

Flood insurance real bargain

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Homeowners, particularly those along the coast, are getting a good deal when they purchase insurance from the National Flood Insurance Program. Unfortunately, because of inexpensive premiums and costly storms the program has had to borrow \$25 billion from the U.S. Treasury.

The CATO Institute in a July 19 report said Hurricane Katrina in 2005 left the flood insurance program with \$18 billion in debt, and Superstorm Sandy in 2012 accounted for most of the rest of the \$25 billion. Hurricane Harvey's cost is expected to reach \$40 billion, most of which will be added to the program's debt.

The flood insurance program was created in 1968, three years after Hurricane Betsy struck Florida and Louisiana. Private insurers handle the policies, but the federal government sets the rates.

The program's five million policyholders are the real beneficiaries at the expense of taxpayers in other parts of the country. The Times-Picayune said repetitive losses in flood-prone areas represent less than one percent of flood insurance properties but 30 percent of payouts.

Many media reports have used the example of a home near Baton Rouge valued at nearly \$56,000 that has flooded 40 times. It accounts for flood insurance claims totaling over \$428,000. A Houston home that has flooded repeatedly is worth over \$72,000 and received more than \$1 million in insurance payments.

Our home was in a flood zone when we bought it in 1982, but we are currently out of the zone. However, we have continued to buy flood insurance because it's difficult to give up protection that costs only \$450 a year to get \$250,000 in building coverage and \$100,000 for contents.

The CATO Institute said other home insurance protection reflects the real cost of owning property. Our homeowner's policy, for example, cost \$1,968 for one year's coverage.

CATO said the Property Casualty Insurers Association of America conducted a study in 2011 and concluded that current flood insurance premiums cost half the standard price of comparable private coverage. Homeowners in low-risk areas where the insurance isn't subsidized by the federal government would pay only about 25 percent more.

Congress tried to fix the flood premium problem in 2012, but the changes were either repealed or put on hold two years later, the institute said. Another reform opportunity is coming because the flood insurance program expires Sept. 30.

The latest reports coming out of Congress indicate major flood insurance reform will have to wait again. The Times-Picayune reported that U.S. Sen. John Kennedy, R-La., has proposed a six-year extension of the program, but with some changes. Fellow Republican U.S. Sen. Bill Cassidy of Baton Rouge has a 10-year extension plan with some changes, but isn't overly optimistic things will change much.

"I've just found that when you are really changing things, it sometimes takes longer for folks to really get used to the idea," Cassidy told WWL-TV. "People just need to get there, and I'm not sure that people on either end of the spectrum are there yet."

That is definitely the case whenever Congress talks about reforming the costly Social Security, Medicare and Medicaid programs. The people who benefit keep saying "hands off."

The flood insurance program expects the damage from Hurricane Harvey that hit Texas could be the highest cost in history. The Dallas Morning News and other media are reminding Texas congressman about their votes in 2012.

The Morning News said eight Texas Republicans voted against allowing FEMA to borrow more money to pay for damages after Hurricane Sandy hit New Jersey and New York in 2012. Twenty-three of them voted against emergency funding for victims.

"Both measures ultimately passed the House and Senate before being signed into law by President Obama. But the history of votes against flood insurance benefiting other needy states could come back to haunt Texas members of Congress should they have to apply for federal funding themselves after Hurricane Harvey," the newspaper said.

Republican U.S. Sens. Ted Cruz and John Cornyn of Texas voted against the \$17 billion in emergency funding for Hurricane Sandy victims and communities. Opponents argued at the time that the legislation raised the deficit and was "full of pork."

Many bills get out of Congress full of pork, but that wasn't the time to complain because storm-ravaged areas need help.

It comes as no surprise that Congress isn't ready to make any major changes in the flood insurance program. For homeowners in high-risk areas it could become too expensive and out of reach.

Why homeowners in flood-prone areas don't buy what is now inexpensive flood insurance is a real mystery. Many of them who flooded out in Texas this year and Louisiana last year are among that number.