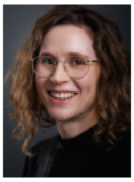
Rebecca Elliott October 4th, 2024

Hurricane Helene highlights the need to expand US flood insurance coverage



The past week has seen widespread devastation in the southeastern United States following Hurricane Helene. The effects of the hurricane, which damaged communities hundreds of miles inland, will likely be made worse by many residents' lack of flood insurance coverage, especially for those who lived outside of official flood zones. **Rebecca Elliott** *writes that flood insurance is available to all Americans who want it through the National Flood Insurance Program (NFIP), but cost, perceptions of safety and whether it is required, and confusion over how insurance is sold and by who, have all combined to prevent many from having flood insurance.*

In the wake of Hurricane Helene, many in North Carolina have expressed astonishment at the sheer scale of the destruction wrought by the storm. While hurricanes have become a fact of life for those on the coasts of the southeastern United States (though no less traumatic), many of the hardest-hit communities this time were far inland, in places like Buncombe County, located in the folds of the Blue Ridge Mountains, 250 miles from the Atlantic coast. Helene dumped staggering amounts of rain across that county and its neighbors in the region. The resulting flood was not a once-in-a-lifetime kind of event; it has instead been broadly described as "biblical."

With global warming continuing, the climate changes, and the impacts will continue to surprise. Helene shows us how places that were once believed to be "safe" from the most catastrophic disasters are in fact vulnerable in a world of intensifying extremes.

Many residents will lack flood insurance after catastrophic flooding

In the long tail of this disaster lurks another surprise for many residents of these inland communities: they will find that they do not have insurance coverage for the homes and belongings they've lost in this flood. This will come as a surprise because many people assume they are covered for flood as part of their (or their landlord's) standard homeowners' insurance policy, which does cover perils like fire and wind. But flood insurance is a separate policy and most of it is not underwritten by the private insurance companies that sell homeowners' insurance. It is underwritten by the federal government, through the National Flood Insurance Program (NFIP), which is currently run by the Federal Emergency Management Agency (FEMA).

The NFIP was established by Congress in 1968 because, for decades, private insurers had refused to underwrite flood insurance. The losses were too concentrated, knowledge about the risks was, at the time, not sophisticated enough, and prices would likely be so high as to prevent the product from being commercially viable. So, the federal government, keen to provide forms of economic security that would encourage homeownership, stepped in. Ever since, the NFIP has underwritten flood risk for homes and small businesses across the US.

But flood insurance take-up rates have, since the start of the program, remained low relative to the risk. Today, there are only around 4.6 million policies in force, in a country of 127 million households and where, according to FEMA, 99 percent of counties were impacted by a flooding event between 1996 and 2019.

Flood insurance is confusing, often poorly mapped out, and expensive

So why don't more people have flood insurance? Experts on risk and insurance often point to the cognitive limitations that people have when it comes to understanding risk probabilities: we tend not to think bad things will happen to us; or that if they do happen, they won't be that bad; and that if something bad happens once it probably won't happen again. This may not correspond at all to what those experts' risk assessments indicate.

But there are larger, structural factors at play that prevent people from buying and maintaining flood insurance – collective matters that transcend what's going on in our own heads.

The first issue is that there is a lot of confusion around how flood insurance is sold and who needs to have it. Since the 1980s, some, but not all, private insurers have participated in a program that allows them to sell flood polices *on behalf of* the federal government. This is the "Write-Your-Own" (WYO) program, so-called because insurers can write the policies on their "own" letterhead, bundling the flood product with the other products they are selling to customers. So even though the risk is borne by the federal government, and the premiums paid go into the NFIP, from the point of view of the policyholder, it may look like a private flood policy. This adds to the confusion and the unevenness of flood coverage from person to person. You could talk to your neighbor, and they could tell you that yes, flood is covered in their homeowners' policy, because they were able to buy it all at the same time from their primary insurer. But that may not have been offered to you from your insurer.

