POST IN-DEPTH
FLOOD INSURANCE

Flood policy rates blasted

State insurance chief: Federal premiums are 'unfairly discriminatory.'

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Florida's top regulator called federal flood insurance rates "unfairly discriminatory" Friday, saying he will ask U.S. officials for data that could help private companies set rates and compete.

"Without data and further analysis, though, we can say that the rates are unfairly discriminatory," Florida Insurance Commissioner Kevin McCarty wrote in a letter to state Sen. Jeff Brandes, R-St. Petersburg. "The averaging together of zones with different costs and charging one rate would be considered unfairly discriminatory from an actuarial perspective which would not pass scrutiny under Florida law."

Brandes told The Palm Beach Post on Friday, "It con-

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INSURANCE ONLINE

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firmed what we knew: There's no justification for these rates."

State regulators do not control rates in the federal program. But the evidence suggests the National Flood Insurance Program has paid out only 28.3 cents in losses for every dollar in premiums collected in Florida from 1978 to 2012, McCarty said.

The rates affect more than 2 million Floridians, including more than 160,000 people in Palm Beach County.

"This is not an alarming loss ratio and does not seem to suggest that dramatic increases are needed for Florida risks," McCarty wrote.

A Federal Emergency Management Agency spokeswoman referred questions to a regional official who did not immediately respond to a request for comment.

Florida officials have long protested that the state has the most flood policies in the nation – about 37 percent of the total – but pays out a lot more than it gets back under the program.

With the national flood program $24 billion in debt, a 2012 overhaul in Congress opened the door to rate increases of up 1,000 percent overnight for some property owners in Florida and other coastal states. That sparked an outcry from consumers and business groups that it was crushing real estate sales and paralyzing local markets.

About one in five policies nationally, and about 5,000 in Palm Beach County, fell into the category of homes facing the biggest hikes. A GOP-led Congress rewrote the law governing the flood program in 2014 to allow rate increases up to 18 percent a year for primary homeowners, along with additional surcharges.

Writing Friday, McCarty was responding to an Aug. 12 letter from Brandes.

"Florida properties make up 37 percent of all flood insurance policies in the NFIP, and to date it has yet to be proven that the rates for those policies are anything other than excessive or arbitrary," Brandes said earlier this week. "Floridians deserve to know if the rates they are paying are based on fact or fiction. I believe it is the role of the state to provide that transparency."

In a letter to Florida's congressional delegation, Brandes called for greater access to federal loss-history data in an effort to help private insurers get information they can use to compete.

Brandes sponsored a bill that became law last year to encourage private insurers to enter the market, which remains dominated by the federal program.

Private insurers already could write their own flood policies, including supplementary coverage beyond the $250,000 of protection the federal program offers. These include "surplus lines" insurers such as Lloyd's of London, whose rates are not regulated by the state.

A few private companies have ventured forward. Tampa-based insurer Homeowners Choice, for example, announced last year it would offer a limited number of flood insurance policies as a state-regulated carrier.

That does not mean private industry has been uninvolved. In fact, private agents and insurance companies have pocketed one in three government flood premium dollars to sign up people and administer policies – while assuming no risk, The Palm Beach Post found last year. Watchdogs including Congress' Government Accountability Office have questioned about $10 billion in fees since the 1980s to private middlemen.

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