The flood insurance market in the United States is in a state of transition, as Insurance Business [1] reports. Following hurricanes Harvey, Irma, and Maria in 2017, and Hurricane Florence in 2018—and the flood insurance landscape has changed. The Federal Emergency Management Agency (FEMA) and state legislators across the country are pushing for private flood insurers to get more involved in the marketplace in order to supplement the coverage the NFIP can provide.

“Greater risk distribution is beneficial to everybody, and we’re starting to see legislation that is pushing to allow that to happen,” explained Brad Turner, National Product Manager, Flood, Burns & Wilcox. “The flood insurance market is in a state of transition, where the private market is becoming much more heavily involved. That’s not just the case in the excess space; a lot of private flood insurers are proactively marketing what they can do in comparison with the NFIP, which is great. When there’s healthy competition in a segment, not only does it benefit the consumer, but it also benefits the markets by forcing them to take a step forward, to enhance their underwriting techniques, and to incorporate new methodologies to enhance precision.”

“We’re definitely starting to see a transition towards a more competitive flood insurance marketplace,” Turner added. “The markets, backed by supportive legislation, are using new underwriting techniques and technology to underwrite flood risks more proactively,
and they’re seeing some success. The NFIP remains the primary source of flood insurance for many insureds, but you’re starting to see more people proactively seeking out private flood as a viable alternative option. It’s an encouraging time to be in flood insurance.”

In a new report from FEMA and the Office of the Flood Insurance Advocate (OFIA), the agency shared how it is planning on reducing the complexity of the National Flood Insurance Program. The report details several areas of customer frustration related to the NFIP that warrant a systemic solution.

“FEMA’s strategic goals established in 2018 remain in place to build a culture of preparedness, ready the nation for catastrophic disaster, and reduce the complexity of FEMA programs, particularly the NFIP,” said David Stearrett, FEMA Flood Insurance Advocate. “FEMA’s component, the Federal Insurance and Mitigation Administration (FIMA), remains committed to “moonshot” targets set to achieve these goals by doubling the number of structures covered by flood insurance and increasing investment in mitigation four-fold by 2023. The growth in the private flood insurance market furthers the target of doubling flood insurance coverage.”