Despite Hazard of Sea Level Rise, Senate Halts Flood Insurance Reforms

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Just days after President Barack Obama made his boldest statements yet on climate change during his State of the Union address — calling it “a fact” and demanding we “act with more urgency” to address impacts like increasingly frequent coastal flooding — the Senate voted to delay reforms to the troubled National Flood Insurance Program.

By a vote of 67 to 32, the Senate passed the Homeowner Flood Insurance Affordability Act of 2014 on Thursday, a bill that effectively halts reforms to the National Flood Insurance Program (NFIP) enacted just two years ago. The measure would delay implementation of flood insurance rate increases that were part of the Biggert-Waters Act of 2012 by about four years, calling for an affordability study to be conducted by the Federal Emergency Management Agency.

The Biggert-Waters Act aimed to address the insolvency of the NFIP by requiring that flood insurance premiums reflect actual flood risk and thus raising rates in certain areas. Under the current program, the federal government underwrites flood insurance at rates far below what homeowners would have to pay on the open market for $527 billion worth of properties that lie in the coastal floodplain — part of the $1.2 trillion in assets insured overall under the NFIP. Recently, due to costly extreme events such as Hurricanes Katrina, Rita and Sandy, the NFIP has gone deep into the red and is in debt to taxpayers by about $24 billion.

Just last week the GAO released a report finding:

> The financial reforms included in the act [Biggert-Waters] could go a long way toward reducing the financial exposure created by the program, but they will be phased in over time and in order to be fully effective, FEMA will need to successfully implement them.
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> The potential losses generated by NFIP have created substantial financial exposure for the federal government and U.S. taxpayers. While Congress and FEMA intended that NFIP be funded with premiums collected from policyholders and not with tax dollars, the program was, by design, not actuarially sound.

Now those 2012 reforms are in jeopardy as legislators from both sides of the aisle have been swayed by arguments from their constituents about the rising premiums associated with the reforms. In particular, low- and middle-income homeowners are seeing rate increases that may make their monthly payments unaffordable, and in turn could drive down property values and hurt regional economies.

The bill that passed the Senate on Thursday would delay the premium increases, which were scheduled to be phased in starting next year, and allow homeowners to pass along below-cost policies if they sell their home. During the debate of the bill, legislators proposed ideas to address the problem of affordability while keeping the reforms in place. Senator Pat Toomey (R-PA) argued for his amendment, which would cap the existing premium increases to 25 percent a year until it met the new rates, saying the gradual phase-in "gives people time to adjust, time to mitigate, time to challenge if the map is drawn wrong." This flexibility is also supported by by the White House; however, the amendment failed by a vote of 34-65.

A range of voices, from insurance groups to environmentalists, have suggested that halting the reforms made by Biggert-Waters would fail to solve the problem of an indebted program that leaves coastal property owners at risk and the taxpayer on the hook for paying the bill.

"Rather than irresponsibly delaying reforms, which the CBO estimates would cost billions, the Reinsurance Associate of America supports targeted reforms to help homeowners most in need, while maintaining the benefits of risk-based rates and incentivizing community and individual mitigation," states Frank Nutter, president of the organization.

As coastal populations and sea levels continue to rise, so too will the cost of protecting homes and communities from flooding and extreme weather events. Scientists estimate that sea level will rise 3 feet on average worldwide by the end of the century. Yet, like politics, sea level rise is local and some areas may have more cause for concern. Researchers have found that areas of the East Coast are seeing greater measured levels of rising seas than the global average – and a Rutgers-led team estimates that up to 1.5 feet is anticipated along the New Jersey shore by 2050 and the rate of increase is unprecedented than any time in the past 4 thousand years.

"Sea level is changing and it is going to keep changing regardless of who or what is causing it," says William Sweet an oceanographer at NOAA. "And the impacts are going to become more and more frequent and severe and we're going to have to deal with it."

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