
Commission Meeting

of

STATE BEACH EROSION COMMISSION

*“Coastal Property Insurance and Successful Hazard
Mitigation Strategies”*

LOCATION: Ocean City Municipal Hall
Ocean City, New Jersey

DATE: September 18, 1996
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Assemblyman John C. Gibson, Vice-Chairman
Ronald E. Hoffman
Norbert P. Psuty, Ph.D.

ALSO PRESENT:

Senator James S. Cafiero
District 1

Assemblyman Nicholas Asselta
District 1

Mary D’Arcy
Representing Assemblyman Reed Gusciora
District 15

George J. LeBlanc
Office of Legislative Services
Aide, State Beach Erosion Commission



Meeting Recorded and Transcribed by
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ASSEMBLYMAN JOHN C. GIBSON (Vice-Chairman): Good morning, everybody. Thank you for coming.

If there are any folks who did not already indicate that they were going to speak and they would like to speak, we would like you to use the sign-up cards. Ken (speaking to Kenneth Smith in audience), we can always count on you for some good remarks. Thank you.

First of all, I would like to thank the Ocean City Council for making these facilities available to us. Some of the members of the Council are here. We thank you very much.

Welcome. This is the third time that the New Jersey State Beach Erosion Commission has met in Ocean City. I am sure that today's meeting will be as productive as those in the past.

Let me introduce you to the members of the Commission and welcome them to our county. First of all, on the extreme right, is Mary D'Arcy. She represents Assemblyman Reed Gusciora. Thank you for being here, Mary. Then we have George LeBlanc, our Commission Aide. We have Ron Hoffman, who is the newest member of our Commission, and Dr. Norb Psuty. Both of these members are not members of the Legislature, but this Commission is unique in that it has eight members of the Legislature and four members who are experts in this field to assist us in our work.

Of course, I am John Gibson. I am Vice-Chair of the Commission, and I will Chair today's meeting. Then we have Senator James Cafiero, my colleague. Welcome, Jimmy. We're glad you're here. Then, I will skip this young lady. We have Cindy Codella, Deputy Commissioner of the Department of Banking and Insurance. Cindy will be our honored guest

today, and the one we will really be addressing most of our Commission agenda to. Alongside of you is one of your aides?

DEPUTY COMM. CYNTHIA L. CODELLA: Yes. To my right is Peggy Harrison, an Executive Assistant at the Department with me, and to my left is Paul De Angelo, Assistant Commissioner at the Department.

ASSEMBLYMAN GIBSON: Thank you.

The meeting is being recorded, so anyone who does, in fact, wish to speak, we would ask you to come up to the microphone and give your name, address, and who you represent.

Before moving on to the primary topic of today's meeting, I want to note for the record that New Jersey has recently received reasonably good news regarding Federal funding for beach erosion projects. Last week, the House passed the Energy and Water Appropriations bill. The Senate has not as yet followed suit, but we are optimistic about that.

KENNETH J. SMITH: Yesterday.

ASSEMBLYMAN GIBSON: Okay. Ken will give us an update. We also have Ted Keon, from the Army Engineers, here today to give us an update.

We expect, because of our efforts and our Congressman's efforts -- Congressman LoBiondo's efforts -- in that regard to normally include that in part of the Beach Erosion Commission's agenda. So we will certainly appreciate an update on that.

Is anyone here from the Congressman's office yet? (indiscernible response from audience; no microphone) Thank you for being here.

Under State law, this Commission is charged with investigating and studying the protection and preservation of beaches and our shorefront from erosion and other damaging elements. In the past, this Commission has examined such issues as Federal and State beach erosion funding, innovative technology to prevent erosion, and the Blue Acres Program.

I might just announce today, I was one of the authors of the Blue Acres Program and the birth of that was, in fact, given by this Commission. It was an idea that came out of this Commission in our last legislative session. It is now law. The Department is about 75 percent completed with the regulations they need. I understand in the prestorm type of applications, where I think we have about \$9 million available to municipal projects, they already have about 15 applications in. The regulations that govern those applications are in place and they are working on the poststorm part. They expect to have that done within a month.

As a matter of fact, Monday, one of their first workshops in Green Acres, which included Blue Acres, was held right here in Cape May County, in Wildwood Crest. So that is moving along, and those municipalities which can avail themselves of those new funds for certain isolated pockets of beachfront which they would like to acquire for access, to avoid, maybe, some costly protective project for a limited area-- That is what those Blue Acres funds are for.

This Commission, in essence, is looking for ways to protect the way of life along the Jersey coast. This way of life is responsible for a large percentage of New Jersey's \$24 billion tourism industry. However, it will not matter how much the State invests in infrastructure to prevent erosion if

individuals and businesses cannot afford to live and work at the shore. One of the major factors in the cost of living at the shore is insurance coverage. This will be the focus of today's meeting.

Many families which visit the shore often rent a house for a week. If the owner of that house cannot obtain home owner's insurance, that is one less family spending money in our State and in our community. The same applies to the pizza shop owner who can no longer afford his Federal flood policy premium. One less business along the shore means fewer jobs and less revenue.

The Commission has asked the Commissioner of the New Jersey Department of Banking and Insurance to address the issue of home owners' insurance. We are happy to have Deputy Commissioner Cynthia Codella here representing Commissioner Randall. We will also have a presentation from the Borough of Avalon on their award-winning mitigation strategy, which has allowed their residents to save money on their flood insurance policies. We also have a representative from the Federal Emergency Management Agency to comment on this subject as well.

So far we have Harry deButts here from Avalon, and we are expecting Mayor Pagliughi.

HARRY deBUTTS: He can't be here.

ASSEMBLYMAN GIBSON: Okay, so you will make the presentation. Thank you for being here, Harry

Who is here from FEMA?

ROBERT REYNOLDS: I am, Robert Reynolds.

ASSEMBLYMAN GIBSON: Robert, thank you for being here.

As I said before, if anyone is interested in addressing the Commission, please be sure to fill out one of the white sheets up front.

Deputy Commissioner, do you want to make some introductory remarks?

DEPUTY COMMISSIONER CODELLA: Yes, I would like to, if I may.

First of all, let me thank you, Vice-Chairman Gibson, other members of the Commission, and Senator Cafiero for inviting us to be here today. It is very important for us to convey that we have a deep sensitivity to the problems that are facing the residents of the coastal areas. We have been working, sometimes very feverishly, to try to bring together that which we believe will be an appropriate solution to this problem.

I thought I might make a few comments related to a little bit of the history of that which we have been doing before we open it up for any questions.

In the aftermath of storms like Hurricane Andrew in 1992, the industry -- the insurance industry -- has become increasingly concerned about its exposure in shore regions throughout the country. When problems with insurance availability at the New Jersey shore first became apparent in early 1993, the Department of Insurance conducted a survey of the major insurers to determine what changes they had made to their underwriting practices for home owners' insurance. The Department also arranged for the Fair Plan to increase its maximum coverage limits and approved numerous carrier filings for wraparound policies to provide the range of coverage typically associated with traditional home owners' policies.

The Department also convened a task force comprised of industry members to study the availability problem and propose solutions. When the situation worsened, legislation sponsored by several members of this Commission was enacted at the end of 1993 establishing a temporary moratorium on cancellation and nonrenewals based on proximity to the water or the risk of windstorm-related claims. The moratorium was in effect from December 29, 1993 to March 29, 1994.

When the moratorium expired, the Department was still concerned about the availability of home owners' coverage at the shore. At the same time, the number of new business applications submitted to the Fair Plan from shore areas continued to climb. At that point, the Department announced a three-pronged approach to dealing with this problem. This approach included encouraging companies to file catastrophic and other windstorm deductibles, as well as wraparound policies to supplement the Fair Plan coverage.

The Department also called for establishment by the industry of the Windstorm Market Assistance Program, or WINMAP. It is a voluntary industry mechanism intended to aid home owners located in designated coastal areas in finding voluntary market coverage. The WINMAP consists of two components: the Informal Referral Program, or IRP, where home owners can shop for coverage themselves using a list of companies that have indicated they will consider shore area risks using their normal underwriting standards. The second part is the Formal Assistance Program, or FAP, where home owners can apply for possible consideration by participating companies on an underwriting exception basis.

