

Guest Opinion: Insurance program successful in preventing growth in flood areas

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I am amazed at the amount of misinformation the media is spreading regarding the National Flood Insurance Program (NFIP).

The National Flood Insurance Program is not subsidized by taxpayers. Rather, the taxpayers provide a line of credit that is used as policyholder surplus. Prior to Katrina, the NFIP has drawn from and repaid on this credit line, with interest. Katrina and Sandy caused this credit line to balloon to an untenable level, but the NFIP is current in its repayments, with interest. To date, the NFIP has not defaulted and Congress has not forgiven the debt.

The NFIP has stated in its congressional testimony, in its manuals and on its website that the only properties that are not paying “actuarially correct” rates are those that were constructed “prior” to the NFIP. In other words, 80 percent of NFIP policies are written on properties that were constructed to FEMA requirements and are paying premiums that are “actuarially correct.”

As such, the NFIP has not encouraged growth in flood-prone areas. Rather, it has successfully established building guidelines that have mitigated risk and created a self-funding mechanism that has allowed over \$45 billion of flood losses to be paid by those choosing to live in flood-prone areas rather than taxpayers.

The measure that passed the House in June of 2013 did not in any way address the older properties that are not paying an “actuarially correct” rate. It proposed to delay the implementation of Section 207 of Biggert-Waters, which eliminates grandfathering.

Biggert-Waters went far beyond what was needed to fix the NFIP and created a great deal of collateral damage in the process. When Section 207 is implemented in late 2014, more than the 20 percent of policies impacted by Section 205 will feel the effects.

Christopher W. Heidrick, CPCU, ANFI, CFP, principal, Heidrick & Co. Insurance, Sanibel.