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Miami Beach streets flood in 2013 during King Tide.

Your flood insurance premium is going up again, and that's only the beginning

The letter might have already come in the mail. "Your building is at high risk for flooding," it declares in bold. There are ominous charts warning that if you don't take action, your flood insurance premium could rise up to 18 percent each year.

The bottom line: your flood insurance premium is going up again — and under a policy change the Federal Emergency Management Agency is considering, it could skyrocket even more in coming years.

Last time the National Flood Insurance Policy got this type of revamp the results were dramatic. Premiums doubled, tripled and more in flood-prone areas. In one extreme case, the premium on a $300,000 house in Monroe County went from $1,900 a year to more than $49,000. Congress hastily walked it back, but the motive behind the change (the NFIP's sorry finances) has only gotten worse since then.

FEMA confirmed to the Miami Herald that it is looking into switching to risk-based pricing in 2020, which would end the subsidies most coastal communities enjoy on their flood insurance premiums and show the true dollar cost of living in areas repeatedly pounded by hurricanes and drenched with floods — like South Florida.

"That means insurance is about to become very expensive, and it kind of sounds the bell that these are high-risk areas," said Wayne Pathman, a Miami-based land use attorney and chair of the city's Sea Level Rise Committee.

Premiums through the National Flood Insurance Policy are already rising an average of eight percent this year; the first wave of pricier policies started in April. That brings the average annual price (including surcharges) for a policy holder to $1,062.

It's all part of a strategy to make the NFIP financially stable. The program is $20 billion in debt (and that's after the government forgave $16 billion of that debt last year) because it pays out much more each year than it takes in.

There are a couple of reasons for this, the most important of which is that the NFIP doesn't charge homeowners like regular insurers do, by analyzing the property's specific risks. Instead, the NFIP charges premiums based on average historical losses in the area and flood maps that are often outdated and incorrect.

That could mean that two neighbors with similar size homes end up paying the same rate, even though one sits on slightly higher ground and is less likely to flood.

The program also struggles with a balance of customers in high-risk areas (think the Keys or Miami Beach) and lower-risk areas. Although Florida has three times the homes at risk as any other state, reporting from the Associated Press showed only 42 percent of those vulnerable homes have flood insurance.

One way the program can make its way out of the red is by charging homeowners the real cost it takes to insure their properties from flood risk. That means getting rid of subsidies and — inevitably — raising some premiums.

FEMA spokesperson Jenny Burke called the initiative "The Risk Rating and Policy Forms Redesign."

"FEMA plans to announce the redesign that is currently under development in 2019 with implementation occurring in 2020. The final product will allow us to better reflect the resilience and vulnerability of homes and other structures covered under the NFIP, addressing the range of possible flooding different communities face, such as variations from coastal risk, to riverine risk, to heavy precipitation and others," the agency said in a statement.

Burke declined to offer specific details on the plan at this early stage, which would likely require congressional approval.

That's not necessarily guaranteed, considering politicians haven't even passed a law to extend the program, which loses authorization on July 31, much less reform it. They've extended the program six times in the last ten months, but none of the legislation to actually fix the ailing program stands any chance of passing anytime soon.

If there is a lapse (and there have been several in the last year of extensions) it would prevent insurers from writing new policies. Since banks demand flood insurance policies on homes with mortgages, this could slow down home sales.

The last time Congress passed a full five-year reauthorization in 2012, the measure raised flood insurance premiums tenfold in places like the Keys. There was an uproar in coastal communities, and the changes were mostly walked back two years later. Since then, premiums aren't allowed to rise more than 18 percent annually for residential properties and 25 percent for commercial properties.

But the NFIP is still deeply in debt, and experts say risk-based assessment is one of the best ways out.

Moving to risk-based assessment is like "moving from the 20 yard zone to the end zone," said Jason Wolf, managing partner of Fort Lauderdale-based property insurance law firm Koch Parafinczuk Wolf Susen. "This is a game changer if it's done right and done on the scale that's needed."

The NFIP is also tackling the issue by purchasing reinsurance, basically insurance for itself, for the first time, encouraging homeowners to get an elevation certificate to better assess their risk and chasing a "moonshot" goal of doubling the number of people with flood insurance over the next five years. That number includes those with private insurance, a quickly growing segment of the flood insurance market.

Florida has more flood insurance policies than any other state. The vast majority are through the NFIP; only eight percent of flood insurance policies in 2017 were from private companies, according to an Insurance Journal analysis.

The number of policies they write has spiked considerably in recent years. There was a tenfold jump in primary personal flood insurance policies in Florida from 2015 (the first year the state started tracking it) to 2016: insurers wrote 965 policies in 2015 and at least 9,667 in 2016. And nationwide, Florida was the fastest growing private flood insurance market by premium dollar from 2016 to 2017.

