The Daily Dish

The NFIP, Naturally

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This August all roads lead Eakinomics to the National Flood Insurance Program (NFIP). Perhaps it was the passing of Robbie Robertson, lead guitarist for the Band, whose epochal live album with Bob Dylan – *Before the Flood* – makes for great listening while reading the legislative text. Or, maybe it is the incessant presence of Taylor Swift (she of NFIP-indifference fame) and her ERAs tour reminding Eakinomics that the NFIP has been around since 1968 and is not currently experiencing a very good era. Or, it could be just trying to get through the first anniversary of the Inflation Reduction Act while knowing that refundable, transferable clean energy tax credits do not in and of themselves constitute a climate strategy. Who knows?

At any rate, the last full authorization of the NFIP took place in 2012 and lasted five years. Since 2017, the NFIP's existence has been the stuff of 25 short-term extensions and three short lapses. Not great. The NFIP lapses again on September 30. Cross your fingers.

The 2012 law, the Biggert-Waters Flood Insurance Reform Act, was intended to take on two major problems – solvency and mitigating flood losses – and it would do so in two major ways. First, by undertaking a major update and reassessment of Flood Insurance Rate Maps (FIRMs), the program can attempt to more accurately align rates with expected risk based on geological changes, improvements in technology and weather modeling, and various states of public infrastructure (such as levees). Second, the law wrestled with the roughly one-in-five policies that benefit from subsidized rates by bringing those rates in line with expected costs.

Charging premiums that more closely aligned with expected costs would definitely put the program on a stronger financial basis. It would also provide an incentive to reduce such costs by not building in a flood zone, building a more flood-resistant structure, or otherwise mitigating the impact of floods.

Unfortunately, this also meant that nearly all premiums needed to rise and there emerged a nearly immediate outrage at the reform. Congress turned around and undertook a full-throated rebuke of the 2012 reform before it ever really got off the ground. FEMA (which operates the NFIP) was only in the process of determining new rates and flood maps, with changes scheduled to be implemented in late 2015 (at the earliest). A new law substantially dismantled many of the reforms. The NFIP has limped from short-term extension to short-term extension since.

It is especially troubling that this administration is so silent on reauthorizing a better NFIP. After all, sea-level rise (and flooding more generally) is the leading edge of climate impacts. Mitigation – reducing emissions of greenhouse gases – will not preempt these flooding threats. Instead, adaptations such as choosing better locations and otherwise reducing the exposure to losses from flood risks should be part of a climate strategy. A reformed NFIP that provides better incentives and financial durability should be an integral part of any climate and infrastructure strategy.

At any rate, August will pass and Congress must act in September to avoid another lapse. What will it do?