

Flood insurance premiums need to rise by 25% per year

Insurance Business

The National Flood Insurance Program (NFIP) is buckling under the weight of a \$25 billion debt, so something's got to give.

For some policyholders, this could mean as much as 25% increases in the rate they pay for coverage every year. In Mississippi, anecdotal evidence shows premiums could shoot up by as much as 80%. Amy Bach, the chief executive of consumer advocacy group United Policyholders, said she found one homeowner in the state having to cough up \$4,000 to keep her coverage, from paying a mere \$800 previously.

CBS reports that the hikes are measures Congress is adopting to steer the federal insurance program back to actuarial health, following devastating losses from the major weather events of the past few years.

"Congress's way of dealing with flood insurance consists mostly of kicking the soggy can down the road," the media outlet observed.

"Even when it was easier to get things done, there were all kinds of delays," Loretta Worters, a spokesperson for the Insurance Information Institute, told CBS. "The last time the NFIP ran out, it took 17 short-term extensions, four lapses and almost four years before the program was reauthorized."

As the NFIP expires this September, the report stated that Trump and his Republican coterie are inclined towards privatizing insurance in continuing to provide coverage for American homeowners.

One benefit of such a move is the perceived ability of the private sector to navigate the prevailing political headwinds, which have greatly affected the NFIP in the past.

However, consumer advocate Robert Hunter, who is the director for insurance for the Consumer Federation of America, believes privatization is "awful." Hunter explained that private companies, given the prerogative, would tend to "cherry pick" risks, picking out the most lucrative lot from the market, and leaving problematic homes to the NFIP.

But even as privatization emerges as a viable option, proponents agree that the market needs to be

eased into it.

Nat Wienecke, vice president of the Property Casualty Insurers Association of America (PCIAA) says a four year reauthorization could help move the market towards private vendors. The government and insurance companies could run parallel programs during which time the private sector can build up a risk data base and inject fresh capital into the market.