

OP-ED: Putting science back into flood insurance

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The recent uproar over the Biggert-Waters Act more commonly recognized as the bill which attempted to fix certain issues with the National Flood Insurance Program (NFIP) brought everyone's attention back to the issue of flood insurance. (Considerable increases in the premiums property owners would pay also helped.) Unfortunately, the focus was more on cost and less on purpose and much less on the facts and fictions surrounding the NFIP.

In that spirit, let's address some of the myths that have been repeated during the recent ruckus:

1. This is not a subsidy of the coast. The NFIP covers all kinds of flooding coasts, rivers, lakes and more. In fact, the NFIP mission (as stated in a Congressional Research Services study) is "a unified floodplain management strategy to reduce property losses from flood peril and public spending to compensate disaster victims." Four of the top 20 costliest flood disasters covered by NFIP are non-coastal; many of the others include both coastal and non-coastal damages.
2. This is not a subsidy of the wealthy. Remember, the NFIP has a maximum coverage of \$250,000 so it's really supporting the middle-class coastal homeowner, a very endangered species these days. Yes, owners of high-end homes can get coverage but only up to \$250,000, even if their home is worth 10 times that.
3. It's not a subsidy at all. The NFIP (until Hurricane Katrina) was not subsidized by taxpayers, but was a line of credit from the U.S. Treasury that allowed post-disaster payments to be repaid by future premiums a system that worked just fine until the \$16.6 billion hit from Hurricanes Katrina, Rita and Wilma. Part of the Biggert-Waters Act was to extend FEMA (which oversees the NFIP) some measure of debt forgiveness to offset the current \$17.75 billion due to Treasury.
4. From 1978 to 2011, the NFIP had lost money annually (e.g. paid out more than it took in in premiums) five years out of 36 - not a bad record of self-sustainability. Of course, this doesn't take into account the pending payout costs for Superstorm Sandy, which will push the program further into the red but, as with any insurance, you have to look at the long view financially, with the expectation of making adjustments as year-to-year events take their toll.
5. The changes in flood maps reflect new technology as well as a revised look at storm flooding risk. Since the highest premiums hit the homes with the highest likelihood of flood damage typically, the at-grade structures the greatest impact is on the older coastal homes (since most buildings of a more recent vintage would have been elevated thanks to NFIP coastal building

rules). Again, this means the middle-class, middle-income homeowner was looking at the biggest hit, which explains the hue and cry over the premium spikes.

6. The act worked to address properties that were not paying "actuarially correct" premiums but that amounted to barely 20 percent of the NFIP properties. That's not to say those properties didn't need to be brought up to actuarial par over a reasonable period of time (they do, since other NFIP premium payers have been subsidizing them for years), but the number is not as large as some reports would have you believe.

7. The NFIP also helped improve coastal construction, reducing flood damages by an uncalculated amount while helping those properties hit by flooding to recover and to rebuild under rules that made future flood damages less likely. It also put more at-risk properties into the overall pool by requiring flood insurance for federally backed mortgages. (Unfortunately, both benefits were not all-encompassing or always totally enforced.)

However, with all the talk about politics, parity and public reaction, not much is being said about science and making decisions based on facts rather than emotions. Any delay in implementing the Biggert-Waters reforms is a political decision; but delaying the research needed to make the NFIP more factual and able to base its decisions on science undermines the good things flood insurance has done and, worse, undercuts the system's ability to make necessary adjustments toward future sustainability. (Actually, some of the science addressed in Biggert-Waters wasn't totally on target - or was missing altogether - a fix we wish lawmakers would work on instead of dwelling on politics and premiums.)

Good science is all the more important when you consider that 13 of the top 20 storm damage events (judged by the amount paid by NFIP) have occurred since 2000. Even taking out sea level rise as a factor, the increased number of people along the coast or (in flood-prone areas away from the coast, which are also covered under NFIP) means that even formerly routine storm events will now cost more and extraordinary storms such as Katrina and Sandy will have an even more catastrophic financial toll in years to come.

Flood insurance is not going away - nor should it - since people will continue to live in flood-prone areas and disasters will continue to happen. That means we need science-based research and facts more than ever, if a valued and viable NFIP is to evolve in a way that will ensure its future sustainability. Public pressure may delay some of the costly reforms from Biggert Waters, but it should not derail the push to make science the basis for NFIP decisions once again.

-The American Shore & Beach Preservation Association

- See more at: <http://www.captivasanibel.com/page/content.detail/id/523068/OP-ED--Putting-science-back-into-flood-insurance.html?nav=5049#sthash.Oup6RIHP.dpuf>