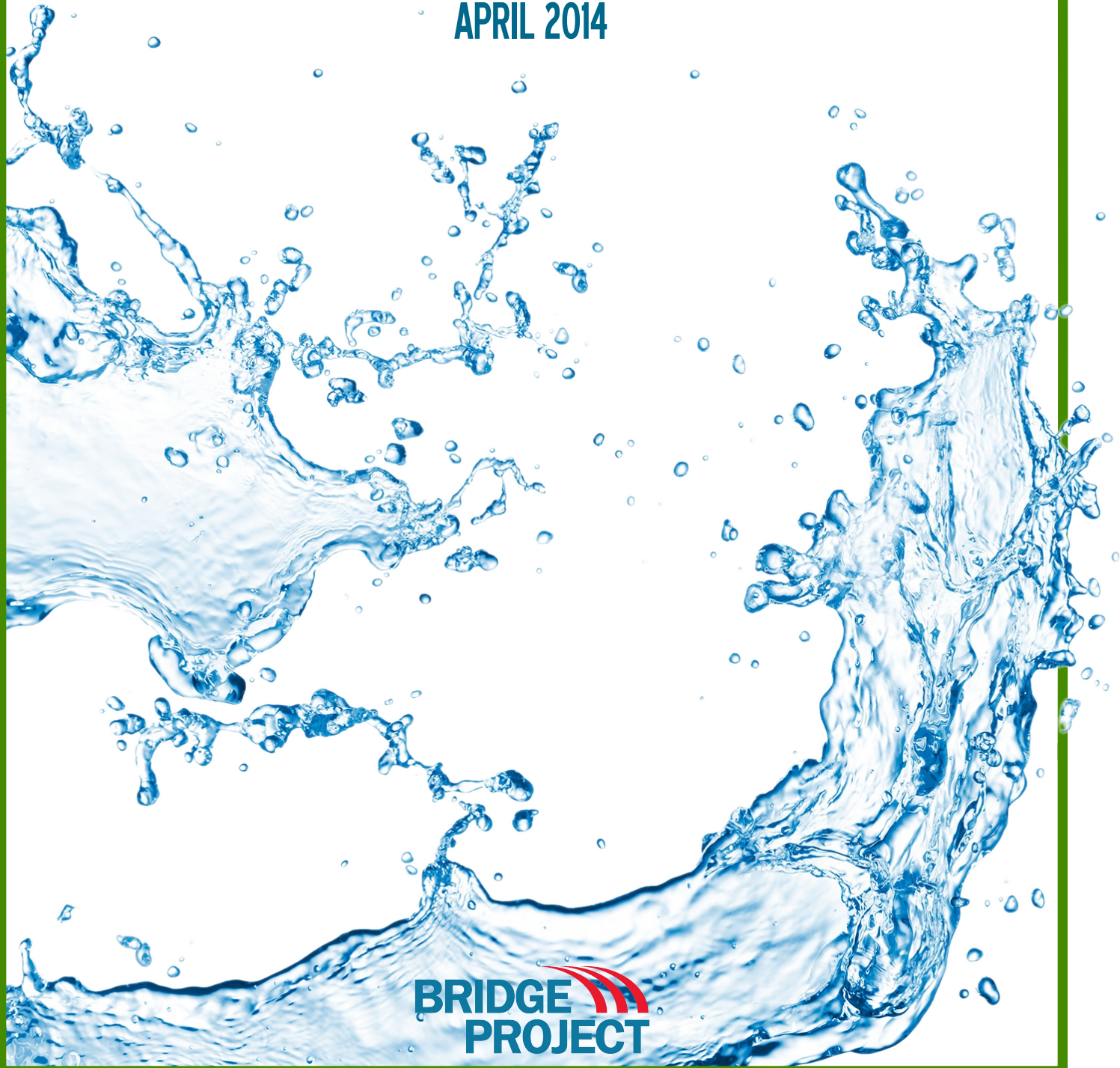


# THE KOCHS' MISSION TO MAKE KATRINA VICTIMS PAY MORE FOR FLOOD INSURANCE

APRIL 2014



**BRIDGE  
PROJECT**

## Table Of Contents

<b>Introduction .....</b>	<b>2</b>
<b>In 2012, Congress Tried To Shore Up National Flood Insurance Program By Passing Biggert-Waters Act.....</b>	<b>3</b>
<b>Unintended Consequence Of Biggert-Waters Was Astronomical Flood Insurance Premium Hikes For Some Louisiana Homeowners .....</b>	<b>3</b>
Louisiana Homeowners Rely On National Flood Insurance Program.....	5
Biggert-Waters’ Out-Of-Control Premium Hikes Threatened Louisiana Real Estate .....	6
<b>After Broad Support For Changes, Congress Passed A Bipartisan Bill To Stave Off “Stratospheric” Flood Insurance Premium Increases.....</b>	<b>7</b>
<b>...But The Koch Brothers Tried To Kill The Bill, And Urged An End To All Flood Insurance Subsidies .....</b>	<b>9</b>

## Introduction

When Congress passed the 2012 Biggert-Waters Act, the goal was to keep the National Flood Insurance Program afloat after insurance payouts from several devastating hurricanes, including Katrina, left the program in debt. However, lawmakers did not foresee the legislation's impact on Louisiana homeowners: sky-high flood insurance premiums for some of the same families that had already suffered through the "single most catastrophic natural disaster" in U.S. history. The Biggert-Waters Act hit some Louisiana families with annual premiums as high as \$18,000 and threatened to destabilize the state's property values and housing market.

Yet when Congress, backed by a wide bipartisan coalition, was preparing to halt the harmful effects the flood insurance hikes were having on Louisiana, the Koch brothers tried to intervene and kill the legislation. Their Tea Party-affiliated group, Americans for Prosperity, backed plans to end *all* federal flood insurance subsidies for property owners and preserve "the crux" of the faulty Biggert-Waters Act despite its harm to Louisiana homeowners. Although opposition from conservative groups like AFP caused House leaders to delay a vote on the fix, Congress passed the Homeowner Flood Insurance Affordability Act in March 2014, staving off Biggert-Waters' extreme premium hikes despite the Koch Brothers' efforts.