At this time, we are in the final stages of securing widespread industry involvement in WINMAP. Once we obtain sufficient industry participation, if a consumer is unsuccessful in obtaining coverage, his or her agent will be able to submit an application for processing through the Formal Assistance Program, which will be administered by the New Jersey Insurance Underwriting Association, which also administers the Fair Plan.

The FAP application process is structured so that every risk will be reviewed for consideration by at least three FAP insurers before it is turned over to the Fair Plan. As I indicated, the Windstorm MAP is intended to be a private solution to a marketplace problem. We are hopeful that the insurance industry will respond positively to this opportunity and make a broad-based commitment to participate. Ultimately, however, the success or failure of this program rests with the industry. Without a strong industry commitment, the Windstorm MAP will not achieve its intended purpose, and we will be forced to explore other alternatives such as mandatory programs to ensure that New Jersey consumers are able to obtain the coverage they need.

We have also taken steps to minimize the number of people who have to search for new coverage by attempting to reduce the number of home owner policies nonrenewed. One insurer was taken to a hearing to stop its nonrenewal practices, and a rule was amended to require insurers to offer coverage to existing policyholders, even when the writing agent no longer represents the company. The Department stands ready to take other administrative measures to be sure that policies are not terminated unfairly.

I again thank you for being here, and we look forward to hearing some of your questions, comments, and stories today.

ASSEMBLYMAN GIBSON: Thank you, Commissioner.

Do any members of the Commission have any introductory remarks they want to make?

MR. HOFFMAN: I have.

ASSEMBLYMAN GIBSON: Perhaps it would be a good idea to get the update on the Army Engineers' financing.

Ted, do you want to--

MR. SMITH: (speaking from audience) The bill passed the Senate yesterday.

MR. WHITE (Hearing Reporter): Mr. Chairman, I am afraid our recording equipment may not be able to pick up this gentleman's voice.

ASSEMBLYMAN GIBSON: Okay.

MR. WHITE: Thank you, sir.

MR. SMITH: Just briefly, the Energy and Water Appropriations bill passed the Senate yesterday. It was a wide margin. I believe there were only three dissenting votes. Then it goes to the President. We are good this year, because we don't have a line item veto. We'll see what happens next year.

ASSEMBLYMAN GIBSON: Maybe we will have a new President.

MR. SMITH: Yes, well, maybe. Some people were telling us that we are lucky to get the money, but I don't see it that way. I think we deserve every dollar for shore protection that we asked for. We have had some serious reductions in the studies -- the money allocated for studies. What happened was, the Senate followed the President's budget request right to the number,

which was zero. In conference, those numbers were put back. The House had approved these studies at reduced numbers.

The Philadelphia District can live with them, I hope. I see that Ted is here. But they are slimmed down. For the money we asked, which is really not very much, I see it being shaved thin. I see it as a disturbing trend for the future. We all need to do what we can to make sure that we are fully funded.

ASSEMBLYMAN GIBSON: Thank you, Ken.

Ted Keon, from the Army Engineers, would you like to add to that? We would appreciate it.

THEODORE L. KEON: As Ken indicated, we did get pretty much every study that had originally been a part of our plan to continue, funded this year, at reduced levels.

To summarize the steps that we had gotten to, there were two studies: the Manasquan Inlet to Barnegat Inlet study, which was in reconnaissance phase last year, which I talked to you folks about before. That had come to the end of its phase in Fiscal Year 1996 and, therefore, by policy, was unable to continue in the feasibility phase in 1997. We did receive funding to initiate that study. Likewise, the Great Egg Harbor Inlet to Townsends Inlet study, which includes the southern portion of Ocean City, obviously of interest to a lot of people here, and the Strathmere-Sea Isle area is in the same boat. That was stopped because of reconnaissance phase completion. That will receive money, presumably, in 1997 to continue the feasibility phase.

The Long Beach Island study, which has been continuing -- that was initiated last year for the feasibility phase with money added to last year's budget -- also received money, so we are still able to continue that. That study, as will the other two that I just mentioned, will require annual appropriations for us to continue. We are unable to budget for these jobs.

Two jobs that are further along in our process that had completed -- or one had completed and one will complete the feasibility phase, the Absecon Island interim study-- This was a very important study that had been done for Atlantic City, Ventnor, Margate, and Longport. We had submitted the final report in August, which is actually a greatly accelerated schedule from what we had intended originally-- That report was finalized. We did receive some money to initiate our planning and design efforts which are subsequent to that for Fiscal Year 1997.

The Townsends to Cape May study, which includes most of Avalon, Stone Harbor, and then the shorefront of North Wildwood, that has completed its draft report phase and is being reviewed right now by our headquarters, but next year's budget does also include some money, assuming that we get to completion in Fiscal Year 1997. It will provide money for us to do our follow-on design efforts in 1997 as well.

So it is good news for us to be able to continue. As Ken indicated, it is a little bit less than we had anticipated we would be able to use, but it keeps us in the boat.

Thank you.

ASSEMBLYMAN GIBSON: Thank you. Thank you very much.

I would like to turn the meeting over to Harry deButts, so he can share with us the good work that Avalon has been doing. They have received an award from an insurance company, and I think everyone in the audience will be interested in Avalon's presentation.

Harry?

MR. deBUTTS: I will try to talk loud. I think this microphone is for recording purposes.

I am Harry deButts. I am the Director of Public Works and Utilities in Avalon. I am also the Emergency Management Coordinator. I have been asked many times to talk about what Avalon has been doing over the years about its beach maintenance program, dune restoration programs, and the environmental issues we have been dealing with for many years.

I want to point out that this isn't something that just started in the last six months or a year or two years. These problems have been developing. This has been ongoing since the 1962 storm, that March 1962 storm.

Just an introduction about Avalon for those who have very little or no knowledge about Avalon: We are an older community. We had our bicentennial in 1992, so we are over 100 years old. Where is Avalon? We are in the southern end of the little appendix sometimes left off of maps of New Jersey. We are in the real South Jersey, Cape May County. We are an island town. We are roughly four blocks wide, five miles long.

We have an assessed value of \$1.6 billion. Those are your tax ratables sent to the county each year, based on a ratable value of \$1.6 billion. Cumberland County is a county that has a ratable of about \$995 million, to put it into perspective.

UNIDENTIFIED SPEAKER FROM AUDIENCE: Harry, would you mind sitting down-- (remainder of comment indiscernible; no microphone)

MR. deBUTTS: Okay. Well, I have to talk to one side or the other.

Can everybody see the screen now? (no response)(witness using slides at this point)

Avalon sits on a barrier island roughly two miles off the coast. We are attached by the two-lane causeway over a high bridge from the Intercoastal Waterway. Our northern exposure: We are (indiscernible) about a mile, and there is the mile. You see Sea Isle City to our north, over to the left side of the screen. That is a picture of Dune Drive, which is the center road of Avalon, and it is facing northeast. Our exposure is due northeast along our inlet. Our town's inlet is our prone area to storm damage. Our beachfront at the north end of Avalon is where we are prone to the erosion problem we have with our town.

I want to point out, we share our island with Stone Harbor on our south side, The information I am providing to you deals with Avalon only. Okay? I cannot speak about any other community in the State. I can only talk to you about Avalon. I do not pretend at all to have any information about any other community. This is our problem area, our jetty at the north end of Avalon. You see the outflow pipe there at 11th Street coming through the sand. This is following a beach fill in 1992.

I would like to note that Avalon has done three beach fills at its own cost, without help from State or Federal agencies. But our beach program

is made up of a consortium of cooperative effort between the Federal Emergency Management Agency, the State Office of Emergency Management, the Department of Environmental Protection, and the borough working together. It can be done. We can do it. Communities can work with their Federal and State agencies and make it work.

