

House may raise caps on flood insurance

United Press International

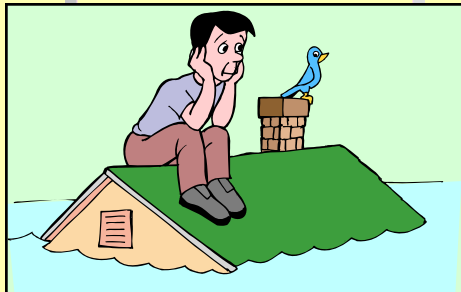
WASHINGTON, March 14 (UPI) – The House Financial Services Committee will mark up legislation Wednesday to end subsidies for vacation homes.

The proposal would also raise the cap on annual premium increases for coverage under the federal flood insurance program, CongressDaily reported Monday.

The provisions are part of an effort to overhaul the program, which is entirely funded by premiums and administered by insurance companies. The draft measure, completed Friday, intends to make significant changes in the 37-year-old program while keeping it actuarially sound, a difficult task as costs from paying claims from hurricanes Katrina and Rita are estimated to cost as much as \$23 billion.

The draft bill also would make major changes

from earlier flood legislation the panel approved by voice vote in November. The draft would phase out subsidies for homes that are not a primary residence, including those that are commercially operated, CongressDaily said.



About one-fourth of participants in the program, 1.2 million policyholders, receive subsidies from within the program. Many consumer groups have advocated ending the subsidies on high-priced homes, such as those with a value of more than \$500,000, but the panel decided to place the burden on owners of vacation homes.

The draft would raise the existing cap on annual premium increases from 10 percent to 15 percent. Many coastal lawmakers have been hesitant to raise the premium

cap.

Many insurance lobbyists said they favorably viewed the measure, which also would increase the maximum coverage limit for structures to \$670,000 in some cases. "We believe the National Flood Insurance Program is in need of significant reforms, and that this legislation is an excellent first step in that process," Scott Duncan, director of public affairs for the Property Casualty Insurers Association of America, told CongressDaily.

US House panel approves flood insurance bill

Reuters

WASHINGTON, March 16 (Reuters) - A U.S. House panel on Thursday approved a bill aimed at making the government's flood insurance program financially sound by, in part, raising rates charged on non-residential property and vacation homes.

The legislation, approved by the House Financial Services Committee, also would raise the program's borrowing authority to \$25 billion but require the agency that runs the program to tell Congress how it will repay the funds it borrows.

The agency, the Federal Emergency Management Agency, also would have to submit reports to Congress twice a year detailing the financial status of the national flood insurance program, including current and projected claims, premium receipts, expenses and borrowing.

The national flood insurance program has been swamped with claims from Hurricane Katrina and other storms in 2005 that hammered the U.S. Gulf Coast.

The program's director has told Congress he expects to see \$23 billion in flood insurance claims from the 2005 storms.

Lawmakers have boosted the

program's borrowing authority already, but warned they would not support doing it again unless the flood insurance program was reformed.

Under the bill cleared by the committee on Wednesday, higher, actuarially sound rates for flood insurance would be phased in for nonresidential properties and homes not used as their owners' primary residence, such as vacation homes.

Premium rates would be boosted under the bill by 15 percent once in the year after the bill is enacted, and then again once a year until rates are actuarially sound.

According to the text of the legislation, about 450,000 vacation homes, second homes or commercial properties are not paying high enough rates for flood insurance. Increasing those rates, the bill states, should generate \$335 million annually in savings for the national flood insurance program.

The legislation also would increase maximum coverage limits for flood insurance policies to reflect inflation and the increased cost of housing and require the program director to review and update flood maps.

The flood insurance program cov-

ers more than 4.7 million policies for homes and businesses and is allowed to borrow from the U.S. Treasury to cover claims not covered by its premiums.

The program collects about \$2.2 billion a year in premiums and fees, and until recently it usually paid out about \$1 billion in claims annually.