# In 2012, Congress Tried To Shore Up National Flood Insurance Program By Passing Biggert-Waters Act

**After Insurance Payouts Related To Katrina And Other Hurricanes Left The National Flood Insurance Program In Debt, Congress Passed The Biggert-Waters Act To End Federal Subsidies For Insuring Flood-Prone Properties.** According to the New York Times, “A major flood insurance bill was a rarity when it passed what is widely derided as a do-nothing Congress in 2012, but a year and a half later, there is now an enthusiastic bipartisan effort to gut it. [...] The Biggert-Waters measure sought to reform the nation’s nearly bankrupt flood insurance program, ending federal subsidies for insuring buildings in flood-prone coastal areas. Over the past decade, the cost to taxpayers of insuring those properties has soared, as payouts for damage from Hurricanes Katrina, Irene, Isaac and Sandy sent the program \$24 billion into debt.” [New York Times, [1/28/14](#)]

- **The National Flood Insurance Program Paid \$13 Billion Toward Post-Katrina Claims In Louisiana.** According to the Federal Emergency Management Agency, “The federal government has spent \$120.5 billion on the Gulf region, post-Katrina. [...] The National Flood Insurance Program paid out \$16.1 billion in claims, with \$13 billion going toward claims in Louisiana.” [FEMA.gov, accessed [3/28/14](#)]
- **FEMA: Hurricane Katrina Was “The Single Most Catastrophic Natural Disaster And Costliest Hurricane In U.S. History.”** According to the Federal Emergency Management Agency, “Katrina alone was the single most catastrophic natural disaster and costliest hurricane in U.S. history.” [FEMA.gov, accessed [3/28/14](#)]

## Unintended Consequence Of Biggert-Waters Was Astronomical Flood Insurance Premium Hikes For Some Louisiana Homeowners

**The Biggert-Waters Act Aimed To “Shift The Financial Risk Of Insuring Flood-Prone Properties” From Taxpayers To Homeowners, But It Was Followed By Premiums That Were Up To 10 Times Higher.** According to The New York Times, “The aim of the measure was to shift the financial risk of insuring flood-prone properties from taxpayers to the private market. Homeowners, rather than taxpayers, would shoulder the true cost of building in flood zones. [...] But a year after the law passed, coastal homeowners received new flood insurance bills that were two, three, even 10 times higher than before.” [New York Times, [1/28/14](#)]

