



MASSACHUSETTS
ASSOCIATION OF REALTORS®

**STATEMENT OF THE MASSACHUSETTS ASSOCIATION OF REALTORS
SUPPORTING:
H.1064, AN ACT RELATIVE TO MODERNIZING PRIVATE FLOOD INSURANCE
AND
H.1046, AN ACT RELATIVE TO THE CLEANUP OF ACCIDENTAL HOME HEATING
OIL SPILLS
AND OPPOSING:
S.599, AN ACT TO INCENTIVIZE THE ADOPTION OF LOCAL CLIMATE
RESILIENCE POLICIES**

JOINT COMMITTEE ON FINANCIAL SERVICES

June 6, 2023

On behalf of the more than 26,000 licensed member professionals of the Massachusetts Association of Realtors® (MAR) we hereby express our support for H.1064, *An Act relative to modernizing private flood insurance* and H.1046, *An Act relative to the cleanup of accidental home heating oil spills* and our opposition to S.599, *An Act to incentivize the adoption of local climate resilience policies*.

SUPPORTING FLOOD INSURANCE MODERNIZATION (H.1064)

The demand for tailored flood insurance is growing. Flood insurance is required for a mortgage in more than 20,000 communities nationwide and demand is increasing in Massachusetts. By some estimates, over the next 30-years, 11% of all properties in Massachusetts have greater than a 26% chance of being severely affected by flooding.¹ Flood insurance is key to helping mitigate this risk and limiting reliance on overburdened federal disaster aid and rebuilding assistance.

Flood insurance is also rapidly changing, and the National Flood Insurance Program (NFIP) has been slow to keep up. Its outdated systems and one-size-fits-all approach can be ill-fitting for lower-risk properties and those in areas that may benefit from flood insurance but are not required to carry it. While NFIP has been largely unchanged for 50 years, the private market is newer, nimbler, and uses more accurate rating technology, meaning it can often beat NFIP on both quality and price.

Though private flood insurance is growing nationally, there are limited options available in Massachusetts, largely because our state and federal laws do not align. This means, to operate in Massachusetts, companies must create special state-specific plans, adding complexity and expense. This bill would resolve the issue by aligning state policies with federal, thereby allowing private flood insurance providers to offer their policies more easily in the state.

In addition, it creates new consumer protections including:

¹ Flood Factor, "Flood Risk Overview for Massachusetts," https://floodfactor.com/state/massachusetts/25_fsid

- A mandatory consumer protection affidavit explaining the protections and requirements of private and federal flood insurance options. This form, which is not currently required, must be signed by the consumer and their insurance agent.
- Tracking and reporting of state private flood insurance policies, providing more information about private flood insurance in the state. There are currently no tracking mechanisms or statistics on private flood insurance in the state.

The bill encourages additional private flood insurance options. It will benefit consumers both by increasing flood insurance competition in the state and consumer protections. With more and likely better flood insurance options available, more consumers are likely to purchase optional flood insurance, protecting their homes even if not required by NFIPs mapping systems.

SUPPORT PROTECTING HOMEOWNERS

REALTORS® work with home buyers daily, helping to facilitate what will likely be the single largest purchase of most clients' lives. Our members take this responsibility seriously, having pledged "to protect and promote the interests of their client." While a REALTOR'S® impact may be most acutely felt during the transaction, many form lifelong relationships with their clients. Buying or selling a home is only the start. REALTORS® want their clients to be happy, safe, and enjoying their homes.

Many REALTORS® were dismayed to learn about the impacts and expense of home heating oil leaks, even if homebuyers purchase insurance. Due to a severe lack of housing production, Massachusetts has some of the oldest housing stock in the country. As a result, many homes still use oil heat with old oil tanks that degrade over time. The problems we are seeing today are likely only the start.

Leak repairs and environmental remediation are necessary but expensive. Without the insurance this bill provides, many homeowners would struggle to cover these costs and may even have to sell their home at a significant loss as a result. Furthermore, it is essential that oil leak damages are remediated expediently because damages, and thus costs, increase the longer they are untreated, compounding the already substantial challenge of having to raise tens, if not hundreds, of thousands of dollars. Insurance coverage would assure that damages are minimized and quickly repaired.

OPPOSE INCREASING THE COST OF HOUSING (S.599)

MAR recognizes the incredible gift that Massachusetts environment offers to our state's citizens. Furthermore, we understand the importance of the environment to our quality of life and the marketability of surrounding property. As a result, our organization supports policies and programs aimed at incentivizing homeowners to make energy efficiency and climate resiliency improvements to their home.

The state's longstanding housing affordability crisis is one of its biggest challenges. The best way to address this problem is through increased housing development. However, it is already extremely challenging and expensive to build homes in Massachusetts. Adding regulations in building codes increases complexity and costs for developers. Regulatory expenses already add

\$94,000 to the cost of a home.² This is passed along to homebuyers, further exacerbating the housing crisis. For every \$1,000 in increased costs, another 1,727 people are priced out of housing in Massachusetts.³

Creating another local-opt in building code, especially on the heels of a newly updated Stretch Code automatically adopted in 299 Green Communities just six months ago and the launch of the new Specialized Stretch Energy Code will further increase housing development costs. In addition to adding development complexity and cost, local patchwork policies such as municipal opt-in building codes raise significant concerns about misuse. Similar policies have resulted in municipalities adopting stricter local standards with the specific aim of preventing development, especially the creation of new affordable housing units in their communities.

Finally, this bill is unnecessary. The Legislature recently passed the Next Generation Climate Roadmap law (Chapter 8 of the Acts of 2021) to preserve the state's natural resources and continue its position as a national leader on climate issues. This new law subjects development to some of the strictest environmental guidelines in the country and sets an aggressive timeline for the state to reach net zero energy status and maximize efficiency, electrification, and renewable energy. It also requires that roadmap plans be in-line with state resiliency policies. Enacting this bill is duplicative and adds burdens with little additional benefit.

For the foregoing reasons, we respectfully urge you to support H.1064 and H.1046 and oppose S.599. Please do not hesitate to contact MAR General Counsel Justin Davidson (jdavidson@marealtor.com) if you have any questions.

² NAHB Study, Government Regulation in the Price of a New Home: 2021, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2021/special-study-government-regulation-in-the-price-of-a-new-home-may-2021.pdf>

³ NAHB Priced-Out Estimates for 2023, <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2023/special-study-nahb-priced-out-estimates-for-2023-march-2023.pdf>