

## Flood insurance bills stalled

By Ana Radelat, Montgomery Advertiser

WASHINGTON -- Some of Hurricane Katrina's devastation wasn't immediate -- or obvious.

Besides causing billions of dollars in damage and killing hundreds, the storm also battered the National Flood Insurance Program.

Proposed reforms include making the coverage more expensive, especially for the owners of older vacation homes and businesses.

"Doing nothing will result in catastrophic consequences," warned Sen. Richard Shelby, R-Tuscaloosa.

Shelby, the head of the Senate Banking Committee, and Rep. Richard Baker, R-La., introduced bills to overhaul the flood insurance program.

Baker's bill, which would increase maximum coverage to \$335,000 for houses and \$670,000 for businesses, was approved overwhelmingly by the House in June.

But several lawmakers, including Louisiana's two senators, have put "holds" on Shelby's legislation, stalling efforts to change the system. Sens. David Vitter and Mary Landrieu, a Democrat, are concerned with several provisions that would make coverage more expensive for their constituents.

"We want to make it stable and affordable for the future," said Adam Sharp, Landrieu's press secretary.

Shelby is negotiating with lawmakers who have blocked his bill, but time is running out in this Congress, said Andrew Gray, Shelby's press secretary.

Created in the 1960s, the federal flood insurance program provides protection against a peril most homeowners insurance does not cover. Because of the high risk involved, flood coverage would be unaffordable for most Americans if the federal government didn't subsidize the premiums.

While flood insurance is available in more than 20,000 communities across the nation, states with the most policies are Florida, Texas, Louisiana, Mississippi, and South Carolina.

For the most part, the program has been successful, paying claims out of the premiums it received from about 5 million policyholders.

But Katrina proved too much. Run by the Federal Emergency Management Agency, the program is expected to pay as much as \$21 billion in claims from Katrina and other hurricanes that struck last year, requiring it to borrow about \$20 billion from the U.S. Treasury.

Most people, including Shelby, doubt the flood insurance program will be able to pay back the loan. Shelby's bill would forgive that debt.

But, to put the program on sounder financial footing, Shelby proposed eliminating federal subsidies that helped homeowners and business owners purchase coverage for some properties that are at greatest risk of flooding.

To participate in the program, communities in a flood zone have to agree to certain building regulations, including height requirements. An exception was made for homes and businesses that were built before 1974.

Shelby's legislation would increase, by 15 percent a year, the flood insurance premiums for the buildings that were granted the exception until the subsidy is eliminated.

It also would mandate an update of the nation's flood maps -- requiring more homeowners to purchase flood insurance and increasing the rates for others.

Coverage of a beachfront home owned by Alunda and Joe Scarborough of Tallahassee is likely to cost more with flood insurance under Shelby's plan.

The 1950s home sits about 100 yards from the Gulf of Mexico and is one of three beach rental properties the Scarboroughs own.

But Scarborough, who said he pays a premium of about \$300 a year to cover each beach house against flooding, said the policies are a bargain. He's willing to pay more for coverage that has protected his investments and helped repair damage from storms, including Katrina and Hurricane Ivan in 2004.

"When we purchased the homes, we were aware there was a certain amount of risk," Scarborough said. "Of course, I wouldn't be as philosophical if my premiums went up from \$300 to \$10,000."