**New FEMA Flood Maps Under The Biggert-Waters Act Caused Some Communities To Be Deemed “Higher Risk” Flood Zones, Which “Made Flood Insurance Rates Skyrocket For Many Longtime Homeowners.”** According to National Public Radio, “Being deemed a higher

risk as a flood zone has some financial consequences under the federal law passed in 2012: It has made flood insurance rates skyrocket for many longtime homeowners. [...] The idea behind the Biggert-Waters Flood Insurance Reform Act was to shift the financial risk of insuring flood-zone properties from the government to homeowners. What lawmakers didn't foresee at the time was that new FEMA flood maps would bring staggering premium hikes for many of the 5.5 million people covered by the National Flood Insurance Program.” [NPR.org, [2/27/14](#)]

**Biggert-Waters Didn't Allow Grandfathered Rates For Homes Intentionally Built Outside Of High-Risk Flood Zones Whose Risk Profiles Change Under Redrawn FEMA Maps.**

According to the New York Times, “Approved by Congress in July 2012 as part of a wide-ranging transportation bill, the Biggert-Waters Act was intended to regain control of an increasingly unsustainable National Flood Insurance Program. [...] The alarm over the new law spreads beyond those losing subsidies to even those who intentionally built outside of high-risk flood zones and are currently paying unsubsidized but relatively low premiums. In the past, if flood maps were redrawn and a property's risk profile changed, the old rate was 'grandfathered' in. The new law ends that practice beginning late next year. So when the Federal Emergency Management Agency recently presented revised maps for south Louisiana, the reaction was alarm.” [New York Times, [10/12/13](#)]

- **After One Louisiana Woman's House Was Added To FEMA Flood Zone, She Was Told She Had To Raise Her House By Eight Feet Or Pay \$18,000 A Year In Flood Insurance.** According to Businessweek, “When Catherine Porthouse bought a home in 2010 in the bayous of Louisiana, she didn't worry much about the possibility of flood damage. Her house, in the town of Des Allemands, is shielded by marshlands and a levee and had no history of problems. Flood insurance wasn't required, but she purchased a policy just in case. In March, Porthouse got a rude surprise. The Federal Emergency Management Agency announced at a town meeting that it had rewritten the state's flood maps and added her house and hundreds of others to Louisiana's flood zone. She was told she'll have to raise her house 8 feet into the air and fill in the space beneath it. If she doesn't, her yearly flood insurance bill will jump from \$388 to \$18,000. 'I left in tears,' Porthouse says.” [Businessweek.com, [8/22/13](#)]
- **One Louisiana Man Could Have Seen His Annual Flood Insurance Premium Increase By Nearly \$17,000, Even Though His Home Had No History Of Flooding.** According to National Public Radio, “We live check to check. And if you walk around this neighborhood, you'll find that most of the people around here live check to check,’ says Ward Aucoin, another resident of Bayou Gauche. Right now, Aucoin is paying \$370 per year for flood insurance. But in a few years, under Biggert-Waters, he's supposed to pay more than \$17,000 annually. ‘You know, a meteor could hit my house, but I don't go spend \$20,000 for just in case it hits my house,’ says Aucoin. ‘No one's flooding around here, so it's kind of hard for me to justify — and everybody to justify — \$18,000, or whatever it's gonna be, for something that's never happened that may happen.” [NPR.org, [2/27/14](#)]
- **One Louisiana Resident Could Have Seen His Flood Insurance Premium Increase From \$400 To Over \$9,000 A Year Under The Biggert-Waters Act.** According to an amicus brief filed by the Louisiana Department of Insurance, “The combined effects of several provisions of BW-12 [Biggert-Waters Act] have dramatically increased, and/or will dramatically increase, the flood insurance premium rates for [National Flood Insurance



Program] policy holders, particularly those in flood prone areas such as southern Louisiana and Mississippi. First, BW-12 directs that Flood Insurance Rate Maps ('FIRMs') be updated in light of experience from hurricanes and storms such as Katrina and Rita. [...] Another individual owns a primary residence purchased in January 2013 worth \$359,000 in Belle Chasse, Louisiana. Although his property complied with the BFE [Base Flood Elevations] at the time of construction, his flood insurance premium will rise from \$400 per year to over \$9,500." [Louisiana Department of Insurance Amicus Brief via LDI.State.LA.US, [11/18/13](#)]

