

OPINION

TODAY'S DEBATE **REBUILDING AFTER SANDY, PART II**

Our view

Don't own a beach home? You're paying to rebuild one.

After disasters such as Superstorm Sandy, the natural inclination is to do everything possible to help people struggling to rebuild their homes, businesses and lives.

But over the next couple of years, those good intentions will lead to a lot of foolish, even dangerous, decisions that will encourage people to rebuild in harm's way. That's why any recovery plan has to involve rebuilding smarter in some places and *not* rebuilding in others.

At least one leading New Jersey politician is already talking about moving people out of some of the most flood-prone areas, those drowned last year by Tropical Storm

Federal flood program subsidizes risky development

Irene and again by Sandy. "Get appraisals for their homes, write them a check, knock the homes down and just let it go back to its natural state," said Steven Sweeney, a Democrat and president of the New Jersey Senate.

Good luck with that. A huge federal apparatus and powerful special interests are intent on doing just the opposite. The best illustration of this misguided policy is the National Flood Insurance Program, created in 1968 to provide insurance to homeowners on coasts and near rivers who had trouble getting private coverage.

The creators meant well, but here's the flaw: The program's premiums don't reflect the actual risks, es-

pecially in an era of rising sea levels and extreme weather. As a result, federal insurance has encouraged developers to overbuild in risky areas, buyers to purchase there and residents to rebuild even after repeated flooding.

A USA TODAY analysis in 2010 found 19,600 properties where multiple insurance claims resulted in payouts greater than the property's value. One Mississippi home valued at \$69,000 had been flooded 34 times since 1978, prompting insurance payouts of nearly 10 times its worth!

Nor is the program built to withstand the biggest disasters. In 2005, Hurricane Katrina and other storms drove the program \$19 billion into debt, which it borrowed from the federal treasury. It still owes \$17.8 billion to taxpayers. Now the program faces more than 100,000 new claims from Sandy, and payouts that could reach \$7 billion. Chances that the money will be repaid to taxpayers: practically nil.

Flood insurance isn't the only poorly conceived federal program that encourages risky shoreline development and overbuilding. Other programs provide money to replenish beaches, pouring sand that continually erodes and can be washed away at any time.

Local governments add to this irresponsible mix. Federal insurance has an incentive program to help coastal cities and towns prevent flooding. But many of the communities clobbered by Sandy did little or nothing to prepare, USA TODAY found by reviewing federal records.

Supporters of the insurance program, such as the builders of beach



JASON TOWLEN, HOME NEWS TRIBUNE, EAST BRUNSWICK, N.J.
Floodwaters threaten homes in South River, N.J., hours before Superstorm Sandy even landed on Oct. 29.

homes and the real estate agents who sell them, point to insurance reforms passed this summer, which allow faster premium increases for vacation home owners and repeat claimants. But Sandy shows that bigger changes are needed.

Step one is to carefully decide what should, and shouldn't, be rebuilt. Encourage residents to leave the most vulnerable places. In the areas that are rebuilt, require homes to be raised on pilings, and restore dunes and other natural buffers.

Longer term, eliminate taxpayer subsidies of the insurance market. Premiums would surely rise, some drastically, reflecting the true risk of living so close to the water. And that's the whole point.

This is the second of two editorials on rebuilding after Sandy. View the first, about the power grid, at usatoday.com/opinion.

Opposing view

Program fills insurance gaps

Moe Veissi

During the past two decades flood disasters were declared in every state, along rivers and lakes, behind levees and dams, and anywhere snow melted or heavy rains fell, which is why available and affordable flood insurance is vitally important to all of America's property owners.

Congress created the National Flood Insurance Program in 1968 precisely to address the ongoing failure of the private market to provide affordable flood insurance, which is still true today. The private insurance market wants no part of the flood insurance business because of the high cost and unpredictable nature of these disastrous floods. The insurance program ensures access for more than 5.6 million home and business owners in 21,000 communities where flood insurance is required for a mortgage.

The program discourages homeowners from living in the highest-risk flood areas. Instead, it enables them to assume the risk and full cost of flooding so they no longer have to rely on expensive taxpayer-funded disaster assistance, and can make more informed decisions about rebuilding and relocating.

Though it's a common assumption that homeowners in coastal regions primarily rely on the flood

insurance program, many flood policies are issued in non-coastal states.

Given the widespread devastation that floods cause and the absence of a private insurance market, the federal government ends up playing a role one way or another. Either it provides costly post-disaster rebuilding assistance — potentially costing the government billions of dollars in uncompensated relief efforts — or it

Give reforms a chance to work

makes available an affordable federally backed insurance program to cover flood damages with applicable premiums attached. One indisputable fact is that without this program, millions of properties would be uninsured.

Recent reforms to the program were the most far reaching in decades, and they should be given a chance to establish a discernible track record before legislators consider whether additional program reforms are necessary.

This program remains critically important to Americans and our nation's economy because it increases the number of self-insured properties and reduces the cost of post-flood disaster governmental assistance, saving taxpayers property and money.

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