



To Reduce Flood Damage, End National Flood Insurance

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Record Mississippi River floods in the 1960s prompted Congress to create the National Flood Insurance Program. Let's hope this year's record Mississippi River floods prompt Congress to end it.

National flood insurance was started as a temporary solution to insure properties that private insurers declined to cover because of their high risk of flood damage.

Since then the program has grown to cover more than five million properties, cost taxpayers billions of dollars, and encourage development in flood-prone areas, making floods more destructive and life-threatening than they otherwise would be. Some of that development also has damaged or destroyed important animal and plant habitats.

Insurance rates are supposed to reflect risk. In other words, the riskier a property is to insure, the higher the rates (and resulting insurance premiums) should be. To insure property in low-lying areas near rivers with a history of severe floods, or areas at risk of flooding from hurricane storm surges, means the premiums should be high. Instead, the National Flood Insurance Program subsidizes premiums to make them lower than they should be.

The NFIP is more than \$18 billion in debt. This month's floods will add to that total.

If property owners had to pay market-based insurance premiums to build homes or businesses in areas at high risk of flood damage, many would decide the price is too high. There'd be less development in these areas and less damage when a river floods or hurricane storm surge occurs.

Since 1984 the NFIP has paid nearly \$1 billion to rebuild some 10,000 properties that have experienced two or more flood losses. Many of these insurance payouts have been more than the properties are worth, according to the [National Center for Policy Analysis](#). If this isn't evidence the NFIP encourages people to build in areas they know are prone to flood, what is?

Funding for the program is set to expire September 30. Congress has granted several short-term extensions in the past two years.

The Smarter Safer Coalition, made up of insurers, environmental organizations, and public policy groups, is promoting program reforms that include more market-based insurance rates, flood mitigation, better floodplain mapping, and a buyout program for repetitively flooded properties. These would be improvements on the existing program.

Yet despite the NFIP's dismal record of financial losses and failures to reduce flood damage, some in Congress have been trying to expand the program to include business interruption and coverage for additional living expenses for persons who must leave their home because of flooding. These additional elements are in H.R. 1309, the Flood Insurance Reform Act of 2011, working its way through Congress.

Apparently no government program can fail so badly that lawmakers will stop looking for ways to expand it.

The Smarter Safer Coalition has good ideas for improving the NFIP. But an improved program would still involve taxpayer risk and favor-seeking by politically connected interests. A better idea would be to end the program so that people who build in flood-prone areas do so at their own risk instead of putting taxpayers on the hook.