- **The Biggert-Waters Act Thwarted A Louisiana Man's Attempt To Purchase A Home After An Initial Flood Insurance Quote Jumped From \$1,300 A Year To \$8,300.**

According to an amicus brief filed by the Louisiana Department of Insurance, "A Louisiana financial institution reports that an applicant for a primary residential home financing in Terrebonne Parish, Louisiana, obtained a flood quote on August 20, 2013, for \$1,372, but when the loan went to closing on October 24, 2013, because of BW-12 [Biggert-Waters Act], a new quote indicated that he would be charged a premium of \$8,340 for the same coverage. The customer's debt to income became unacceptable, and the customer no longer wanted to complete the purchase, so the sale fell through." [Louisiana Department of Insurance Amicus Brief via LDI.State.LA.US, [11/18/13](#)]

## **Louisiana Homeowners Rely On National Flood Insurance Program**

**Homeowners With Mortgages In Designated Flood Plains Are Required To Purchase Flood Insurance.** According to the New York Times, "Every property with a mortgage in a designated flood plain must have flood insurance, and the federal government insures a vast majority of them." [New York Times, [10/12/13](#)]

**Louisiana Department Of Insurance: Post-Katrina FEMA Grants Were Partly Conditioned On Remaining In The National Flood Insurance Program, But At The Time "Rates Were Reasonable And Were Anticipated To Remain So."** According to the Associated Press, "Louisiana's Department of Insurance has joined a lawsuit filed by Mississippi against the federal government to try to block rates from increasing Oct. 1 in the National Flood Insurance Program. [...] Louisiana's brief also states that many residents received FEMA grants and other benefits following Katrina, conditioned in part upon their continued participation in the NFIP. At the time they did so, the NFIP rates were reasonable and were anticipated to remain so. Moreover, those that rebuilt did so in compliance with then-applicable Base Flood Elevations, the document states." [Associated Press, [11/29/13](#)]

**Louisiana's Nearly 500,000 Flood Policyholders Pay The Third Most In Premiums To The National Flood Insurance Program.** According to the Associated Press, "Louisiana flood policyholders currently pay more than \$360 million in premium to the NFIP, which is the third most premium in the nation, after Florida and Texas. As of Sept. 30, there were about 483,000 NFIP policies in force in Louisiana." [Associated Press, [12/2/13](#)]

## **Biggert-Waters' Out-Of-Control Premium Hikes Threatened Louisiana Real Estate**

**Realtors Association Representative: Flood Insurance Premium Increases Had A “Chilling Effect On Home Sales” In Louisiana.** According to the Times-Picayune, “Across Louisiana and the U.S. home and business owners had faced huge insurance increases as a the [*sic*] result of the Biggert-Waters Act. [...] Kelli Walker, senior director of government affairs for the New Orleans Metropolitan Association of Realtors said the premium increases had a chilling effect on home sales. ‘With the Biggert-Waters Act it caused a lot of confusion among homeowners and new home buyers,’ Walker said. ‘People just weren’t sure how to proceed.’ The cost and availability of flood insurance is a major factor when people are shopping for homes, she said.” [Times-Picayune, [3/18/14](#)]

**Homeowners Were Concerned They Would Not Be Able To Sell Their Homes Because Buyers Would Be Forced To Pay “Steep Premiums” For Flood Insurance.** According to the New York Times, “Homeowners are now concerned that they may not be able to sell their homes because anyone buying a property will be forced to pay the steep premiums. This has created a worrisome ripple effect in the real estate market, and some residents fear that the value of their homes has dropped.” [New York Times, [10/12/13](#)]

**One Louisiana Community Saw Its Property Values Drop By As Much As 30 Percent Due To Flood Insurance Premium Increases.** According to the Houma Courier, “Flood insurance is required by almost all mortgage agreements in flood zones, and requiring a hefty premium could cause a property's value to drop significantly, local politicians and bankers have said. [...] Bayou Gauche is already seeing the real estate market sputter and property values dip. Tab Troxler, St. Charles Parish tax assessor, has lowered property values between 18 and 30 percent because of the ‘untenable’ rates and the corresponding lack of real estate activity in Bayou Gauche.” [Houma Courier, [10/11/13](#)]