This is an engineered beach meeting FEMA criteria to be eligible for restoration work following a major disaster. Is that the only reason you do it? Is that the only reason that you put in a beach and a dune system that meets the FEMA criteria? The answer is no. The purpose of it is to provide that protection you need as you study your town and look at what your mitigation issues are. For Avalon, it is storms. For hurricanes, it is the storm surge and northeast wing damage. High water is something we live with. We know when it floods we are going to get water in town. We try to mitigate it as best we can, but it is a fact of life and we live with it. We accept it for being on the barrier island.

Zoning, let's talk about zoning. Where do you see that? There is no building, there never will be any building in our beachfront areas, the length of the town. We have the V zone, as we call it, mapped out and agreed to by the State. Not a problem. We all came to an agreement about what that meant. We have maintained our dune system by building snow fence and dune grass. We have aerial fertilization of the dunes by aircraft in the spring and fall. We have community events where we get everybody together and we go out and plant dune grass as a community. We also hire companies when we do major beach fill operations and put in new dunes, to plant out those new dunes with dune grass, and they are well established.

We have no hard structures on our beaches anywhere south of 15th Street all the way to 80th Street. There is nothing but what you see there. Our south end is where our hotel/motel area is. This picture demonstrates to you the damage we incurred in the Halloween storm of 1991. That grass area is where you see the dunes get cut back during that storm event. We ripped it out and put in the snow fence. We have allowed the sand to drift back over. Today when you look back, that snow fence you see in the picture is completely covered. The dunes have completely reseeded themselves and are overgrown, and we have to put another row of snow fence out.

We look to protect our town from a Category 2 storm with a 12-foot surge for a hurricane. Our vulnerability we look at, because we are protected a little bit by the North Carolina peninsula sticking out, the land masses between here and there, and the speed by which those hurricanes pass by. Normally, we can expect about a four-hour exposure to a Category 2. That is what we are looking to protect against.

This is the 1962 storm at the north end of town. You will see that there was no seawall, no jetty, nothing. You see the sand spread throughout the town. This is the storm by which everyone marks what happened since.

Again, I want to note that that house you see here in the slide, with the spiral top -- you are going to see that again in a few minutes. This picture was taken where the 8th Street Jetty is now. There was never a 1st or 2nd Street in Avalon. Okay? I hear that story, "Well, you lost the first 6 blocks." Not really.

ASSEMBLYMAN GIBSON: That's in Sea Isle.

MR. DeBUTTS: That is over in Sea Isle, yes. But you will see that house again in a minute.

Following the storm, in 1963, the State came in and put in a wooden bulkhead along Townsends Inlet. It is roughly 4000 feet long. It was built to withstand a 30-year life expectancy, which it has exceeded. It has now been hit and damaged in these coastal storms we have had and is beginning to fail. As a result, over the years we have been dealing with the Army Corps, with the Federal and State governmental agencies, and looking at ways to resolve this. This is one of our long-term -- we hope it to be -- Army Corps projects, which is part of that feasibility study.

This is looking at that same area you just looked at and that overhead. This is 8th and Avalon Avenue, right at the jetty. This shows you storm overwash coming over the bulkhead not as a wave coming down the street, but as overspray. So we had a real problem at the north end of town with overspray getting into the street, flooding out the homes and the streets -- the storm water system. That same house you saw earlier-- That is the bulkhead taking direct wave assault along the inlet.

Here is a hole punched through the bulkhead. It is between Dune and 1st Avenue, along the inlet waterfront. How bad can it get? This is a picture taken in 1985. This is at approximately 19th Street, facing south. That pagoda you see in the distance was finally wiped out.

By 1987, a street, right there at 21st street, was undermined and falling into the Atlantic Ocean. The boardwalk was to the east of the beach. I love this picture. This is 20th Street, facing the ocean, 1987. That is a New Jersey Network van. I like that SG plate on there. That guy wanted to get a

close-up. Well, he got it. We had to drag him out. But that wave -- it is not a dune, that is a wave -- came down the street. That is how bad it could get.

Do we have a problem? Sure, we have a problem. We recognize it. The Army Corps did a study years ago. We are number six in the country for evacuation problems. Do we need to work against that and mitigate against that problem? You bet. Do we have a strategy? Yes, we do, in conjunction with the State Police.

What have we done to warn our citizens about possible flooding conditions, storm events, or evacuation requirements? In conjunction with Warner Cable and all our sister communities on the Warner Cable network, which include Sea Isle, Strathmere, Stone Harbor, and the Avalon Manor area, we can go on the television, any channel anybody has, it doesn't matter, just so their televisions are on. We are able to broadcast over that television with a warble tone which will knock your socks off, and my annoying voice then follows for two minutes. I can give any evacuation order I need to.

We have also asked citizens coming into our town for their vacations to stop if they have a special need, a handicap of some sort where they need to be given advice or advance warning of something that is coming up. We can identify them. We know where they are. We can go to their house and provide them with the information before we go on with the public broadcast and scare the bejesus out of them. We can tell them personally what is going on.

We also decided that the best thing to do was to tell the citizens where we have our low-lying areas, where our flooding issues are, and how we can best live with them. So we sent a letter, along with a flood map. I would

like to say that this map is the result of a concerted effort between FEMA, the State of New Jersey, Office of Emergency Management, and the borough working together. They helped us to put this together and funded it. You will see that the red areas are low areas, the yellow areas are midlevel areas, and the blue areas are actually higher zones. It is interesting. Where are the higher zones? Right along the beach. They are our dunes.

At the north end -- you now see the north end of town -- those black dots are where we have title markers around town. We tell someone we are going to have a flood that is going to go to eight-and-a-half feet above mean low water, they can walk out their door and look and see what that means to them. They can then judge for themselves what protective measures they need to take. We use this for flooding that is above what we call a minimal level. If it gets above a seven-foot mean low water, we then get together-- The towns get together and decide what we want to say and we warn the citizens.

We also send out in our *Avalon Reporter*, which is our quarterly magazine, the story about what our evacuation route is and what to do when we tell you to leave, where to go, what is the best way to get out.

The red color is where the radar system is incorporated in our EOC. What this does is, it is a real-time weather radar system tied right into the National Weather Service radar facilities up and down the Atlantic coast. So we can watch real time as storms occur. How effective is it? Extremely. We have gotten good enough at reading this thing to be able to watch rain move across our town and know what is raining in town and what is not. Very effective.

The State -- a really neat program. They are coming up with these tide level sensors all over the State, out in the Delaware Bay, in the back estuaries here, where they can measure, by data link, the tide surge, or height of tide up and down during storm events. We can start recording this data and start getting meaningful information about what is really happening, instead of using somebody's eyeball and saying, "My God, it has never been so deep."

What else have we done? We have a public address system, and this one I love. Wayland has a digital public address system that is battery-backup operated. If all the power goes out in town, we can still broadcast voice over our fire siren system. It is like God talking to you. "Where did that come from? Somebody is speaking." The sirens are able to broadcast over a wide range of the town, not totally effective, because when the wind conditions are strong, you don't get the words out quickly enough. Only those on the downwind side actually get to hear it really well. So I have another one of these cells on a trailer that I can pull behind a truck. Then I can broadcast in local areas, and I can guarantee you that you will hear it.

What have we done with our beaches? To meet the FEMA criteria, a local community must spend its own effort, its own time, its own resources to maintain the beach elevation and grade, and that of the dune. We have bought surplus earth moving equipment from the Army, again through the Office of Emergency Management, State Police. This piece of equipment, which is operational today, cost the borough \$10,000. I bought a second one for parts to use to keep this one going, for \$600. It runs as good as this one. So it is very possible to do it.

We also bought a D-7 bulldozer. We decided we didn't like the Army color, so we painted it Desert Storm tan, but it is a D-7. Ten thousand dollars bought it, so for \$20,600 I am able to move roughly 50,000 yards of sand from an accretional area at the south end of town back up to our erosional area at the north end of town.

We installed an underwater reef back in -- 1992, I believe it was -- that runs 1000 feet down the shoreline from the north end jetty as a test project. Again, it was in conjunction with the Federal Emergency Management Agency, the Department of Environmental Protection, and the borough. The effectiveness of it? That is for those who care to review it. Again, its purpose is to keep the beach sand in the beach area. It is not necessarily to keep the beach high and dry, but it is to keep the sand in the area of the beach.

