

Private flood insurance may be option for homeowners in water's way

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Larry Blair of San Mateo buys flood insurance only because his lender requires it, and for years he thought his only option was the National Flood Insurance Program.

Then he read about private flood insurance on a Facebook page for people in his North Shoreview neighborhood. He ended up getting a private policy from "certain underwriters at Lloyd's of London" that cost \$993 this year. A National Flood Insurance Policy, with the same \$250,000 coverage limit, would have cost \$2,364, said his broker, Terry Tyson of FloodSmart Insurance in Anacortes, Wash.

Not every homeowner can save money with a private flood policy. Unlike national policies, they are not backed by the claims-paying ability of the federal government. Also, most companies offering private flood insurance are not licensed in all states where they do business and can choose which properties to insure.

Trucks are submerged on Pine Cliff Drive as Addicks Reservoir nears capacity due to near constant rain from Tropical Storm Harvey Tuesday, Aug. 29, 2017 in Houston. Michael Ciaglo/Houston Chronicle via AP) File one too many flood claims and you could be in for a surprise Vanguard Properties' James Belisle welcomes a visitor at a peak roof Victorian during a broker tour at 415 Amazon Avenue in the Excelsior in San Francisco, Calif. on Tuesday, August 29, 2017. Finding starter homes a tall order in the Bay Area File In this Wednesday, March 30, 2011 file photo, A bed bug is displayed at the Smithsonian Institution National Museum of Natural History in Washington. Canadian scientists detected drug-resistant MRSA bacteria in bedbugs from three hospital patients from a downtrodden Vancouver neighborhood. AP Photo/Carolyn Kaster, File) New California law aims to stop spread of bedbugs Legislation to reauthorize the national program, which expires Sept. 30, is crafted to lure more companies back into private flood insurance, a market they abandoned long ago, leading to the creation in 1968 of the national program.

Today, the federally backed program accounts for the vast majority of U.S. flood insurance. The program sells policies through insurance companies, which also manage the claims.

Only a relative handful of companies sell truly private insurance. Traditionally, they sold excess coverage to homeowners who wanted more than the maximum \$250,000 allowed under the national plan. Before Hurricane Harvey hit, more were starting to offer primary or stand-alone coverage, partly because the federal program has been phasing out premium subsidies. Also, private companies do not have to charge some fees and subsidies that apply to national policies.

More than 50 insurers issued policies with annual premiums totaling \$376 million last year, according to a National Association of Insurance Commissioners report. By comparison, the national program reported \$3.3 billion in premiums.

Amy Bach, executive director of the consumer group United Policyholders in San Francisco, said she's afraid that Harvey "is going to have a chilling effect on the green sprouts of competition for consumers who want to buy insurance outside the National Flood Insurance Program."

Congress wants private insurance to play a larger role, because the national program, thanks largely to Hurricanes Katrina and Sandy, owes the U.S. Treasury almost \$25 billion. In February, the Government Accountability Office said the program "likely will not generate sufficient revenues to repay" that debt and future claims.