**Louisiana Realtors Supported Passage Of The Flood Insurance Relief Legislation Because The Cost And Availability Of Flood Insurance Is A “Major Factor” When People Are Looking To Buy Homes.** According to the Times-Picayune, “Realtors across south Louisiana were applauding Congressional lawmakers' passage of legislation that will limit flood insurance premium increases on most policies to 18 percent per year. Across Louisiana and the U.S. home and business owners had faced huge insurance increases as a the result of the Biggert-Waters Act. [...] Kelli Walker, senior director of government affairs for the New Orleans Metropolitan Association of Realtors said the premium increases had a chilling effect on home sales. ‘With the Biggert-Waters Act it caused a lot of confusion among homeowners and new home buyers,’ Walker said. ‘People just weren't sure how to proceed.’ The cost and availability of flood insurance is a major factor when people are shopping for homes, she said.” [Times-Picayune, [3/18/14](#)]

# After Broad Support For Changes, Congress Passed A Bipartisan Bill To Stave Off “Stratospheric” Flood Insurance Premium Increases...

**Republican Louisiana Gov. Bobby Jindal Urged Congressional Leaders To Stop The “Irrational” Flood Insurance Premium Increases From Hitting Homeowners And Businesses.** According to the Associated Press, “After months largely silent on the issue, Louisiana Gov. Bobby Jindal is urging congressional leaders to stop higher flood insurance premiums from hitting homeowners and businesses. Jindal sent a letter to the Republican and Democratic leaders of both the U.S. House and Senate, asking them to support an immediate delay in the increases set in motion by a 2012 revamp of the federal flood insurance program. The Republican governor described the insurance rate hikes that were tied to the program overhaul as ‘irrational, not actuarial.’” [Associated Press, [2/20/14](#)]

**Louisiana’s Department Of Insurance Had Joined A Lawsuit Against The Federal Government Seeking To Block The “Devastating” Flood Insurance Premiums.** According to the Associated Press, “Louisiana's Department of Insurance has joined a lawsuit filed by Mississippi against the federal government to try to block rates from increasing Oct. 1 in the National Flood Insurance Program. Commissioner Jim Donelon said Wednesday that the department had filed an ‘amicus curiae, or friend of the court’ brief in Mississippi's lawsuit. Donelon said the proposed increases under the Biggert-Waters Flood Insurance Reform Act could be devastating for south Louisiana homeowners.” [Associated Press, [11/29/13](#)]

**Sen. Mary Landrieu Co-Sponsored the Senate’s Version Of The Homeowner Flood Insurance Affordability Act.** According to Congress.gov, website, Sen. Mary Landrieu (D-LA) co-sponsored S.1846, the Homeowner Flood Insurance Affordability Act. [Congress.gov, S.1846, [12/17/13](#)]

**Democratic Biggert-Waters Namesake Led The Effort In The House To “Gut” The Biggert-Waters Act.** According to the New York Times, “This week the Senate is expected to approve a measure that would block, repeal or delay many of the key provisions of the Biggert-Waters Flood Insurance Reform Act, which was sponsored by Representative Judy Biggert, an Illinois Republican, and Representative Maxine Waters, a California Democrat. [...] But Ms. Waters is now leading an effort in the House to gut the legislation she sponsored.” [New York Times, [1/28/14](#)]

**In March, President Obama Signed Homeowner Flood Insurance Affordability Act, A “Bi-Partisan Effort” That “Staved Off Immediate Stratospheric Increases” In Flood Insurance Premiums.** According to the Times-Picayune, “President Barack Obama's signing of the Homeowner Flood Insurance Affordability Act last week staved off immediate stratospheric increases in federally mandated flood-insurance premiums for homeowners. [...] [U.S. Sen. Mary] Landrieu joined her challenger for re-election, U.S. Rep. Bill Cassidy, R-Baton Rouge, and half a dozen south Louisiana parish presidents in praising the new law as well as the bi-partisan effort that led up to it.” [Times-Picayune, [3/24/14](#)]