One of the other things we did in conjunction with the citizens -- and this one I love -- we put a wall up, a wooden bulkhead along the north end of Dune Drive at the north end of town to stop that overspray you saw in that first series of pictures -- to stop that overspray from getting into the town and flooding out the houses. So I had my men in public works build this bulkhead. We overfilled the back side of it with sand and planted dune grass on it. We also then, later, decided that it was very effective in keeping storm water out and the borough installed, at its own expense, an aluminum sheet bulkhead behind the old bulkhead you see there, that 30-year bulkhead, again to stop that overspray, and again you see that house in the background. We have had no flooding of our streets since 1993, when this was installed.

Home owners along the inlet saw that bulkhead, liked it, and they did it themselves. They paid to do this themselves. What happened? All the

home owners did it -- all the home owners -- at their own expense. I am glad to say that FEMA was very impressed with this, because when we had some storm damage done in 1993, FEMA came through and looked at it, and said, "You know, that's great. Normally, we do not pay to repair that type of thing that the home owner did himself," but they helped us with this.

The geotube, the infamous geotube you see in Atlantic City protecting the casinos right now-- We put these in Avalon at about the same time we did the underwater reef. These are geotextile tubes pumped full of sand by the dredge. It is a very cost effective, very inexpensive process. It is temporary in nature, with a five-to seven-year life expectancy. Its function is to trip the wave as it is rolling into the beach to keep it from hitting that old bulkhead full force. I can tell you that it has been one of the most effective mitigation tools we have had.

Outfall pipes along the back bay-- How do we keep that street from flooding? We are looking at that now -- bulkheads and street flooding along the back bay. Again, here, working in conjunction with the State, the county -- Cape May County, their road department, along Ocean Drive, and each of the local municipalities, we have been installing these tie flex valves. That keeps the water from backing up the pipes and into the streets and flooding out the homes in the area -- these storm water pipes. Very expensive. Each one can cost up to \$4000. Each one has to be custom made and designed, but it is a very effective tool.

We also work with the U.S. Department of Agriculture, set up test areas where they do plantings to find out what can live in the shore area in New Jersey. What does work, what doesn't work, what dies out, what can take

the salt air, salt water, the type of inundation we have. If you go there today, we filled that place with piping clovers and lease turns, so the U.S.D.A couldn't even go in there to test their facility.

The other thing we did was, we looked at all the borough facilities. We were talking to our home owners about their flood insurance and what they were doing, yet the Borough of Avalon was sitting there taking water in its own public facilities. The first thing I did was, I had our own Public Works Department take our tennis building and elevate it to flood elevation. That is what it came out looking like. Not bad, I don't think, for a small crew of men.

We then looked at all of our public facilities, our own Borough Hall. We tore that down. There it is right there. (witness continuing to use slides) We rebuilt it to flood elevation. Our public works facility, a \$3.4 million project at our own expense. We do not go to the State or the Federal government and say, "Gee, we want every nickel we can get." We do, but we understand that if we have an issue ourselves, we have to be willing to spend our own money beforehand.

I want to talk about GIS mapping and what effect that has. I would like you to know that 60th Street, which is the first street with a beach path going out to the beach -- and I am going to give you a couple of pictures of it here-- That is the beach looking back at it, and that is the street end looking toward it. That is a drive-over. That is for the emergency equipment vehicles and the beach patrol to get on and off the beach in the midblock area of town. Note that nice dune system. Standing on the top of that secondary dune looking toward the primary dune, you can see that low swale area between. You are facing kind of east/northeast in this picture.

Now we are going to take flood elevation and we are going to superimpose it on that map. So we can now walk up in elevation. I am looking at the storm surge. That is our hazard, the storm surge. Flood elevation, 9, 19, 11-- At 11 feet, we have reached the primary dune. We are now running water up and down that secondary dune -- in front of that secondary dune system. We know that we have to take 15-gravel down and put it in that roadway, build up the elevation of that roadway to stop that surge point, that water point, getting into that secondary dune system. About \$800 worth of gravel. Can we afford that? Yes. At 12 feet, we now find where our weak points are in our secondary dune system and we now know where we have to go in and back it up either with gravel or sand or do extra dune grass planting, all of those things which can be done at minimal costs to the borough, by the borough, at its own cost to protect its own citizens against the damage.

The north end of town: The final phase was to do something about an erosional area where 11th Street outfall pipe is. We are installing an engineered dune that meets the new FEMA criteria as an engineer dune. An interesting point: All the home owners along here -- all the home owners from 9th Street to 17th Street in Avalon -- watched this dune getting built when we were doing our beach fill. We had a dune 17 feet high in front of their houses. I didn't get one complaint from a citizen saying, "Gee, I can't see the ocean." They know what it means. Their comment was, "That is a very healthy dune. How healthy is it going to be?" There is a difference in attitude, and it matters, because that is your protection from that storm surge. That is why it is so critical.

Now, what did we do to construct this dune? That is I5-gravel you see being brought in there. What they are doing is using that geotube material again. They lay it down, put this I5-gravel in it, and then wrap it over and sew it shut. What does that do? When we get that overspray, it may cut at that dune. It may actually destroy it a good part of the way, but what will not get destroyed is that tube that is in that dune, which means that reconstruction of that dune after the storm event becomes a much simpler process.

Do you see that? Imagine that from your front door looking out at the beach, your beachfront property.

Do we have to live with flooding? The answer is yes, we do. Back bay flooding will continue. Water will come up, water will go down, flood elevations. You have to understand that when you build. Some of the issues we are still trying to work with are-- Again, with the insurance issue, insurance companies are very concerned about this, because the wind damage issue continues. We are looking at what can be done in our own community through our State Legislature to talk about building code, because according to State code in New Jersey, we are not allowed to enhance the code at the local level. You can only do exactly what the code says. We are asking the Legislature to look at that and to consider the local communities being given the ability to enhance those codes, so that home owners building new homes can be told that they have to do hurricane strapping. They have to do some of the things which make a difference, because the insurance industry needs support working with the local communities in trying to protect their investment in your property. If you want to live here, then you have to work with them and with the State and Federal governments, and enhance what

they are asking you to do. The cost to a new home to mitigate against wind damage is less than 5 percent of the cost of the house. I think that is the home owner's share.

We also want to look at ways we can go back to older homes and provide guidance to those owners on what they can do to retrofit their houses to upgrade against wind damage.

It is interesting that the one thing we did get in the last two weeks was a letter from Hawaii asking us what we are doing, because they are trying to build a demonstration model home in their county that they can use to show all the cut-opens and how wind strapping works, the hurricane protection measures, windstorm measures, because they have an insurance problem in Hawaii. Well, gee whiz, that is half a world away. The same issue.

I thank you very much.

ASSEMBLYMAN GIBSON: Thank you very much, Harry, for that excellent presentation. On behalf of the Commissioners, I congratulate you, Mayor Pagliughi, and the entire Borough of Avalon -- its officials -- for their award-winning work. We know that FEMA has a great deal of satisfaction with what you are doing there. There is a representative of FEMA here, as I announced earlier. He is not going to make any formal presentation, but he is here to answer questions. I am sure-- I hope he will disseminate the information that they are satisfied with what Avalon has developed with the rest of the municipalities up and down the coast.

I think we are going to turn the meeting over to you. We are going to ask you to make your comments on some concerns that you certainly have with the insurance industry.

Before I do that, let me extend Assemblyman Asselta's regrets. He has three other meetings to attend this morning. Otherwise, he would have been with us.

I also want to recognize Kris Tanaka, who is representing our neighboring legislators to the north in Atlantic County, Ken LeFevre and Frank Blee. Welcome, Kris.

The first speaker who indicated earlier that he wanted to share with us is from the insurance industry. Is Jeff Monihan here?

JEFFREY MONIHAN: (speaking from audience) I am not from the insurance industry. I am just a citizen with a comment.

