

One company is pushing private takeover of U.S. flood insurance



A flood-damaged home is emptied in Swannanoa, N.C., in 2024. For half a century, a federal program has covered most at-risk properties. Now a private company is pitching a plan to shrink the government's role. MIKE BELLEME — NEW YORK TIMES FILE

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WASHINGTON>> Flood risk is a losing bet for most insurance carriers because, when a big storm hits, damage can be extraordinarily costly and concentrated. That has left the federal government to insure most flood-prone properties for the past half century.

But its approach, which guarantees coverage to even the most frequently flooded homes, is broken. The program is heavily in debt; it is \$22 billion in the red, plus another \$16 billion in debt forgiven

by the U.S. Treasury.

Project 2025, the conservative blueprint to shrink the federal government, calls for an end to the National Flood Insurance Program.

One private company is working to persuade the Trump administration that private industry can fill the gap.

The company, Neptune Flood, has proposed that the National Flood Insurance Program stop issuing new policies. It made pitches at meetings in the fall at the White House and the Treasury Department, according to Trevor Burgess, the company's CEO.

The idea could resonate with the Trump administration, which wants to make the government's disaster recovery process cheaper and leaner.

Neptune isn't an insurer but instead assesses flood risks to then connect property owners with underwriters. The company said it works with 39 "risk-taking partners" to write flood insurance policies.

At a gathering at the White House in October, Neptune representatives said that the private sector could absorb up to 95% of the 4.7 million policies the federal program currently insures. The company said it could outperform the federal program by more precisely assessing risk and setting premium prices, property by property, using artificial intelligence.

"They don't need to come up with a new program or a new system," Burgess said in a recent interview with The New York Times. "They just need to do less, and let the free market provide most of the solution."

It is true that improvements in flood modeling have increased the ability of private insurers to profitably offer flood insurance policies, said David Blades, an associate director at AM Best, a credit-rating agency focused on the insurance industry. But the risk of catastrophic flood losses and challenging economics around flood coverage still make it unlikely that carriers could absorb 95% of the market, he said.

Chad Berginnis, executive director of the Association of State Floodplain Managers, said he "fundamentally" disagreed with Neptune's claim that private insurers would be so eager to sell more flood policies. "When someone has a private policy and gets one claim, the private insurer dumps them," he said.

David Maurstad, who led changes to the flood insurance program under President Joe Biden, believes more private-sector participation could help the federal program work, but it shouldn't be a replacement. "Is the only way to grow the private sector to weaken the NFIP?" Maurstad asked. "I don't believe it is."

Floods are among the most deadly and frequent climate hazards, and are a growing threat far beyond coastlines as climate change increases the atmosphere's capacity for intense rainfall. Representatives of the insurance industry and experts in disaster preparedness say that while more private flood

insurance could help property owners, cutbacks to, or elimination of, the federal flood insurance program could leave communities more exposed to flood damage. That's because, besides insurance coverage and rebuilding costs, the program also serves to discourage risky development and prevent flood damage by mapping risks and guiding building codes in flood-prone areas.

"Insurance just helps you rebuild, but it doesn't reduce your risk," said Joel Scata, a senior attorney with the Natural Resources Defense Council. *Note*

A White House official said that until the administration makes a decision, proposals should be considered speculative.

Victoria Barton, associate administrator for external affairs at the Federal Emergency Management Agency, did not comment directly when asked about Neptune's proposal.

But she said competitive private insurance options, along with stronger building codes and smarter development decisions, were important to increase flood coverage, keep premiums affordable and avoid "shifting all flood risk costs to the federal government after disasters occur."

"Flood insurance is fundamentally about personal responsibility and risk awareness," Barton said in a statement. "When property owners choose not to carry coverage, the costs of disaster recovery are ultimately shifted onto taxpayers nationwide — many of whom do not live in flood-prone areas."

Flood insurance was among several issues that were reviewed last year by a task force appointed by President Donald Trump to consider ways to overhaul FEMA. The insurance program operates under FEMA.

The federal insurance program, established in 1968, has struggled for decades as flood damages from hurricanes and other storms have mounted, while the premiums it charges property owners have been kept low. *Note*

Premiums have been based on outdated maps of what is known as the 100-year flood plain, where the chance of a flood is 1% in any given year, and, facing political pushback in coastal regions, the government has heavily subsidized their cost.

But in 2021, the program adopted a new pricing system designed to better reflect risks, causing many premiums to skyrocket.

That has created an opportunity for private insurance to compete. Though private insurers have accounted for a growing share of the flood market in recent years, the federal program still sells most policies.

In October, after a stock offering valued Neptune at more than \$3 billion, it was the subject of a profile in The Wall Street Journal, and it posted on its website a policy proposal for winding down the federal flood insurance program. When a panel Trump appointed known as the FEMA Review Council gathered insurance industry representatives at the White House that month, Neptune representatives were among them.

As others at the meeting focused on ideas to overhaul federal flood insurance program, Neptune's proposal, and its confidence in private-sector demand for flood coverage, received the most attention, according to three people who attended the meeting. The company was soon invited to meet with Treasury officials.

There is no other evidence of lobbying or of political donations by Neptune or its executives, according to a review of campaign finance databases and federal lobbying disclosure forms.

Since the White House meeting, other insurance industry representatives have pushed back against Neptune's statements in letters to the administration urging preservation of the federal insurance program, though with some changes. Some proposals would allow property owners to more easily switch between private and federally backed insurance policies, encourage flood-prone properties to be elevated or even torn down, or offer federal flood insurance subsidies based on owners' income levels.

It is not clear if or when the administration might make changes to the flood insurance program. The FEMA Review Council had been set to issue its recommendations Dec. 11, but the meeting was postponed hours before it was scheduled to begin. FEMA officials did not respond to questions about when it might be rescheduled.