartford	1
American Security	1
Other	26
No Provider Specified	36
Total *	155

- In total, twenty-six different flood insurance providers were named.
- Currently, about one hundred insurance companies write flood insurance with FEMA.²

Question # 8: How much do you pay annually for flood-insurance on your home/property?

Respondents	Mean	Median	Mode	Range
123 *	\$771.26	\$650	\$600	\$170-3022.65

Twenty-three percent of those surveyed did not answer this question

Mean refers to the average of all of the values.

Median refers to the middle number in a sequence of values, taken as an average of the two middle numbers when the sequence has an even number of numbers.

Mode refers to the most frequently occurring number in a set of values.

Range is a statistical term that refers to the difference between the largest and smallest values in a sequence.

Annual Premium	Respondents
Less than \$200	1
\$200 - \$299	9
\$300 - \$399	8
\$400 - \$499	13
\$500 - \$599	13
\$600 - \$699	20
\$700 - \$799	13
\$800 - \$899	10
\$900 - \$999	4
\$1,000 - \$1,299	16
\$1,300 or Greater	16
Unsure	32
<i>Total</i>	<i>155</i>

Question # 9: Has the amount you pay for flood-insurance increased over the last five (5) years?

	Respondents	Percentage
Yes	108	66.7%
No	17	11.0%
Unsure	16	10.4%
Blank	14	11.9%
<i>Total</i>	<i>155</i>	<i>100%</i>

Question # 10: If the amount you pay annually has increased, by approximately how much has it increased?

Annual Premium	Respondents	Percentage
Less than \$100	41	26%
\$101 - \$200	23	16%
\$201 - \$300	9	6%
\$300 or greater	27	15%
No Increase	19	11%
Blank	36	26%
<i>Total</i>	<i>155</i>	<i>100%</i>

Question # 11: Have you ever filed a claim for flood related damages with your flood-insurance carrier?

	Respondents	Percentage
Yes	4	1.5%
No	140	88.9%
Blank	11	9.6%
<i>Total</i>	<i>155</i>	<i>100%</i>

Question # 12: If you have filed a flood-insurance claim for damages, were you reimbursed by your flood- insurance carrier?

Yes *	2	2%
No	153	98%
Total	155	100%

* Claimed under a Standard Flood Insurance Policy (SFIP).

Question # 13: Have you ever privately had your home/property surveyed for elevation?

Yes	13	8.3%
No	129	81.5%
Blank	13	10.2%
Total	155	100%

Question # 14: If you have privately had your home/property surveyed for elevation, do you recall what this measurement was?

No responses to this question.

Question # 15: Do you currently pay for additional coverage (rider to homeowner’s insurance) to protect your home/property from basement flooding?

Yes	23	13%
No	112	73%
Unsure	20	14%
Total	155	100%

Question # 16: If you pay for additional coverage to protect your home/property from basement flooding, how much do you pay annually?

Respondents	Mean	Median	Mode	Range
16*	\$202.75	\$112.50	\$75	\$17 - \$629

- Ninety percent of those surveyed did not answer this question

Annual Premium	Respondents
Less than \$100	8
\$100 - \$199	2
\$200 - \$299	1
\$300 - \$399	2
\$400 - \$499	1
\$500 or greater	2
Blank	139
Total	155

Do you have any additional information that you think may be useful in this survey or the resolving of this issue?
See *Extract of Selected Respondent Comments, infra*.

Extract of Selected Respondent Comments

- The money I spend on Flood Insurance could be useful in doing other things to my home such as new windows. It's a waste of my money and others that are burdened with this federal mandate.
- **When we first purchased our home in May of 2012, we had no idea the home was in the flood zone until two days before closing on the house. I find this extremely unfair and irresponsible. The creek is half a block from our house. I think flood insurance is absurd in this area and it should not be required.**
- The creek was dug up many years ago to make it deeper. No floods have occurred since the dredging.
- We needed to refinance and I was required to purchase flood insurance.
- I think it is getting out of hand, paying more now than when I first purchased my home. This is a big issue for Lackawanna.
- **It is shameful that my homeowner's is \$225/year and flood insurance is more than double at \$611. The flood insurance only protects the banks and not the homeowners. It is not intended to protect homeowners but to take hard earned money from them.**
- I think this is an injustice for me and others who live in Lackawanna. We are forced to pay flood insurance.
- **We were shocked that the flood insurance was based on the rebuild value (\$200,000) not the assessed value (\$40,000) of the home. Our monthly payments turned out to be over \$150 more than our bank had originally estimated.**
- We have had our home adjacent to Smokes Creek for over 42 years. We have never flooded because of the creek overflowing. The Army Corps of Engineers widened Smokes Creek in the 1960's.
- **I was forced to obtain flood insurance when I bought my home. I paid \$399 for 10 years then it suddenly increased to \$1000. I had to change insurance companies to lower it \$804.**
- Change the flood plain maps to take Lackawanna out of the 100 year flood plain.
- I don't understand why I am paying flood insurance while my neighbors aren't and yet they are 6-7 houses down from me.
- I personally feel that the flood zone could be made much smaller considering the creek has not flooded. It is very much an expensive inconvenience.
- We have never flooded in the whole Bethlehem Park neighborhood for the entire 70 years I have lived here.

- Been waiting 20 years for this to be settled.
- **They want my home insured both hazard and flood to replacement cost which they estimate at \$250,000. What happened to insurance enough to cover loan?**
- Since I owned my home I have never had a flood. I hate the fact that families have to struggle to make ends meet for something that really isn't helping out in any way.
- As hard as it rained in the last 25 years, I have never had the creek overflow. My house and property go right to the creek bank.
- Homeowners in our area would very much like this to be looked into. The people along North and South Legion no longer have to pay for flood insurance and the creek is right there.
- I am a senior citizen in my 70's, I can't afford flood insurance and want to know when they are going to change the maps.
- **I bought my home in 2000 and my flood insurance was \$503/ year, today it is close to \$1300/ year. My mortgage keeps going up and I am afraid I am going to lose my home.**
- Being forced to pay high premiums for insurance for something that will never be needed in my life is an absolute travesty. I have been paying a mortgage for 8 years without flood insurance and all of a sudden I get a notice that it is required. I cannot afford, nor do I care to make, the necessary repairs on my home because of the cost of flood insurance.

To Learn More

Website Information:

Additional information on Flood Insurance can be obtained from the FEMA website:

<http://www.fema.gov/index.shtm>

To view the Lackawanna Flood Insurance Report or to fill out a survey go to:

<http://assembly.state.ny.us/mem/Michael-P-Kearns>

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