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Lloyd's of London dramatically lowers its flood insurance rates in Florida

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Here's something that might shock many Tampa Bay homeowners:

Flood insurance rates are falling.

Lloyd's of London and other private insurers have muscled into the market, picking up customers stunned by rate hikes under the National Flood Insurance Program.

The decreases can be dramatic:

• For $146,000 of coverage on a house in St. Petersburg, the federal program quoted a renewal rate of $6,685. The Lloyd's rate: $1,367.

• For $188,000 of coverage on a St. Pete Beach home, the flood program rate: $9,004. The Lloyd's rate: $1,489.

• For $250,000 of coverage on a Tampa home, the flood program rate: $6,342. The Lloyd's' rate: $2,192

Rizzo & Associates

For $250,000 of coverage, the National Flood Insurance Program from FEMA quoted a rate of $4,846 for this home in the Shores Acres section of St. Petersburg. The Lloyds of London rate for this home was $2,123.

The emergence of private companies into the market could be a boon for thousands of Floridians who face huge rate increases under the federal program because their homes were built decades ago in low-lying areas.

Lloyd's, the venerable London-based institution, began offering flood insurance in Florida last summer, as the impact of the 2012 Biggert-Waters Flood Insurance Reform Act began to be felt. This week, Lloyd's sweetened the deal, telling insurance agents that it is lowering its flood rates "significantly" because it had expanded into other states and lessened the risk from any single storm.

Evan Hecht, CEO of the Flood Insurance Agency, a Gainesville company that markets Lloyd's policies in Florida and 18 other states, said applications are pouring in at the rate of more than one every 15 minutes.

"We're talking millions of dollars in premiums," Hecht said.

Lloyd's new rates were a godsend for Kimberly and Drew Andrews.

The couple bought their Shore Acres home in 2013 after Biggert-Waters was passed, which meant they stood to lose their lower, subsidized flood rate of $1,406 immediately upon renewal this month. The new rate under the flood program, run by the Federal Emergency Management Agency, was nearly $9,000.

"A real punch in the gut," said Kimberly Andrews.

In stepped Lloyd's. The insurer's new rate: $1,383, undercutting even the old, subsidized FEMA rate.

"It's a blessing," said Andrews, 33. "I don't know how else we would have done it."

Lloyd's even offered some relief for its customers who secured policies before the rates dropped this week.

"Lloyd's doesn't have to help them, but they are taking everyone with a 12-month policy and extending them out to a 15-month policy... at no extra cost to help equalize the rate," said St. Petersburg flood insurance agent Jake Holehouse.

Congress passed Biggert-Waters to help remedy a $24 billion deficit left in the flood program by losses from Hurricanes Katrina and Sandy. Although Florida has paid four times more into the flood program than it's received back in claims since 1978, the state is heavily populated with the types of older, low-lying properties being hit with the highest rate hikes under Biggert-Waters.

Starting May 1, FEMA is lowering rates for some owners of older homes that were targeted by Biggert-Waters. The rollback, which is tied to a law passed last month, intends to restore rates of subsidized homes to levels before Biggert-Waters.

Over time, however, those older homes are still on a path to see dramatically higher rates, with premiums rising up to 18 percent a year.

Holehouse said that steady annual increase gives Lloyd's and other private insurers flexibility to emerge as a full-fledged competitor to the national flood program.

"The private marketplace is already undercutting FEMA rates for identical coverage," he said. "Now that we have private competition, I think you're going to see rates become very stable."

FEMA doesn't object to any emerging competition, quite the contrary.

Congress created the national flood program decades ago "to fill a gap in insurance coverage that was not widely available," FEMA spokesman Lars Anderson said. "The NFIP program is not in competition with private insurance companies and will continue to set its rates as directed by Congress."

There is a big distinction between the public and private marketplace, however. Unlike FEMA, private insurers can be very picky about who to insure. Lloyd's won't take condos, mobile homes, properties with unrepaired flood damage or those that incurred more than $250,000 in flood damage.

"If you've had more than one loss in the last five years, they won't take you, so it will dump the nonprofitable polices on FEMA," said Chris Weaver of Florida Strategic Insurance, a Pinellas Park agency that writes Lloyd's polices.

Another potential problem with Lloyd's: As a surplus insurer, it isn't regulated by the state. That means customers have fewer rights, and Lloyd's doesn't need state approval to dramatically increase rates when a policy expires.

Holehouse, for one, doesn't expect that to happen. He thinks it more likely that Lloyd's and other private insurers will continue to be a cheaper option.

"I think this is the future of the flood insurance marketplace," he said, predicting the federal program could devolve into an insurer-of-last-resort that only writes coverage on homes with multiple flood losses and other problems the private marketplace doesn't want.

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