ASSEMBLYMAN GIBSON: If you want to comment, you are certainly welcome to. I invite you up.

MR. MONIHAN: Thank you.

My name is Jeffrey Monihan. I live at 5627 Central Avenue in Ocean City. My home is on the beach. My concern is with the FEMA flood map matter -- these flood maps. It seems that there are a lot of irregularities in the mapping, specifically in the south end of Ocean City. My home and one other home lie in what is called the V Zone. The entire rest of the south end is in the A Zone.

I would like to defer my comments to Michael Hyland. He is an engineer who has been assisting me in filing with FEMA what they call a LOMR -- Letter of Map Review -- to look into this matter.

At this point, after a three-month process, they have declined to review the flood insurance rate map. I would like to give you a copy of-- I have a couple of copies here, just pass them around. They turned down my

request to have this map reviewed and analyzed. As you know, Ocean City has a continuous bulkhead that runs the entire length of the south end. It seems that they do not acknowledge, or accept, the fact that that bulkhead is there affording substantial storm overwash protection.

So, if I may, Michael, could you--

ASSEMBLYMAN GIBSON: Let's wait on Michael, if you don't mind.

I understand that you hope that because the bulkhead is there that if, in fact, they would review the map, you would get out of the V Zone and into another type of zone, which would--

MR. MONIHAN: Right. My home is in the V Zone. The house next door to me, which is identical -- identical property, lot, size, everything -- he is in the A Zone.

Thank you.

ASSEMBLYMAN GIBSON: Thank you, sir.

Before we go on to some comments -- and they are certainly welcome about flood insurance -- I would like to go on to normal wind insurance.

Tom Heist, is someone from your office prepared to talk about this? (affirmative response from audience)

Good morning. Thank you for being here.

THOMAS HEIST: My pleasure.

My name is Tom Heist. We have an insurance agency in Ocean City, here in the barrier island. I am not only a coastal insurance agent, but I also participated on the WINMAP up in Trenton with Peggy and Paul. I am

also on the Independent Insurance Agents of New Jersey's Board of Directors up in Trenton. My comments today reflect those of an insurance agent on the coast, not those of the association or as a committee member on the WINMAP.

The problem today, really, is not a problem of availability. That was a problem back in 1992, 1993. The problem today is the issue of cost for our policyholders. I will give you a little bit of an example.

We can sell home owners' policies today, we can sell unit-owner policies for condominiums, and we can sell tenant policies. The difference is, prior to 1992 -- you mentioned that date, because that is when Hurricane Andrew hit Florida and there was about \$16 billion in insured damage and about another \$10 billion in taxpayer costs -- we had standard insurance companies, companies that everyone has heard of. CNAs, the Hartfords, the Cignas would write a home owner's policy on a home valued at about \$150,000 of between \$400 and \$500. Today, if a customer comes into our office, we have to sell that policy at somewhere around \$1100. That is just for the home owner's policy. That does not include the flood insurance.

So, by the time you are finished your whole package, you are approaching \$2000 for someone who owns a home on a barrier island. For a tenant's policy, you could be looking at \$25,000 of contents coverage. Prior to 1992, that policy was between \$125 and \$150. Today, we are selling that policy for \$400.

As you can see, the premiums have really doubled or increased threefold. So that is the issue today. It is not availability, because we can sell insurance. But today, we are selling products through the Lloyds of London,

through surplus lines companies, companies that come in when the market is bad. Okay?

Now, as participants of the Windstorm Map Committee, we were bound by the obligation to develop a voluntary program and, really, you have to put the emphasis on voluntary. We could not come up with a program that forced insurance carriers to write insurance in the coastal areas. Everyone knows the reason why insurance policies are not being sold here, and that is the threat of the big catastrophe. The northeasters we get year after year are already funded for in the basic premium that is collected. That is nothing new. It had been happening for years and years and years. The fear is another catastrophe in New Jersey similar to that of the catastrophe in Florida in 1992.

It was interesting to hear Avalon's ratables are somewhere around \$1 billion. I know Ocean City is larger than Avalon. I can only guess what that is -- \$1.5 billion, \$2 billion in ratables, and that is not including Atlantic City, Brigantine, Cape May, the Wildwoods. So we have a large amount of property exposure along the coast.

It is interesting that if we are not writing it through Lloyds of London, policies for our insureds, it is going through the State's Fair Insurance Plan, which is basically a no-frills policy sold at an inexpensive cost. I was told that the State has approximately \$3 billion of property exposure in that Fair Plan. It is interesting to note that if we do have a major catastrophe in New Jersey and the Fair Plan does experience large losses, whatever it is, \$1 billion, \$2 billion, that money is not going to be taken from the State's funds. It is really going to be sent back-- That bill is going to be sent back to the insurance companies through the back door. So they are not only afraid of their own risk

on the policies that they currently write, but they are also afraid that they are going to get a bill from the State. So they are going to kind of get a double whammy.

Now, what are the real solutions here? Is a market assistance plan, a voluntary program, the right solution? I don't know. The premise is good. Everyone takes their fair share. That is a great premise. But does that really address the real problem? The problem is that threat of a major catastrophe in New Jersey. I don't have that answer. I do know that my insurance companies tell me that if they did not have a major loss, today's premiums would be fine. But they do not have the extra dollars to buy the reinsurance to protect them in the event of the big one. I have carriers who tell me that if they could get another couple hundred dollars, which would not go up to that \$1100 -- it might be a \$600 or a \$700 policy, not an \$1100 policy, which is the market today -- the money would be there to buy the reinsurance and fix the problem. That is one viable solution, and I am not sure how much consideration has been given to it.

Another solution would be to allow the insurance companies to exclude wind. If the State wants to set up a pool, a risk pool, through policyholders' surcharges, that might be a way to fund for this natural disaster that could potentially hit New Jersey. I am not sure I want my State to get involved as an insurance company. I think states should run the business of states and insurance carriers should run the business of insurance carriers. I am not sure we want the State's capital at risk in the event of a major catastrophe.

To finish up, it was very interesting to hear the comments from Harry in Avalon. I think the solution, the long-term solution to bringing the market back to the coastal communities is going to be through the citizens realizing that it is going to cost a little bit more to live along the coast for their home owners' policies. I think we need the State to recognize and allow a free and open market condition, allow carriers to get a little bit more rate. Yes, I agree you need to show past loss experience, but we have never had a direct hit from a hurricane in over 100 years in New Jersey. So it is going to be hard to show data of actually experiencing the type of loss that can hit.

We have to also realize that through computer simulations, we do know that a direct hit in Asbury Park is going to be \$50 million. We need building codes that address construction that can reduce the probability of a major loss and mitigate those losses, whether it is hurricane straps, whether it is steel construction, or whatever it is. We do need municipalities that have the authority to increase the building ordinances and building construction.

I kind of just want to get back on focus that the problem is not one of availability. The problem is cost. I think there is some middle ground here. It might not be the old days when you spent \$500, and I certainly don't think it is today, where you spend \$1100 for a home owner's policy. I think it is somewhere in the middle, maybe \$600, \$700, so that everyone can buy affordable insurance.

Thank you.

ASSEMBLYMAN GIBSON: Thank you very much.

Several questions are coming as a result of the speakers and some things that have already been said before the speakers. Anyone who wants to raise questions from the panel, or even from the audience, may.

Ken Smith indicated that he wanted to speak. Ken, do you want to speak about coastal insurance? (affirmative response from audience) Okay, please do that.

MR. SMITH: I have been involved in this issue for a number of years. My background is in insurance and real estate. I just want to tell you, or update you on a Federal initiative that we have been working on for about four years. The concept was very good. It has been picked apart. It is an election year. It is not going anywhere this year, but possibly it is something that we could revisit next year. We have been through several administrations, several attempts to provide coverage, and we still have a major problem at the shore, in my area, Long Beach Island, and on down the coast of procuring new insurance.

