

# The Washington Times

## Fixing flood insurance in Harvey's wake

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Hurricane Harvey took the most devastating flooding in the city's history to Houston, and the cost of repairing the damage will be astronomical. Sadly, the federal flood insurance program is already underwater and Harvey will only add to the flood of red ink. It's clear that Congress must reform the program so the premiums property owners pay more closely reflect the flood risk. Until that happens, nature's frequent fury will continue to undermine the finances of everyone.

With the angry water from the Category 4 hurricane damaging 200,000 Houston-area homes and business firms, early estimates place the cost of restoration as high as \$190 billion. That would eclipse the \$108 billion loss in the 2005 Hurricane Katrina and Superstorm Sandy in 2012. President Trump expects Congress to quickly approve a \$7.9 billion down payment for emergency relief.

The National Flood Insurance Program, designed to wield the financial muscle of the federal government to protect flood-prone property, has proved to be a money sieve. It covers about 5 million flood-prone properties nationwide, worth about \$1.2 trillion, and collects about \$3.5 billion annually in premiums. The program was \$25 billion in the red before Harvey hit — a clear indicator that overall, property owners who are required to carry flood insurance are not paying for the risk.

Among the existing program's shortcomings are its policy of grandfathering older structures built in low-lying regions before accurate floodplain mapping began, encouraging owners to renovate rather than demolish. Between 1978 and 2004, these risky properties comprised 1 percent of the program's insured properties but accounted for 38 percent of the damage claims, according to the Government Accountability Office. The federal program is subsidizing insurance for expensive waterfront property along the Southeastern coastline, favoring the wealthiest homeowners.

Congress has made several attempts to put the insurance on a sustainable financial footing, without success. The program will expire at the end of this month, which offers legislators an opportunity to resolve the unintended consequences of the program.

Several constructive bills were reported out of the House Financial Services Committee in June. Among the proposals are provisions giving more leeway to private insurers who currently offer only federally approved policies. Doing so would allow insurers to set premiums tailored to individual properties, resulting in a closer match of insurance cost and flood risk. Other provisions would limit claim payments for repeatedly flooded properties and require the use of replacement cost in setting insurance rates.

The House is seeking a five-year reauthorization of the National Flood Insurance Program and the Senate version calls for a 10-year term to ensure continuity. Both versions back provisions to allow a gradual increase of private-sector involvement in flood insurance.

It's an idea endorsed by the free-market Cato Institute, which says "the ideal 'reform' to the [program] would be to fully privatize flood insurance. That would be more likely to fix the system in a way that would limit the long-run government liability than any alternative legislative approach." Allowing private insurers to have a larger role in future flood protection is sensible.

No one could have foreseen the once-in-a-lifetime deluge that swamped Houston, but actuaries make their bones calculating risk, including in their calculations such unpredictable natural disasters as tornadoes and earthquakes. Insurance premiums undistorted by Washington rules would give consumers a clearer picture of flood hazards, helping them avoid the mistake of building in the path of storms like Hurricane Harvey. With monster storm Irma bearing down on Florida, the need is urgent for Congress to safeguard Americans from future property loss and new heartbreak.