



U.S. Senate votes to extend federal flood insurance program; critics urge private alternative

Nicholas DeSimone

July 31, 2018

On the day it was scheduled to expire, the U.S. Senate voted Tuesday to extend the National Flood Insurance Program (NFIP) for four months through Nov. 30. The bipartisan vote for the extension was 86 to 12.

Louisiana Congressman Steve Scalise authored the bill that also passed in the U.S. House of Representatives, 366 to 52. It now heads to President Donald Trump for his signature or veto.

“I applaud the Senate’s quick action to pass the NFIP extension bill that the House passed last week, and appreciate the strong efforts by [Louisiana] Senators [John] Kennedy and [Bill] Cassidy to expedite passage of this bill that will prevent a lapse in the flood insurance program and extend NFIP through the remainder of hurricane season,” Scalise said in a statement he posted on Twitter.

“Millions of families and small business across the country rely on the flood insurance program,” he continued. “While this extension is necessary to prevent a lapse in the program, I will continue to fight for a long-term reauthorization of the NFIP that includes much-needed reforms to the program.”

Scalise is not alone in saying NFIP needs significant reforms.

Experts at the Cato Institute and other conservative organizations argue that a private insurance alternative would be a better solution to offering flood insurance to policyholders than the NFIP.

Former Cato Institute visiting fellow Ike Brannon says a **private alternative** to the NFIP can help save taxpayers money and provide better value for homeowners in flood-prone areas.

Brannon was joined by Eli Lehrer, president of R Street Institute, a conservative and libertarian think tank in Washington D.C., and many others in sending a **letter** to Congress in May 2017 urging them to consider private flood insurance as an alternative to the NFIP.

According to Brannon, the NFIP has severe **design flaws** and has largely avoided any reforms since its inception in 1968 under President Lyndon Johnson. Since then, it has mounted \$24 billion in debt.

When comparing NFIP premiums and premiums using the latest advancements in catastrophic modeling, which use computer-assisted calculations to estimate the costs of catastrophic events such as flooding, a recent **study** revealed that “in some areas, the NFIP charges prices that are more than 15 times the pure premium, while other areas are charged up to three times less than the pure premium.”

NFIP premiums aren't properly assessed for risk at the property level but rather use average historical losses within the property of a risk zone and these risks differ significantly within a particular zone so the averages are only partially useful, according to Brannon.

Hurricane Katrina spurred the NFIP's initial fiscal woes in 2005. Since then, Hurricane Sandy in 2012, and Harvey, Irma and Maria in recent years have all cost billions of dollars in damages, which have contributed to the NFIP's growing debt.

The Trump Administration's “**America First**” 2018 budget has outlined cuts to the Hazard Flood Mapping portion of the NFIP, which determines if homes are at risk in areas prone to flooding.

Some **argue** for continued funding of the NFIP, saying that current costs of map modernizing efforts will be transferred to homeowners in the form of surcharges if it's not funded. FEMA, the agency that oversees the NFIP, **admits** that 45 percent of all maps are 10 years and older while 75 percent are five years and older.

A private insurance entity that provides market-based rates would also create responsible policyholders because those policyholders will internalize the actual risk in flood-prone locations and be rewarded with lower premiums for efforts to limit risk, according to Brannon.

Brannon urges lawmakers to create a level playing field that promotes reforms that permit private insurers to compete with the NFIP, which he says would save taxpayers money.