

[Flood insurance program could be under water without Florida policies](#)

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The National Flood Insurance Program was in debt. Lots-of-zeroes kind of debt. So someone came up with the bright idea to raise flood insurance rates to more profitable levels. How were those levels determined? Well, explanations were kinda vague.

All we knew was that some premiums were originally scheduled to double or triple or go even higher before Congress stepped in to insist rates go up at a more gradual pace.

Problem solved, right?

Yeah, maybe not.

The problem may be worse.

It's beginning to look like residents in Florida were seriously unhappy with the NFIP's extortion-like rate hikes, and with the feeble justifications from the Federal Emergency Management Agency. According to data collected by the Palm Beach Post, the NFIP has lost nearly 300,000 policies in Florida since 2009. "Losing 300,000 policies is a disaster for the program," said J. Robert Hunter, a past director of the NFIP. "The idea is to get everybody in the program and make sure they're all paying sound premiums, which spreads the risk factor for everyone.

"A loss of 10 percent of the policies signals that something is wrong; the pricing is wrong."

It could be argued that the NFIP can afford to absorb those losses because of the higher rates it is charging, and the reduced exposure from writing fewer policies.

The problem with that argument is the policies lost by the NFIP are, more than likely, the kind of low-risk homes that insurance companies like better.

For instance, the number of policies written in Pinellas County has dropped 9.3 percent since 2009. But if you dive deeper into the numbers, you see that the biggest drop has been among inland communities. Pinellas Park has seen a 28.8 percent reduction in NFIP policies. Largo is down 28.9 percent and Kenneth City is down 15.5.

Meanwhile, Indian Rocks Beach and South Pasadena are down 3.3 percent. St. Pete Beach is down 4.1

and Gulfport is down 3.1.

Those numbers don't bode well for the NFIP. And they probably aren't good for coastal residents who might be asked to pay even more to make up for the loss of inland policies.

"If you were an insurance company, where would you rather write policies?" asked Jake Holehouse, a St. Petersburg insurance agent who specializes in flood issues. "If this continues long-term and the NFIP keeps getting stuck with all the high-risk policies, you have to ask what's going to happen down the road."

A number of factors have probably contributed to the NFIP's loss of customers in Florida. Legislation pushed by state Sen. Jeff Brandes, R-St. Petersburg, this year opened the market for private insurers to begin writing policies, and a number of homeowners have taken advantage of more competitive rates. Some homeowners who don't have a mortgage, and thus aren't required to carry flood insurance, have dropped their coverage.

Another contributing factor is the complete lack of transparency and flexibility shown by FEMA officials. Their original price hikes put forward in 2013 were so obscene, and in some cases completely illogical, that it would be natural for residents to lose faith in the program.

"I think you have an agency suffering from a very bad reputation," said Amy Bach, executive director of the nonprofit insurance advocate United Policyholders. "One of the problems with the program is not enough people are in on it, so losing more policies doesn't sound like a good thing."

It is indisputable that the NFIP is in a money crunch — it is estimated the program is \$23 billion in debt after catastrophic storms in New Orleans and New York — and solutions had to be found.

But because Tampa Bay is pretty much ground zero for flood insurance — the NFIP has more policies in Pinellas County than in 43 states — the agency was essentially demanding that we foot the bill for the debts run up in other states.

According to numbers compiled by state Insurance Commissioner Kevin McCarty, Florida has gotten back 31 cents for every dollar it has given to the NFIP since 1992. If you go back to 1978, the number drops to 28 cents.

In other words, Florida has done more to fund the program than any other state for 35 years. And our reward was to have our rates doubled and tripled?

How is that possibly feasible?

FEMA claims it is simple actuarial rates. Except FEMA closely guards its formula for determining those rates. Two months ago, McCarty suggested FEMA's rates were "inadequate or unfairly discriminatory" and asked the agency to provide information by Dec. 15 to explain premium prices. FEMA has not yet provided that information but says it is willing to cooperate.

No one is disputing that Florida should pay its fair share. We have more coastline than any other state, and we're at more risk of hurricanes.

But instead of asking Florida residents to pay the bulk of the bill for catastrophes in New York and New Orleans, it makes more sense for Congress and FEMA to spread flood insurance costs across the country. Mandatory flood insurance policies for federally backed mortgages is one simple solution. Even if a policy in Ohio is \$25 annually versus \$2,500 in Florida, the risk has been spread, and funds are available before the next disaster hits.

The only certainty is that gouging Florida residents is not the answer. And if FEMA officials have any doubt about that, there are 300,000 homeowners who could explain it to them.