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The Coming Storm in Flood Insurance

By Sarah Murdock and Charles M. Chamness

The name Alberto probably doesn't mean much to someone living in Florida, but it's a name worth knowing. He is the year's first tropical storm, which began swirling in the waters of the Atlantic Ocean and skirted the coast more than a week before the "official" start of the hurricane season. He is a reminder of the potential threat Floridians face annually: devastation from tropical storms and hurricanes, and the resulting storm surges and flooding that can threaten people's lives and continue to wreak economic havoc on the state's housing market.

The Atlantic storm season officially begins June 1. Ironically, the National Flood Insurance Program (NFIP), which can help protect Florida homeowners from such havoc, will lapse a day earlier, on May 31. The NFIP ensures flood insurance will be available to anyone who needs it while it reduces the need for taxpayer-funded federal disaster aid.

Many mortgage loans, including all federally backed mortgages, require flood insurance for properties facing a flood risk. Yet if the NFIP expires, insurers cannot write new policies, meaning delays, or even cancellations for more than 1,300 real-estate closings per day, according to the National Association of Realtors.

Additionally, the flood insurance program is in disarray. Although it has the word "insurance" in its name, the NFIP has not been allowed to operate like an insurance program. It can't charge the rates it needs to; is barred by Washington from building a surplus to pay claims in bad years; has outdated flood maps; and does not devote enough resources to "preventive-care" natural- and built-in infrastructure solutions that would greatly reduce the cost of flood damage during extreme events.

Because the program can't deny coverage we've also seen repeated losses from the same properties, with 1 percent of so-called repetitive-loss policies accounting for as much as 30 percent of the claims paid out by the NFIP. Mitigation actions to conserve and restore natural infrastructure, such as coastal wetlands, dunes, barrier beaches and oyster reefs, act as important buffers to coastal storms and are an important "green infrastructure" investment that would reduce the financial drain on the NFIP.
One recent study estimated that for every dollar spent on flood preparedness, five dollars are saved when disaster strikes.

For years, before 2005's major storms and since, the National Association of Mutual Insurance Companies, The Nature Conservancy and a diverse coalition of organizations have been pushing for reform of the program: moving toward rates based on actual risks; phasing out subsidies; updating maps so that they accurately depict flood risks; and streamlining and strengthening programs that aim to prevent damage from ever occurring.

Last July, the U.S. House passed a version of NFIP reform and reauthorization that incorporates the major components we have been recommending. It passed with 406 votes, a staggering number considering today's hyper-partisan political climate. Similar legislation was passed unanimously by the Senate Banking Committee last year, and 41 senators, along with Sen. Bill Nelson, wrote Majority Leader

Harry Reid requesting a floor vote. If voted on by the full Senate, it will certainly pass, and small differences between it and the House version can be swiftly bridged.

NFIP reform has broad support from both sides of the aisle, yet it remains in limbo, stuck in U.S. Senate awaiting action. Overcoming gridlock is undoubtedly challenging, and we need those senators who support a stronger program, a recovery for the housing market and more protection for at-risk communities to press for a floor vote. With the NFIP set to expire in just a few days, now is the time for a vote on this vital legislation.

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