

## House panel approves federal flood insurance changes

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The House Financial Services Committee on Friday unanimously approved a five-year reauthorization of the troubled federal flood insurance program, which has been in the red since Hurricane Katrina devastated the Gulf Coast in 2005.

The vote underscores the urgency Congress feels about revamping the program, which expires Sept. 30, and the need to realign the rate structure. The reauthorization would create actuarially sound rates, reduce subsidies, improve flood area mapping, explore the use of private insurance and increase coverage for homes and commercial buildings.

The bill, however, is silent on coverage of wind damage, which was central to disputes that many Gulf Coast residents had with insurers. Gulf Coast residents have been fighting insurers over "wind vs. water" claims ever since Katrina, when winds caused extensive damage. Insurers denied many claims for wind damage, saying that the damage was caused by water and thus was covered by the federally insured National Flood Insurance Program. Insurers also administer the flood insurance program.

But it was residents threatened by the rising Mississippi River who were on lawmakers' minds Friday.

"Floodwaters across the South and Midwest are on the rise, and so is the debt owed by this program," said the bill's author, Rep. Judy Biggert, R-Ill., who chairs the panel's Subcommittee on Insurance, Housing and Community Opportunity.

"We need to put the National Flood Insurance Program back on stable financial footing so that it can provide homeowners with reliable coverage without putting taxpayers on the line for billions in losses," Biggert said.

The program is managed by the Federal Emergency Management Agency.

According to Biggert's office, the legislation is on a fast track for a House floor vote and is expected to be brought up before Memorial Day. Its prospects in the Senate are uncertain.

The legislation raises the annual limit on premium increases from 10 percent to 20 percent and authorizes FEMA one year after enactment to phase in rates that are calculated to reflect full risk. Currently, many property owners pay discounted rates that FEMA has incorporated for years to encourage coverage and to reward communities that take steps to mitigate flood or storm damage.

The bill sets minimum deductibles of \$1,000 for properties with full-risk rates, and \$2,000 for

properties with discounted rates. Beginning next year, maximum coverage limits - currently \$250,000 for residential structures, \$100,000 for residential contents and \$500,000 for commercial properties, including structures and contents - would be indexed for inflation.

The House of Representatives has given FEMA a directive to look for a long-term plan for flood insurance that eliminates taxpayer risk. Under the bill, FEMA would solicit bids from insurers on flood insurance costs and report to Congress within 18 months.

The bill also re-establishes the Technical Mapping Advisory Council, which operated from 1995 to 2000, to help draw maps that reflect flood risk; allows FEMA to suspend mandatory flood-insurance requirements in new flood-risk zones for one year; and authorizes the agency to offer new coverage for additional living expenses associated with the loss of use of a residential property, up to \$5,000, and for the interruption of business operations, up to \$20,000.

SmarterSafer.org, a coalition that includes consumer groups, environmental organizations and insurers, has been pushing for a completely risk-based system.

"We are pleased that the House bill moves the flood program to financial stability, makes sure the maps are accurate and reauthorizes the program for five years," spokesman Ron Bonjean said. "However, we urge the full House to consider common-sense reforms to bring all policies to risk-based rates. Without these reforms, taxpayers will continue to subsidize the program."

The American Insurance Association commended the committee for passing the bill, adding, "Given the current flooding taking place on the Mississippi River, it is especially critical to get a long-term extension of the program in place so that this debate can move beyond Congress and residents in flood-prone areas can have the stability in the program they so desperately need to insure their homes and businesses."