I am talking about the Natural Disaster Protection Act which is now called the Natural Disaster Protection and Partnership Act, whatever. I only have one copy of this, but you can get more. I will give you the address of the Natural Disaster Coalition in Washington. The concept was really not pie in the sky at all. I thought it was a good concept, in that this Act would set up-- Well, the goal was to bring carriers back to writing in hazardous areas, primary carriers, reinsurers, many who had left after Andrew and, as Tom said, who are very worried about a catastrophe.

The idea was that you would set up a pool, a law of large numbers, which is important to insurance, of hazardous risks around the country and,

basically -- I am trying to shorten this -- you would have earthquake people cross subsidizing -- if that is the word -- hurricane states and vice versa. You would also have a risk-based premium surcharge based on your proximity to the risk, your degree of risk. I think that was anywhere from about \$3 to \$70, somewhere in there.

As Tom said, home owner premiums, really, for many years, have been low and have been very competitive, so they could definitely stand a nick up. One hundred dollars is a bit much, but, yes, we could raise them.

Also, there were some requirements to tighten building codes for states that wanted to participate in this plan. Residual markets within certain states could also participate in it. Again, I want to emphasize that the goal was to bring the private carriers, not the government, but the private carriers back into writing.

Well, it got picked apart. The insurance industry was concerned about McCarren Ferguson basically losing some of their autonomy. FEMA hated it. Maybe Bob can tell you why. The idea was, perhaps after a year or so, to incorporate the Flood Insurance Program under the aegis of this. The Clinton administration does not like it. So it has just been sort of, as I said, picked apart. I don't know whether it is salvageable. I think the original concept was good. The one sticking point in this was that this would provide, what, a quasi-governmental agency, I guess, that would take premiums and put parts of those premiums into a fund that would be a cushion for insurance companies. Individual companies could access this fund if they went over 20 percent of their surplus in any one event, and if the industry as a whole went over 15 percent in any year.

Basically, what the companies had been saying was, “Look, you know, we want to write coastal business. That is where most of the people are. We are in the business of paying claims, we understand that. We think we can do it actuarially. But the catastrophe exposure-- We just don’t want to go bankrupt,” which is what Hawaii’s major insurer did after a storm. State Farm and Allstate took a bath in Florida. I think they had normal insurance.

Anyway, the idea was to provide not a cushion so much for insurance companies, not a bailout for insurance companies. It was really a help to the citizen who lives in a hazardous area, whether an earthquake area or whatever. There is a map that goes with this that shows you hazardous areas. Anybody who can see this has good eyes. (holding up material) We tried to make it legible. North Dakota is about the only safe place to live in this country. (laughter) But it is awfully cold.

So what they were saying was, “Look, if we can find a way to pool the risks, write it actuarially, put a little extra nick on for the premium based on risk, and provide some relief for insurance companies so that they know they are not going to go bankrupt,” because reinsurers are virtually unregulated, you know-- I mean, they don’t have to write here, they write globally, a lot of them. So we are going to follow this. I don’t know if it is going to take us much longer. I hope we stay with this, but there are a lot of problems with it now. It has been watered down. The way I see it, if it is not going to bring the primary carriers back, then I would not support it either, you know. We don’t need just another layer of government.

One last thing: There was an article sent to me -- and I will get you a copy of it -- that says that in Florida, their JUA, their windstorm pool,

half of their policies are going to primary carriers. Some of these carriers are major insurance carriers for the Flood Insurance Program under the write-your-own program. Others are Liberty Mutual, Hartford, Prudential. So they are getting back into it in Florida. If companies do not want to write here, hell, maybe we will call some of these companies to see if they will come to New Jersey.

Thanks very much.

ASSEMBLYMAN GIBSON: Thank you, Ken. (indiscernible question from audience)

Not yet, please. Save it, if you would, because he may want to comment on some flood insurance questions that were asked earlier. I tried to separate the regular home owners' insurance from the flood insurance.

As far as a formal request to speak, the only one I have left is Michael Hyland. I am going to permit him to come up to speak. I think he wants to speak on flood insurance.

Then any other agents. I would like to have their experience on availability and their comments on regular insurance.

Michael, please.

MICHAEL W. HYLAND, P.E.: Thank you, Jack.

It is nice that so many highly respected people have convened in our little town to hear the local side of the story.

Jeffrey -- whom you heard from earlier -- I think has a valid point. Hearing all of the comments today, I see the same issue that has occurred to me over and over again in my 20 years of practice of engineering and architecture. The problems are always found-- The solutions to the problems

are usually found in the details. They are the things that kill you. The overview, I think the people who have spoken have a good grasp on, but oftentimes the minutia, the small details in our systems, are the cause of breakdowns. That is the case in Jeffrey's problem.

We have a minor misalignment of a map that had its origin -- based on my communication with the consultants who created the map at Duberry and Davis on behalf of FEMA -- the absence of realistic ground truthing of a flood insurance rate map study. Here we have a map that was developed by photogrammetric methods using remote sensing devices, and no one ever got to the scene to check this map out and make a real rigorous assessment of, "Is this realistic?"

As a result of the failure to look at that in detail, we have an apparition in a map that produces a situation where adjacent properties are placed in differing zones of risk, where no such different risks practically exist.

I think it would be helpful if there could be a renewed focus on details like that. I see it every day in my world, but that is because my world is one of small detail. You people are looking at things from the top. I am looking at them from the bottom. The things at the bottom, I see oftentimes, cause a great amount of trouble. There are inequities that come out of these small errors, and they are very difficult to change. Jack's opening comments spoke to the economics of living at the shore. Jeffrey and his co-owner in a two-unit condominium have paid me on the order of \$3000, waited three or four months, paid three times the premium of their adjoining, and still have no relief. They are not likely to get any, because of the mechanics of this system. That needs addressing.

Hearing comments on building codes and being day-to-day involved in building codes and their enforcement, I am going to digress into that area. I think you should recognize that from my perspective, we do not need better building codes. We need better adherence to the provisions of building codes. The building codes are adequate; design practice, construction practice, and the enforcement of building code provisions are less than adequate. What is necessary is funding for enforcement and a dedication to enforcement. I think you will see a much better survivability performance in the constructed community.

Thank you very much.

ASSEMBLYMAN GIBSON: Thanks, Michael.

Before you sit down, you asked -- on behalf of your client -- that a Federal flood map be adjusted to obvious inaccuracies that are in that map. They denied that request. Where was the request made?

MR. HYLAND: It was made through the Federal Insurance Administration, through FEMA. The denial letter -- which I have, and I think which Jeffrey may have presented to you -- recites the history of that application. I have it here. It was submitted to FEMA. It was done in April, and the response was received in September.

ASSEMBLYMAN GIBSON: What justification did they give for not changing the map?

MR. HYLAND: The justification was that the risk of overtopping of the bulkhead is real, which is not disputed.

ASSEMBLYMAN GIBSON: You do not dispute that?

MR. HYLAND: The risk for overtopping is real. The risk has been quantified, however, by FEMA, in prior studies. FEMA's current regulations say that a V Zone is one in which the wave height is three feet or greater. Their own studies, in this case, say the wave height is less than three feet. Their consultant staff tells me that there are unwritten rules being enforced -- which I argued against -- which, in essence, redefine the severity of overtopping at a one cubic foot per linear foot, or one vertical foot height magnitude.

I took issue with their consultant staffer on that subject, saying, "Well, how do you expect we people in the field to attempt to interpret and abide by your regulations, when they are not even promulgated in our system?" He found that to be a rational comment, but this is the letter I have received.

So it is frustrating for Mr. Monihan, his unit co-owner in the two-unit condominium, and it is certainly frustrating for me when I spend a considerable amount of time learning their system, attempting to rationally apply it for the benefit of my client, and I get nowhere.

ASSEMBLYMAN GIBSON: Okay. I was not sure that the reason they may have given was just a matter of priority, they did not have the manpower to change that.

MR. HYLAND: No, the issue received considerable focus at the consultant's level.

ASSEMBLYMAN GIBSON: So it is really a specific case. It is not a general case that--

MR. HYLAND: It is a general case, however. That is something, perhaps, that I have not made clear.

In addition to this specific site, there are multitudes of sites in this community where the V/A Zone demarcation line meanders. That meandering is clear, in my view, to have been precipitated by the absence of perception of the existence of the bulkhead.

