

Nevadans face higher flood insurance

By Scott Sonner, AP

Washoe County emergency manager Aaron Kenneston has known since Hurricane Katrina slammed into New Orleans and Superstorm Sandy wreaked havoc on the East Coast that Nevada homeowners and businesses eventually would face higher premiums for federal flood insurance.

“It’s unfortunate that you have to balance these major superstorms on the backs of taxpayers who don’t live anywhere near the Gulf Coast or Hurricane Alley,” Kenneston said.

Nearly 1,300 Nevada residents will see such premium increases in the coming years due to changes in the National Flood Insurance Program.

For years, the federal government subsidized flood insurance on homes and businesses built in the days before flood zones were created. But premiums collected haven’t covered the payouts, leaving the National Flood Insurance Program \$24 billion in debt.

President Obama last week signed a relief bill that erases the immediate pain of dramatic flood insurance hikes included in a 2012 bill passed by Congress that was meant to reflect the true risk of flooding and end subsidies. Still, policyholders are facing large, repeated rate hikes over the years.

In Nevada, 1,299 flood insurance policies will see double-digit increases. Of those, more than 900 homeowners will see their premiums rise by up to 18 percent each year, and nearly 400 businesses and owners of second homes will see increases of 25 percent annually.

Washoe County, Reno and especially Sparks are among the areas that could feel the sting of rate hikes along the banks of the flood-prone Truckee River, according to an Associated Press review of records from the Federal Emergency Management Agency.

The analysis shows more than one-third of the 383 owners of subsidized policies in Sparks can expect 25 percent increases in their premiums. About one-fourth of the 1,161 policyholders in Reno and one-fifth of the 1,014 in rural Washoe County face increases of up to 18 percent each year.

“I’m concerned we could start to price people out of the market who really should have flood insurance,” Kenneston said.

Kenneston and insurance agents said it’s hard to persuade people to buy flood insurance if it’s not required by a mortgage lender.

“Nobody wants to buy it until after they have a flood,” said Tom Wilkins, a longtime Reno insurance salesman.

The Reno-Sparks area has experienced significant floods at least once a decade since the 1950s – the biggest a New Year’s Day flood in 1997 that caused \$1 billion in damage across six counties, \$700 million in Washoe County alone.

“It is a citywide concern,” Sparks city spokesman Adam Mayberry said. “The 100-year flood seems to come around every 10 years.”

The effects of the rate increases won’t be clear until FEMA adopts regulations to implement the changes, but the association of Nevada Independent Insurance Agents is starting to hear concerns and plans to launch a series of classes to help educate its members.

The impact will vary across Nevada, where 14,871 policyholders

paid collectively \$8.9 million for \$3.46 billion worth of federal flood insurance in 2012.

For example, unincorporated areas of Clark County had 3,675 federal flood insurance policies in place on Dec. 31, 2012, but only 100 of them were receiving the discounted rates and will be subject to increases.

In Douglas County, 129 of the 1,115 – or 12 percent – were receiving the subsidy in 2012 and now will be subject to similar increases. The same for 96 of 644 in Carson City (15 percent), 63 of 158 in Fallon (40 percent), 54 of 167 in Lander County (32 percent) and 43 of 77 in Elko County (56 percent).

Wilkins said most people who need flood insurance don't find the cost to be prohibitive, typically about \$500 annually for a homeowner.

"It seems like a whole lot of money if you never use it but it's really not as expensive as a lot of people think it is," Wilkins said.

After the 1997 flood, he said his company paid a \$500,000 claim to one Sparks business that had an annual premium of \$2,300 and a \$1 million claim to another that paid about \$6,000 a year.

"You could spend about \$30,000 over 10 years and get a half-million dollars back," he said. "Because it is a guarantee the river is going to flood."