



Private Flood Insurance

How It Can Help

Residential Flood Insurance History

- ▶ National Flood Insurance Program (NFIP) created in 1968
- ▶ Managed by the federal government, sold directly by FEMA or through private insurers partnering with FEMA
- ▶ Designed to provide affordable flood coverage for homeowners
- ▶ Highest risk properties received significant premium subsidies

Residential Flood Insurance History

- ▶ NFIP was hit with an extraordinary number of claims following Hurricane Katrina and Super Storm Sandy



- ▶ This large number of claims strained the system

Residential Flood Insurance History

- ▶ Following these two disasters, NFIP fell about \$24 billion in debt



- ▶ Congress then passed reforms to NFIP, calling for a phase out of subsidies
- ▶ This led to rising premiums for many homeowners

Residential Flood Insurance History

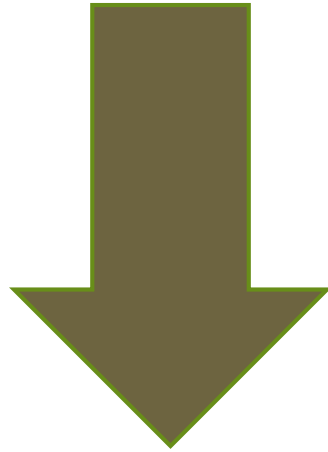
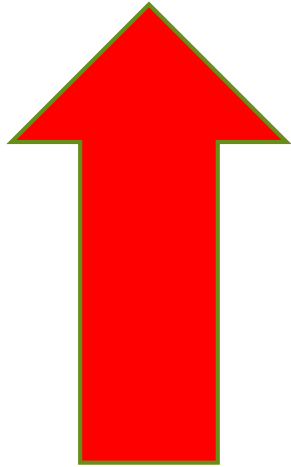
- ▶ In addition, the Federal Emergency Management Agency recently re-mapped many properties into flood zones for the first time



- ▶ Many of these properties have no or little history of flooding, but if homeowners in these zones have mortgages backed by the federal government, they must have flood insurance
- ▶ Homeowners can appeal a flood map at <https://www.fema.gov/information-homeowners> , or calling 1-877-FEMA-MAP (1-877-336-2627)

What's happening now

- ▶ Rising premiums + lower risk properties in flood zones =



- ▶ Private insurers entering the flood insurance market

How Does Private Flood Insurance Benefit Homeowners ?

- ▶ Competition is good for consumers; comparable private flood insurance can be significantly cheaper than NFIP coverage




- ▶ Homeowners should shop around to find their best deal

How Can I Find Out If Private Flood Coverage Is Available For Me?

- ▶ PID has created a one-stop shop for flood insurance information

▶ Flood



The screenshot shows the Pennsylvania Insurance Department website. The header includes the PA.GOV logo and navigation links for COVERAGE, CONSUMERS, COMPANIES, LICENSEES, and REGULATION. A search bar is present with the placeholder text "Enter Search Term". The main content area features a large image of a red wooden bridge over a stream. Below the image, the text "pennsylvania INSURANCE DEPARTMENT" is displayed, along with the names "TOM WOLF, GOVERNOR" and "TERESA D. MILLER, COMMISSIONER". Social media icons for Facebook and Twitter are also visible. The main heading is "FLOOD INSURANCE". Below this, the section "WHY SHOULD I CONSIDER FLOOD INSURANCE?" is followed by a paragraph explaining that flood damage can happen to anyone, regardless of location, and that mortgage lenders may require flood insurance. A "RESOURCES" box on the right contains links to "List of Licensed Agents Who Can Discuss Surplus Lines", "List of Private Insurers Licensed in Pennsylvania", "Federal Emergency Management Agency (FEMA)", "National Flood Insurance Program (NFIP)", "Consumer Alert on Flood Insurance", and "Commissioner Miller's Letter to Congress".

- ▶ Click on the Flood icon on the department homepage, www.insurance.pa.gov

Who Is Selling Private Flood Coverage ?

- ▶ Both licensed and surplus lines insurers are selling residential flood insurance
- ▶ Licensed insurers are companies licensed in Pennsylvania
- ▶ Surplus lines insurers are companies licensed in other states or countries, who typically sell coverage that may be considered to pose a greater risk
- ▶ Surplus lines insurance is sold through surplus lines producers, or agents, who must be licensed in Pennsylvania, and surplus lines insurers must still follow PA insurance laws
- ▶ The state where a surplus lines insurer is located monitors its financial health
- ▶ If located outside the U.S., a surplus lines insurer may apply to be listed on the NAIC's Quarterly Listing of Alien Insurers, which requires maintaining certain amounts of capital and surplus funds

What Cautions Are There To Considering Private Flood Coverage?



- ▶ Private insurers may not cover high risk properties, so NFIP may remain the only option for some homeowners
- ▶ If you have NFIP insurance and move to private coverage, your premium may rise significantly if you go back to NFIP later
- ▶ You may not be able to participate in certain hazard mitigation grant programs, such as having your home raised on stilts, if you have private insurance rather than NFIP coverage.

The PA Insurance Department Is Here to Help



- ▶ Visit us on our homepage, www.insurance.pa.gov, and under Consumers go to File a Complaint, or also on the homepage, under Top Pages, go to Ask a Question of File a Complaint.
- ▶ Or call our Consumer Services Bureau at 1-877-881-6388.