

February 14, 2025

The Honorable Senator Bjorkman and Members of  
the Senate Labor & Commerce Committee  
Alaska State Capitol  
Juneau, Alaska 99801-1182

*Via Email*

**RE: Senate Bill 11 Flood Insurance**

Dear Chair Bjorkman and Members of the Committee:

The American Property Casualty Insurance Association (APCIA) strongly opposes passage of Senate Bill 11 as it would create an unnecessary financial burden on the state, the citizens of Alaska, and property insurers covering homes and businesses in the state. APCIA's more than 1200 member companies write more than 81 percent of all the "Write-Your-Own" business in the National Flood Insurance Program (NFIP) and more than 82 percent of all the private flood insurance in the United States.

SB 11 would create an entirely separate state-run program to write flood insurance in Alaska, purportedly to "increase the availability of flood insurance in the state". Currently, the NFIP provides over \$600 million in flood insurance coverage in Alaska through just over \$1,233,051 in premium for those 2,849 policies. The total NFIP insured value in the state was \$894,111,600 million as of December 31, 2024. Why are these numbers important? The proposed policy limits (\$1 million residential and \$2 million commercial), means that if there was only one residential and one commercial policy and they both had a loss under this program – that could total \$3 million, more than double the premiums collected by the NFIP annually.

Another important fact is that the average claim payout from the NFIP over the last 10 years was \$28,900 per loss. While those numbers are significant, the number of properties protected by flood insurance represents a small percentage of the number of properties located in the state so, yes, indeed there is a significant need for more flood insurance to be purchased in the state of Alaska.

Flood insurance is available through the NFIP and private insurers. Any geographic area that participates in the NFIP is eligible to purchase flood coverage through the NFIP. One of the biggest problems is that many communities in Alaska do not participate in the NFIP, participation is vitally important as it establishes minimum standards for communities in order to reduce flood losses. The state plays a key role in leading those mitigation efforts through coordination and collaboration with communities. The state, local communities, tribes, territories, and individuals should prioritize mitigation projects, mitigation planning, and the adoption or strengthening of building codes and zoning regulations to improve resilience and reduce flood insurance rates.

SB 11 would establish mandatory property insurance company participation in a state-run residual market for flood insurance. This type of program does NOT exist currently in ANY state. The NFIP was formed in 1968, at the federal level to address flood insurance availability and affordability at that time. To this day,

many believe that the NFIP is the residual market insurer for flood insurance. The program implemented risk-based pricing in the last couple of years and, although it is over \$22 billion in debt to U.S. taxpayers, now operates more like a regular insurance program with risks rated individually based on specific criteria rather than just by zone. This will help, provided the community participates in the NFIP, match the premium to the risk of loss – thereby making flood insurance more affordable if loss prevention steps are taken.

The great State of Alaska cannot afford to shoulder the responsibility for flood losses on its own, has no expertise in the matter, especially compared to the NFIP or even private flood writers. Insurers writing property insurance in the state cannot take on this risk through a state-run program. In fact, establishing such program could create the opposite problem for Alaska and create availability issues that we've seen in other states as some insurers would not be able to accept this additional financial burden. This was another reason, at the time, for the formation of the NFIP, that can spread this risk countrywide and even, as it currently has done, to the U.S. government and taxpayers. The chances of loss are significant in Alaska, and in other states in the U.S. as well. The ability to spread that risk is important and even the NFIP has purchased protection (reinsurance) that helps spread flood losses worldwide.

The key to Alaska's flood insurance availability problem will not be solved by the passage of SB 11. The steps needed to address the issue, reside with the state and the boroughs that need to take the steps necessary to participate in the NFIP. Without that participation, which requires meeting certain mitigation (loss reduction) standards, the citizens of Alaska will continue to experience flooding, and the financial risk to the state and insurers writing business in the state could be catastrophic as well.

The bill calls for up to \$10 million of state funds to be used to pay for flood losses if the premiums are not adequate. That \$10 million would be better spent on reducing losses or to encourage more boroughs to participate in the NFIP so that flood insurance would be more widely available through the NFIP or private insurers. Also, the plan essentially calls for "risk-based rates". Yet, the bill replaces the word "shall" with "may" in the Alaska's rating law that currently reads in part that, "rates shall not be excessive, inadequate, or unfairly discriminatory". This appears to imply that the rates "may" not be adequate, creating a potential subsidy and, again, a potential financial exposure not only to insurers, but to the state as well. Property insurance premiums in Alaska in 2023 were \$433.96 million and those are used to pay for all types of losses (e.g., fire, theft, wind, etc.) but importantly, NOT flood.

While we appreciate the concern expressed with regard to the availability of flood insurance, mandatory participation in a program that could be significantly underpriced is a recipe for a financial disaster, in addition to the flooding disasters that can already occur. Accordingly, for the reasons above APCIA and our members strongly oppose further consideration or passage of SB 11. We respectfully urge your no vote. If you have any questions or would like additional information, please contact me at [laura.curtis@apci.org](mailto:laura.curtis@apci.org) or 916-798-0180.

Sincerely,

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cc: Lori Wing-Heier, Director, Division of Insurance  
Heather Carpenter, Deputy Director, Division of Insurance