When I spoke to the Duberry and Davis staffer, he saw nothing in his file that even reflected the presence of this bulkhead. It is buried by sand. You would never see it from a photometric analysis. That caused the problem.

ASSEMBLYMAN GIBSON: Thank you very much, Michael.

We have a representative of Congressman LoBiondo. I hope he is taking notes. I am sure the Congressman can perhaps make them a little more sensitive to your concern in that specific instance.

We have a representative from FEMA here. You will take that up again for us? (indiscernible response from Mr. Reynolds in audience; no microphone)

Thank you.

Anthony Mangeri, do you want to make some comments?

ANTHONY S. MANGERI: Yes.

In reference to Ken and the national -- what is the-- (indiscernible response from audience; no microphone)

The State Office of Emergency Management and the State Hazardous Mitigation Team, which consist of the Department of Insurance, Treasury, Transportation, Environmental Protection, Community Affairs, and the like, did look at the law -- or the proposal. So did the National Emergency Managers' Association. You're right, the mitigation components and the

reinsurance is a good concept. Where the recommendation ran into some concern on our part was that it also put caps on the State. For example, if you used the standards that it identified, New Jersey would have to have \$45 million worth of damage before it could seek Federal disaster assistance. That was a concern. There were also concerns with some of the other language in reshaping and redefining what mitigation is, not necessarily to the benefit of the states.

You are right that the concept is a very good concept. FEMA -- the Federal Emergency Management Agency -- is revising all of its mitigation programs. The regulations have been under revision or just pulled back, because James Lee Wood, their Director, wants more coordination and control authority being given to the states, and less to FEMA, with the exception, obviously, of oversight. Those regulations, again, are due out within the next six months and we will see what happens. But it allows for both pre- and posthazard mitigation assistance programs to be created for flood. The National Flood Insurance Program has created a Flood Mitigation Assistance Program, which will be grants that will be made available to state, county, and municipal governments.

The initial portion of that, though, goes back to what Mr. deButts' presentation was about, and that is doing a hazard and vulnerability assessment and developing a plan of action so that you have kind of a layout of where you want to go, instead of piecemeal mitigation, or instead of reactive mitigation, which sometimes can be a problem.

Cape May Point, Avalon, Atlantic City are jurisdictions that are doing that kind of planning, very progressively and very proactively. Avalon

is a good example of how it works, cost beneficially. Avalon has known where they wanted to go for a long time, and has merely said, "Hey, when the funding becomes available, we already know where we need to go. So we will look for funding."

I just want to reiterate on the piece of legislation that Ken referenced: There are some good parts, but, unfortunately, some of it is at the expense of the recovery side of the program for disaster operations.

ASSEMBLYMAN GIBSON: Thank you, Anthony.

Do any of the other insurance agents want to-- I'm sorry. Please come on up, Councilman Gaffney, from Cape May City.

Good morning.

C O U N C I L M A N W I L L I A M G. G A F F N E Y: Good morning. I do not have a prepared text, but I just want to add a little bit to the property insurance situation. I concur with Mr. Heist in just about everything he said.

I am Gerry Gaffney, a Council member from Cape May City. I am also an insurance agent -- an independent insurance agent -- and have been one for 30 years.

I have been in the insurance business for 30 years, so I have seen the trends, the swings. Five years ago, a major insurance company was offering bonuses and contest awards to agents who wrote home owners' policies. You remember that. It is ridiculous today the way this has changed.

My main concern -- and I don't think I heard it here this morning -- is that the insurance industry, commercially, personally, home owners, whatever, property coverages, they are tarring everybody with the same brush.

Whether you have a flood-proof home, a wind-resistance, roof-type strapping, etc., it makes no difference. If you live east of the Parkway, no coverage. If you are near a body of water, five miles, no coverage. If you are west of Route 47, you can't get coverage. This is a major, major concern.

I have a home in Cape May. I have a roof that was designed so that the wind does not get underneath it. I have not lost a shingle since I have been there -- since 1981. The roof is 30 years old. Now, that house was built in a fashion where wind is not going to affect the shingles or the roof. So my point is this: We have to get the insurance industry to somehow, through government, through some lobby of some sort, to realize that we are all not exactly the same risk. Because North Carolina and South Carolina have a problem, that does not mean that Cape May, Avalon, or the Wildwoods have a problem.

So that is my point. Let us approach it that way. Is a wind pool the right way to go? Maybe it is. The Federal Flood Program, I think, has worked well. I sell more flood insurance than I sell home owners' insurance. Most of the people don't have claims, because they are required only by the mortgage company to get this coverage. So maybe that is the way it should be approached. A Federal wind program, a State wind program, but we have to do something. It is out of control. It is not getting better, it is getting worse.

I heard a company spokesman say the other day, "Well, if you think things are bad now after that last storm in the Carolinas, wait until you see what happens in the next few months." So I urge all the people in control, in government, to look at this. It is a serious problem.

ASSEMBLYMAN GIBSON: I have a question: Tom Heist indicated that availability is not a problem. You have come up and said, “No insurance, no insurance.” Should I understand that to mean it is not a problem at \$2000?

COUNCILMAN GAFFNEY: That is correct, that is correct.

ASSEMBLYMAN GIBSON: It is a problem, and it is unavailable at \$500, \$600, and \$700?

COUNCILMAN GAFFNEY: That is correct. I agree with what Tom said. I think the customers would be willing to pay more to get the product. I quoted a home owner’s policy 30 days ago at \$3500 through the surplus lines market. I quoted a bed and breakfast account in the City of Cape May \$500,000 on the building. This was through a Lloyds of London, with a \$50,000 wind deductible.

I am not going to go to a customer and say, “\$50,000 wind deductible.” That is ridiculous. So the problem is there. Availability is there. The Fair Plan, which is the New Jersey Insurance Underwriting Association, provides coverage. You can get wraparound home owners’ policies, you can get liability policies, but pricing is out of control.

So, yes, I agree with Tom. It is available, but at a sky-high price.

ASSEMBLYMAN GIBSON: Thank you

COUNCILMAN GAFFNEY: Thank you very much.

ASSEMBLYMAN GIBSON: Does anyone else want to address the Commission? (no response)

Then I think there is probably some reaction from Deputy Commissioner Codella. Do you want to talk about, is \$2000 appropriate, as

an example? Why is it \$2000? Are we paying, in advance, tremendous prices for something that logically may never happen?

DEPUTY COMMISSIONER CODELLA: What I would like to point out is that the pricing that the agents have referred to today, of course, as they themselves have indicated, is pricing that is coming to the market from the surplus lines carriers. What we are trying to do with the WINMAP situation is bring the primary frontline carriers, the standard carriers, back into the area. I believe that the program, once we have been able to ensure that we have the proper amount of participation by the industry on a voluntary basis-- We will be talking about policies being issued on these homes, and they will be priced at what is generally the market price for that type of home in that particular area in the usual standard regular home-owner market.

What we are hoping is that the number of homes, many of which, as the last gentleman mentioned, are not even necessarily right on the water -- There are places that are somewhere between where the Parkway lies and where the coast is that are not necessarily right on the water, and they have gotten swept up into the activities by the carriers to reduce their writings because of their overall exposure in the country. What we think needs to be done is, we need to get back to the time when the regular standard market made available their policies to the majority of the home owners and it was a very small segment of the insuring population, both personal and commercial, that needed to go to a surplus lines market because of the particular nature of that piece of property.

The gentlemen here who have been in the business for a long time I am sure recognize that there will always be a certain percentage that will

probably have to be insured through something of a surplus lines mechanism, but what has occurred is, far too many of our citizens have had perfectly good pieces of property that are not right on the water swept up into this activity by the carriers, which has been definitely a reaction to Andrew and events thereafter in the reinsurance market with the industry.