- **The Law Limited Flood Insurance Premium Increases To An Average Of 15 Percent Per Year And Limits Increases For All Individual Policyholders To No More Than 18 Percent Per Year.** According to the Times-Picayune, “The Homeowner Flood Insurance Affordability Act limits yearly premium increases to an average of 15 percent per year for each of the nine property categories listed by FEMA, and stipulates that no individual policyholder pay an increase of more than 18 percent per year. It calls on FEMA to ‘strive’ to reach the goal that most policyholders have a premium of no more than 1 percent of the value of their coverage -- in other words, \$2,000 for a \$200,000 policy.” [Times-Picayune, [3/21/14](#)]
- **The Law Reinstated Grandfathering Provision Protecting Homeowners From Large Premium Increases When New Maps Showed Increased Risk Of Flooding.** According to the Times-Picayune, “The bill also reinstates the flood insurance program's grandfathering provision, meaning homes that complied with previous flood maps would not be hit with large increases when new maps show greater risk of flooding. [Times-Picayune, [3/21/14](#)]
- **Law Refunded Premiums Hikes That Occurred When Homes Changed Ownership.** According to the Times-Picayune, “It also provides refunds of premiums for people who purchased homes after Biggert-Waters became law in July, 2012, and learned the change in ownership marked a sudden end to subsidized flood insurance premiums -- sometimes resulting in dramatic increases when policy renewals were due.” [Times-Picayune, [3/21/14](#)]

**Homeowner Flood Insurance Affordability Act Passed With Wide Bipartisan Support.** H.R. 3370, the Homeowner Flood Insurance Affordability Act, passed the House with support from 126 Republicans and 180 Democrats. It passed the Senate with support from 21 Republicans and 49 Democrats. [H.R. 3370, Vote #91, [3/4/14](#); H.R. 3370, Vote #78, [3/13/14](#)]

**Rep. Waters Said She Was Happy That The Law’s Unintended Premium Increases Had Been Corrected.** According to the Times-Picayune, “The bill's passage brought five House members -- Reps. Bill Cassidy, R-Baton Rouge, Michael Grimm, R-N.Y., Steve Scalise, R-Jefferson, Cedric Richmond, D-New Orleans and Maxine Waters, D-Calif., the co-author of Biggert-Waters across the Capitol to the Senate side to join Senate sponsors of the flood insurance legislation at a hastily called news conference Thursday afternoon. Waters said that as the ‘Waters in Biggert-Waters’ she's now happy that the unintended consequences of the law -- huge increases in premiums for some of the program's 5.5 million policyholders, have been corrected.” [Times-Picayune, [3/13/14](#)]

**Sen. Landrieu On Flood Relief Bill: “The Most Pernicious Provisions And Draconian Rate Increases Of Biggert-Waters Have Successfully Been Stopped.”** According to a press release on Senator Mary Landrieu’s Senate website, “After nearly two years of work by U.S. Senator Mary L. Landrieu, D-La., the U.S. Senate passed legislation to stop draconian flood insurance rate increases resulting from the flawed Biggert-Waters legislation passed in 2012 over her strong objections and return affordability as a centerpiece of the National Flood Insurance Program. [...] ‘After nearly two years of arduous work and steadfast determination by a broad coalition of individuals, business groups and community leaders, the most pernicious provisions and draconian rate increases of Biggert-Waters have successfully been stopped and affordability has been returned as the centerpiece of the National Flood Insurance Program.’” [Press Release – Landrieu.Senate.gov, [3/13/14](#)]

## ...But The Koch Brothers Tried To Kill The Bill, And Urged An End To All Flood Insurance Subsidies

**The Koch Brothers Opposed The Flood Insurance Reform Legislation Intended To Reverse Large Premium Spikes.** According to Salon, “The Koch brothers, who are attacking incumbent Sen. Mary Landrieu, D-La., opposed flood insurance reform legislation intended to reverse large premium spikes facing homeowners in flood prone and newly flood-prone areas.” [Salon.com, [3/20/14](#)]