"Florida National Guard" (CC BY 2.0) by The National Guard

Flood insurance through the NFIP is available to anyone who wants a policy. But only homeowners with federally backed mortgages who live in official flood zones ("special flood hazard areas") on FEMA-produced flood maps are *required* to have a policy in place. Even still, this "mandatory purchase requirement" has always been poorly enforced by the mortgage lenders who are meant to be keeping track. So, some people who bought a flood policy when they first took out their mortgage may well have let it lapse.

And then there are all those people who aren't in the official flood zones. The terms of the mandatory purchase requirement seem to imply that if you aren't required to have a policy, because you are outside of the official flood zone, then you must be "safe." But storms like Helene explode that logic. Buncombe County joined the NFIP in 1980. But just 2,167 of over 127,000 properties in the county are in the official flood zones and subject to that purchase requirement. Floods have never helpfully stopped at the borders of the zones drawn on a FEMA map – Helene's floodwaters certainly didn't. Those maps are also time-consuming to produce and often years out of date. But even when new, they provide at best a snapshot of a highly dynamic risk. As climate impacts worsen, places that never expected to flood, or to flood in quite so catastrophic a way, may well find themselves facing "biblical" destruction.

And finally, there is the issue of cost. Flood insurance is another bill to be paid. In the context of entrenched economic inequality and a housing affordability crisis, the financial burden of a flood insurance premium may well be too high to bear for many people. This is especially true for those who need insurance the most – the people who live at highest flood risk. Because the National Flood Insurance Program (NFIP) is a public program that depends on Congressional authorization, fights about the fair price of insurance are recurrent in its history. But the general direction of travel over the last several years indicates that rates for most people are increasing, as the underlying flood risks increase. This could well put financial protection out of reach for many and make their already tenuous hold on secure housing that much more precarious.

How to improve flood insurance coverage

So, what can be done? In recent years, the federal government has sought to increase flood insurance coverage by encouraging private insurers to get into the market with their own flood insurance products. A small but growing number have. But private insurers can decline to cover, or drop, the riskiest policies. They can also increase rates at each yearly renewal. They are doing precisely these two things in western states struggling with wildfire risk. The NFIP can do neither. No risk is "too bad" to get a policy, and there are relatively tight statutory limits on how much a premium can increase, year-on-year, so higher rates take effect more slowly.

Another way to increase flood insurance coverage is to expand the mandatory purchase requirement, potentially even to all property owners. This would eliminate the confusion around who needs a flood policy and under what conditions. It would also spread the risk and cost across more shoulders, reflecting the truly collective nature of flood loss and acknowledging its increasingly wide reach.

Flood insurance can also be made more affordable, especially for those who are least equipped to bear the burden. FEMA has for years studied NFIP affordability issues and has even developed a "framework" to try to address them. But this awaits authorization from Congress.

Reducing the underlying risks is another way that flood insurance can be made more affordable. The best way to do this is through sustained investments in comprehensive risk reduction that are oriented towards protecting entire communities. Flood risk is a collective problem, one that is too big for any single resident to defend against. No one need deal with the distressing surprise that they are on their own when the storms bear down again.

Climate Change: America and the World podcast

Climate Change: America and the World is a six-part podcast series from the Phelan US Centre exploring the effects of climate change from an American perspective. Episode 5, The Cost of Climate Change in America, gives an overview of how climate change intersects with class in the United States and the rest of the world. **Professor Rebecca Elliot** (LSE Sociology) and **Professor in Practice Swenja Surminski** (LSE Grantham Research Institute on Climate Change) discuss how climate change and climate related hazards disproportionately affect those from low-income backgrounds in the US and globally.

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Rebecca Elliott is Associate Professor of Sociology. Her research focuses on how climate change, as a material and symbolic phenomenon, is reshaping social and environmental landscapes. At LSE, she is a Research Associate at the Grantham Research Institute on Climate Change and the Environment and at the LSE Centre for the Analysis of Risk and Regulation.

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