

# Congress Again Punts Flood Insurance Reform into Future



By Jennifer Dorroh

*Update: This story was updated to include Senate vote on Tuesday.*

For the seventh time this fiscal year, Congress has voted to temporarily extend the program that provides flood insurance to U.S. coastal properties before it was due to expire at midnight Tuesday. But Congress has signaled no movement toward the long-term reform experts say is desperately needed.

The Senate voted 86-12 in favor of the extension passed by the House last week. The measure, signed by President Trump Tuesday afternoon, postpones the lapse of the [National Flood Insurance Program](#) (NFIP), which protects 5 million U.S. properties, through the end of this year's hurricane season Nov. 30.

The looming deadline has set nerves jangling in many coastal communities, especially those whose properties would be uninsurable without taxpayer assistance. It is especially nerve-wracking following 2017, a year in which three hurricanes—Harvey, Maria and Irma— were among the five costliest in history. Together, they inflicted [\\$265 billion in damage](#).

“People shouldn’t have to watch the Gulf of Mexico and worry about whether their home is protected from storm surge. They also shouldn’t have to worry about whether they’ll be able to get the insurance required to buy a house,” said a New Orleans Times-Picayune [editorial](#) urging Congress to extend the program for its 5 million participants.

A short-term fix, however, does not deal with the long-term problem of coastal flooding, which is intensifying as the climate warms. And it doesn’t deal with the fact that the NFIP is about \$20 billion in debt. Even the city manager of Galveston, Texas, Brian Maxwell, who said the short-term extension is critical to his city’s residents, believes reform is essential. “At the end of the day, the continued growth, success and thriving economy on the island depends on this system being done right,” Maxwell wrote in an email.

Instead of tackling the problems that have put the program in deep debt, “Congress is taking a punt formation yet again,” said Craig Fugate, former chief of the Federal Emergency Management Agency, which administers the flood insurance program. Last year, the NFIP paid out more than \$8 billion in claims. Even after Congress forgave \$16 billion of NFIP’s debt to the U.S. Treasury last year, the program remains about \$20 billion in the red.

The current system gives property owners the incentive to rebuild without regard to future risk, with homes in flood prone areas [being rebuilt over and over](#). The NFIP reports that about 30,000 properties fall into the “severe repetitive loss” category and while they represent 1 percent of the country’s covered properties, they are responsible for 30 percent of the claims. One home in North Wildwood, N.J., has reportedly been rebuilt 32 times and it is far from the only example of taxpayers repeatedly bailing out the same homeowners.

Fugate, who served under Presidents George W. Bush and Barack Obama, believes that reform should offload more risk to private insurers. “The current system is really set up to almost promote growth because we’re subsidizing flood risk,” he said.

At the same time, “we can’t fix the program on the backs of the people who already live in these places. Too often we’re talking about poor or low-income people who would be turned out of their homes,” Fugate said.

Created in 1968, the NFIP was originally a risk-sharing partnership with the private sector. But the taxpayer-funded program has continually absorbed most of the nation’s rapidly growing flood risk.

Congress passed its last attempt at comprehensive flood insurance reform, the Biggert-Waters Flood Insurance Reform Act, in 2012. It sought “to move toward an insurance program with NFIP risk-based premiums that better reflected expected losses from floods at insured properties,” according to a [National Academy of Sciences paper](#). The act eliminated certain low-cost, “grandfathered” policies so that prices would better reflect contemporary flooding risks and updated maps.

However, as the new policies took effect, prices in many areas rose so rapidly they became unaffordable for some homeowners.

“We tried to warn Congress, but it caused very rapid cost escalation,” Fugate said. “Congress started hearing from constituents about premiums that went up from \$600 to \$700 a year to \$5,000 to \$6,000 a year. And from real estate brokers, who went crazy because of the sticker shock.” Congress reinstated the earlier, price-protected flood insurance policies, including many that were set well below market prices.

Members of Congress did propose amendments to the NFIP, such as the [State Flood Mitigation Revolving Fund Act](#), but these have yet to gain traction. Fugate thinks a comprehensive fix is unlikely during an election year, but said, “Congress should take small steps in the right direction by not insuring new policies. We should at least stop growing our risk.”

Meanwhile, a number of local and state leaders acknowledge that the writing is on the wall for the current system, in which homeowners and communities rebuild after flooding, without changing their approach to infrastructure. “Major reform is needed to ensure that new investments increase the durability of the man-made surroundings and consider nature-based approaches to minimize future flood damage, reduce the impact and costly cycle of rebuilding, and save taxpayer dollars,” said a bipartisan group of state and local officials who signed the [Flood-Ready Infrastructure Statement of Principles](#).

One of the signers was Chris Stolle, a Republican who represents the coastal Hampton Roads communities in the Virginia legislature. He is among that region’s leaders pushing for improved flood mitigation. With its naval base and robust tourism, “our coastal location is an asset,” he said. “And how we respond will also be an asset. We’re looking at this not as a threat, but as an opportunity to figure out how we can continue to benefit and then turn those solutions into jobs.”

Officials in coastal areas deal with the likelihood that all the current problems will escalate as sea level rises and weather becomes more extreme with climate change. Congress as a whole has not begun to deal with those issues.

“I could never even pretend to speak for Congress but it is my guess that they, like us, realize a better and cheaper solution is needed that affords better protections at a lower cost,” said Maxwell, Galveston’s manager. “Those solutions do not come politically easy.”

Maxwell said he believes government should guarantee insurance, but take more of a re-insurer’s role in backing private insurance.

“Galveston would love to be part of the conversation as it can be done better and more effectively.”

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