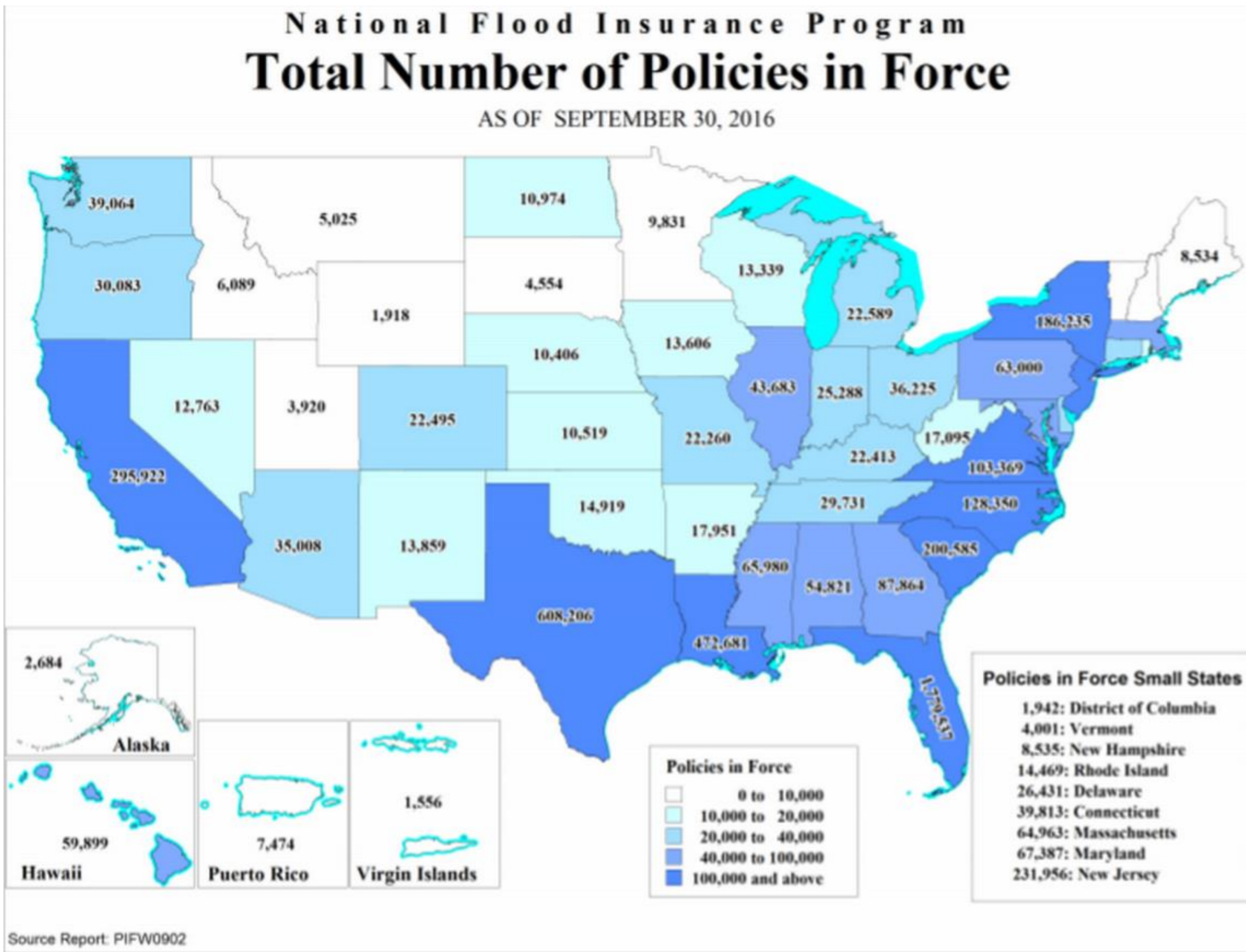
To Doug Jones, managing partner of Coral Gables-based JAG Insurance Group, those numbers show Florida's private insurance industry is already starting to help bear the state's flood insurance burden. The broker said about 20 percent of the policies his firm writes these days are with private insurers.

For example, he said, a brand new condo in Brickell with a six-figure settlement from Hurricane Irma flood damage has a "very nominal increase" in premiums this year.

"It's a strong showing that they're in it to win it," Jones said.

Private policies, which can be based off of FEMA flood maps and NFIP prices or on internal models from insurance companies, don't always offer the exact same coverage options as the government plans.

"The advantage to the consumer from a private market is not always saving money but also the ability to buy policies they can't under the NFIP," said Jim Watje of Wright National Flood Insurance Services, one of Florida's 25 firms writing private flood insurance policies. He said his firm has seen increasing growth in the private flood market since they starting writing private policies three years ago.



The National Flood Insurance Program provides nearly three times the number of policies in Florida as any other state.

But if competition within the private market isn't able to keep premium prices affordable, vulnerable South Florida could face economic chaos, especially in the face of rising seas. The region faces one to two feet of sea rise by 2060, according to the Southeast Florida Regional Climate Compact, and has billions of real estate at risk, development spurred in part by insurance that doesn't show the whole picture in terms of risk.

“Many people have been saying for years that the federal flood insurance program is designed to do what it shouldn’t do, which is promote development in high risk areas with low insurance costs,” Pathman said. “That’s what’s built our coastal communities for the last 60 years.”

Now hundreds of thousands of South Floridians live in areas that will see rising tides in the decades to come. If nothing is done and their flood insurance accurately reflects their risk, premiums might rise.

“At some point if sea level rise comes to the point where flooding in a particular area becomes expected or fairly commonplace one of two things will happen,” said Ronald Kammer of the insurance law firm Hinshaw & Culbertson. “One, the cost of insurance will become very expensive and that may have an impact on future development. Two, you could have a situation where certain insurers no longer have the risk appetite to continue insuring an area that is prone to systemic flooding.”

The last time Florida faced insurers pulling out of the insurance market — after Hurricane Andrew in 1992 — South Florida came up with the country’s most stringent building code, which was then adopted by the state. It worked; insurers came back and premiums didn’t skyrocket like experts feared.

Pathman said if South Florida were to do the same thing in terms of sea rise resiliency, the region could reassure insurers that investment is worth it and keep the area affordable. He and his committee have proposed the city of Miami create a 40-year risk plan to spell out exactly what’s vulnerable and what the city plans to do to improve.

“This doesn’t have to be a doom and gloom thing. These are solvable and manageable things in the foreseeable future,” he said. “If you look at the economics and you look at whats coming and you look at what’s already happening, it’s all about risk. The risk is already here even if the water isn’t.”