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## Private flood insurer establishes Conn. beachhead

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BY STEPHEN SINGER  
AP BUSINESS WRITER

HARTFORD, Conn. -- A private flood insurer has stepped into Connecticut's market, the first time homeowners along the shoreline battered by Superstorm Sandy have an alternative to increasingly costly federal insurance.

The Flood Insurance Agency of Gainesville, Fla., is writing flood insurance policies in Connecticut, CEO Evan Hecht said. The market was specifically established in response to federal legislation that eliminated subsidies on federal flood insurance in 2012 to bring insurance rates more in line with the real risk of flooding.

One unintended consequence, however, was that policyholders were frightened at the specter of significant rate increases. In particular, home buyers were alarmed at huge insurance premiums on houses they were considering purchasing, rattling real estate markets. His company will be the market that provides an alternative, Hecht said.

"It's very simple what's going on down there," said Terry Keegan, owner of Fairfield County Real Estate. "Flood insurance makes it cost prohibitive to own."

State Rep. James Albis, D-East Haven, said he's heard of premiums as high as \$60,000 for homes in his shoreline district. In contrast, premiums for insurance offered by the Flood Insurance Agency cost \$2,430 a year for \$200,000 in coverage for homes on the Atlantic coast.

"That's where we see our product being used most often, to allow real estate transactions that otherwise wouldn't occur," Hecht said.

The federal government stepped in decades ago where private businesses could not, said Warren Ruppap, president of Independent Insurance Agents of Connecticut. Unlike other property-casualty damage, massive storms affect thousands or even tens of thousands of homeowners and businesses at the same time, potentially overwhelming insurance agencies with claims.

The Senate on Thursday passed a bill to delay premium increases for years for hundreds of thousands of homeowners who buy flood insurance from the federal government. The future of the legislation in the House is uncertain.

Congress has already delayed premium increases scheduled for later this year, giving relief to those facing increases. It doesn't allow people to pass below-market rates onto people who buy their homes.

Fairfield First Selectman Michael C. Tetreau said more than 1,000 homes along the town's beachfront — about one-fifth of the total number — were damaged by Sandy, which hit New York City and southwest Connecticut in October 2012.

He has criticized government flood relief programs that he says are littered with confusing and contradictory rules and too many sources of financial help.

"Simplify the rules, combine all the programs into one and lose some of the income restrictions," Tetreau said. Even though many of the homes in Fairfield are \$1 million or more, they're in "middle-class neighborhoods," he said.

Hecht said previous flooding of a property will be a factor in writing policies.

"We believe the past is a precursor for the future," he said. "If you have a frequent flooding risk, we're not the answer. This is for older homes, predominantly homes with basements. We're an attractive option for them."

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George Bradner, property casualty director at the state Insurance Department, said the Flood Insurance Agency meets state requirements by being licensed in Connecticut and the underwriters are registered, he said. The Insurance Department on Wednesday included the insurer on an approved list of nontraditional coverage.

Rep. Robert Megna, House chairman of the legislature's Insurance and Real Estate Committee, said the committee will propose legislation this year that would broaden access to insurance markets by eliminating restrictions placed on insurers that face different regulations in different Connecticut markets.

The entrance of a private insurer in flood coverage could prompt others to follow, Ruppap said.

"This industry tends to do that," he said. "If a company is involved and it looks profitable, there could be other opportunities."

Hecht said the unpredictability of weather is at the heart of insurance problems.

"Predicting low probability, highly catastrophic events is pretty difficult," he said.

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