**Koch-Funded Americans For Prosperity Urged Lawmakers To Reject The Flood Insurance Premium Relief Legislation.** According to the Times-Picayune, “Americans for Prosperity, the conservative advocacy group spending heavily on ads trying to stop Sen. Mary Landrieu, D-La., from winning a 4th term, is continuing with another battle that it isn't promoting in Louisiana. On Tuesday, the group urged lawmakers to reject legislation backed by Landrieu's leading GOP Senate opponent, Rep. Bill Cassidy of Baton Rouge, aimed at preventing large increases in premiums for flood insurance recipients in Louisiana and elsewhere. On its website, the group, funded largely by the billionaire industrialists' brothers, David and Charles Koch, says it is [*sic*] ‘is proud to join’ a coalition urging Congress not to pass legislation to delay most premium increases.” [Times-Picayune, [2/25/14](#)]

**AFP Signed A Memo Claiming The Homeowner Flood Insurance Affordability Would “Delay Many Of The Crucial Reforms” Of The Biggert-Waters Act.** According to a Conservative Action Project memo signed by Americans for Prosperity, “On January 30, 2014, the Senate voted 67-32 to pass the Homeowner Flood Insurance Affordability Act (S.1926), introduced by Senators Mary Landrieu (D-LA) and Bob Menendez (D-NJ). The bill would delay many of the crucial reforms of the Biggert-Waters Flood Insurance Reform Act of 2012 instituted to place the National Flood Insurance Program on a sounder footing.” [Conservative Action memo via AmericansForProsperity.org, [2/25/14](#)]

- **The Memo Urged Members To Reject Biggert-Waters Fix And “Put An End To Flood Insurance Subsidies That Distort The Market, Belie The Foundation Of The NFIP, And Expose Taxpayers To Further Debt.”** According to a Conservative Action Project memo signed by Americans for Prosperity, “Members of the House should reject all forms of this bill and put an end to flood insurance subsidies that distort the market, belie the foundation of the NFIP, and expose taxpayers to further debt.” [Conservative Action memo via AmericansForProsperity.org, [2/25/14](#)]
- **The Memo Claimed That A Delay In The Flood Insurance Premium Rates Set Under The Biggert-Waters Act Would “Mark A Complete Repeal Of Ongoing Efforts To Set Accurate Rates.”** According to a Conservative Action Project memo signed by Americans for Prosperity, “The Biggert-Waters legislation authorized the NFIP for five years, from 2012 to 2017. This delay would in fact mark a complete repeal of ongoing efforts to set accurate rates and immunize taxpayers.” [Conservative Action memo via AmericansForProsperity.org, [2/25/14](#)]

**AFP Supported Toomey Amendment That Would Have Preserved The “Crux” Of Biggert-Waters.** According to an open letter to the U.S. Senate signed by Americans for Prosperity, “On behalf of the undersigned organizations, we write today in strong support of Senator Toomey’s amendment to S. 1926, the so-called ‘Homeowner Flood Insurance Affordability Act.’ [...] We urge you to support the Toomey amendment in order to preserve the crux of the vital reforms Congress made to the National Flood insurance Program in the Biggert-Waters Flood Insurance Reform Act of 2012.” [Open Letter to U.S. Senate via AmericansForProsperity.org, [1/28/14](#)]

- **Louisiana Lawmakers, Including GOP Sen. Vitter, Said The Toomey Amendment Didn’t Do “Nearly Enough” To Ensure Flood Insurance Premiums Stayed Affordable.** According to The Times-Picayune, “The problem is that Louisiana lawmakers, including Sen. David Vitter, R-La., said the Toomey bill, though well-intentioned, doesn't do nearly enough because it fails to set up a process to ensure premiums remain affordable.” [Times-Picayune, [3/26/14](#)]

**House Leadership Delayed Biggert-Waters Fix After Opposition From AFP And Other Conservative Groups Threatened Vote Count.** According to The Times-Picayune, “House Majority Leader Eric Cantor told House Republicans Wednesday that he will put off a vote -- slated for Thursday -- on legislation designed to avert major increases in flood insurance premiums. Cantor said he would work with Democrats, who expressed concern that the bill could still lead to exorbitant rate increases for some policyholders. [...] House leaders had planned to bring the bill up this week under a process that requires a two-thirds vote. Given opposition from conservative groups such as Heritage Action and Americans for Prosperity, it would be hard to meet that threshold unless most Democrats vote yes.” [Times-Picayune, [2/26/14](#)]