What we believe is going to happen is that by getting a good percentage of the carriers doing business in this State to voluntarily become a part of this program, we will be able to see those home owners who have had to revert to the Fair Plan and combinations of policies thereof, a Fair Plan for parts of their coverage in a wraparound with another carrier for another part of their coverage, we will be able to see them come together with one policy priced at a more reasonable price, because it is the price that the market and their rates are geared for. It is because we are reaching out to the entire industry that writes in this State and asking them to understand that the nature of success here is going to be built on a full sharing by the largest majority of those carriers we can bring to the table, that this plan can work without creating more major harm to any one individual carrier.

No one really, you know, I don't think, would disagree that they have been hit hard over the last several years. But by the same token -- to echo some other comments I have heard today -- New Jersey is simply not Florida. One of the big arguments that I have -- which I would like to think I am winning with the industry these days -- is that that is the case, and that, yes, I understand that a major carrier is a multistate carrier and has risks up and down the Atlantic seaboard, all along the Gulf and the southern portion of the country, and up and down the western coast of this country. But as far as I am

concerned, when it comes to New Jersey, yes, there is a risk, but you cannot measure it even as close as you can measure that which we have seen happen in the Carolinas. So we have had those types of conversations. Those are the ones that are ongoing in our attempt to be persuasive with the industry to have them come to the table.

I would also like to say that an announcement from the Commissioner -- Commissioner Randall -- is imminent with regard to the WINMAP. She had set an outside parameter of this month -- September -- and she will be able, we believe, to come forward with a statement with regard to our progress on the WINMAP. Things have been moving very positively, and I believe we will be hearing that coming forth very, very soon.

Once we can assure ourselves, again, that that voluntary participation level is there, from that point forward, we feel we will be able to then put into gear the mechanics of the system which incorporate, of course, using the Fair Plan system itself for the processing of the applications, and get this matter really moving as quickly as possible once we have gotten that sign-on by the carriers. We are really very, very close, as I say, to a statement coming from Commissioner Randall on that.

We are aware, of course, that the matters are out there. I do understand it. To my mind, it has been an issue of both affordability and availability, because I believe that one is sort of feeding on the other. We are really hopeful that as we go forward with this program, we will be able to see some alleviation in both of those areas.

ASSEMBLYMAN GIBSON: Thank you, Commissioner.

I recognize Assemblyman Asselta. Welcome. We are glad to have you, our colleague from the 1st Legislative District.

ASSEMBLYMAN ASSELTA: Thank you.

ASSEMBLYMAN GIBSON: Dr. Psuty?

DR. PSUTY: I wonder if you might address the issue that Harry deButts raised concerning the BOCA requirements and the opportunity for local communities, especially the shorefront communities, to have more stringent requirements for construction?

DEPUTY COMMISSIONER CODELLA: For the bulkhead situation?

DR. PSUTY: Well, not the bulkhead, but the whole building.

DEPUTY COMMISSIONER CODELLA: The whole building permit issue and all of that?

DR. PSUTY: The building construction, essentially the construction regulations, the construction code that is controlled at the State level.

DEPUTY COMMISSIONER CODELLA: Let me respond in the only way I can, because I must say that the Department of Banking and Insurance is not directly involved in that particular area. However, in relation, if I may, to the insurance issue, it is certainly something that we actually have looked at. When we have looked at some of the things that we are talking about with these carriers, as far as what can be done to help to alleviate some of the risks they are being asked to carry, we, obviously, have looked at the issue of building codes.

Now, one of the things that we feel, first of all -- and I say it again -- is that we feel we have had traditionally better building codes here than many of the places up and down the Atlantic seaboard. Now, things have changed along that seaboard since the advent of these very fierce storms in the last half a dozen years. But what it does mean is that our building codes prior to that were probably still better than those going on in other places.

One of the things we are looking at is, if we are going to allow a carrier, for example, to offer a particularly higher deductible, one that makes the owner have more of a co-insurance on that home, we want to be able to see that same home owner, however, be able to mitigate the cost of that deductible, if applied, by virtue of being able to show that building codes and special building measures, such as shutters and, of course, the various technical things that can be done with roofs and so forth-- If the home owner has spent the money to do those things, then we, of course, are expecting the carriers to be able to list those things out as underwriting characteristics, which would enable it to have a better rate than someone who has not done it.

So it plays, obviously, very, very directly into the cost of the insurance. I cannot really comment technically about the essence of that, because it is not something that we deal with on a regular basis.

ASSEMBLYMAN GIBSON: Let me recognize Senator Cafiero, who has led our legislative delegation and has taken the lead on insurance issues. I'm sure he has a lot to share.

Senator Cafiero?

SENATOR CAFIERO: Thank you, Jack, and I thank all of you for coming and participating. These meetings are very, very productive. As Jack

said at the outset, it was a meeting such as this which gave rise to the bill that called for FEMA to differentiate between engineered beaches and nonengineered beaches, for the benefit of all of us.

You know, the cooperation from legislators in general, mine in particular -- and I am sure Jack's in the Assembly -- Lenny Connors, Andy Ciesla, the Chairman of this Commission, Bill Gormley, all up and down the coast-- They all share the common concern that you have expressed here today. You know, the cooperation that has existed between this legislative district and our sister county to the north, Atlantic, has been tremendous over the years. We worked together in drafting, supporting, and cosponsoring legislation of mutual interest to us concerning such items as the funding of the Marine Mammal Stranding Center, which was Assemblyman Gaffney's bill, and the moratorium you spoke of declaring that the industry could not terminate coverage in the area. We also supported the bill, when that expired, to extend it. Unfortunately, we couldn't get anywhere with that. That is just to name a couple of our joint efforts.

That team effort was Bill Gormley, Jack Gibson, and myself, also former -- the late Assemblyman John Gaffney, and also now Congressman Frank LoBiondo. Happily, that team has been expanded now to include Kenny LeFevre and Frank Blee, and our good friend, Nicky Asselta, from Cumberland.

Of current and pressing concern is the tightening of the market, the availability of coverage in the shore areas, which you have heard testified to here today. Now, Commissioner Randall, God bless her, you know, she has expressed and shown great faith and confidence and patience in the industry

that she is regulating, waiting for volunteers. I guess it really gives meaning to the expression that volunteers get shot, because the response to her plea, you know, has been far less than overwhelming.

Assemblyman Gibson, Nick, and I recently wrote to many, almost a dozen, I guess, or a dozen and more of those who have been reluctant to join forces, encouraging them to respond and to heed the good Commissioner's plea.

You know, as a result of ongoing discussions with the offices of Frank Blee and Kenny LeFevre, there has evolved from those discussions a plan which would require that all carriers writing home owners' insurance in New Jersey offer coverage to those redlined areas in the same percentage that they are covering throughout the rest of the State. So if they are doing 10 percent of the business in New Jersey, or 15 percent of the business in New Jersey, then they are going to be obligated, under these bills, to write 10 percent or 15 percent in those areas that they now put in the bad section, as someone referred to it, east of the Parkway and west of this and north of that.

The bill would say, you know-- Together with the legislative offices in District 1, we have jointly requested the Office of Legislative Services to draft legislation that would do just that. It is our intention to introduce it in both Houses, with Jack and Nicky joining on with the sponsorship of Frank and Kenny in the Assembly. I am going to invite Senator Gormley to join me in the Senate version. I feel confident, and I am sure these fellows do, too, that many of our colleagues throughout the shore areas up and down the coast will join in the sponsorship of those bills.

We do not mean to usurp what you are trying to do up here, or what Elizabeth is trying to do, but maybe this will serve as a backup to her. If the responses from the volunteers do not come forward, then maybe this bill would be an incentive for them to come forward. In the event that they do not heed your pleas, we will put this legislation in place. Then the things that we have been hanging over their heads like the sword of Damocles for many, many years, which just never dropped during those years, will drop. If they do not come forth and volunteer, then maybe we, collectively, can help your effort by saying, "You will do it her way, or do it our way."

So, fellows, that is what is coming down the pike.

Thank you.

ASSEMBLYMAN GIBSON: Thank you very much, Senator.

Does anyone else have anything more before we close -- any members of the Commission? (no response)

I thank you very much for being here. It was a productive meeting.

The meeting is adjourned.

(MEETING CONCLUDED)