# Flood Insurance Relief...*Or Not?*

David Turton Photography

*Homeowners who have mortgages in flood zones are required to have flood insurance. In 2012, the government mandated how high these homes had to be above the flood plain; if they were not at this height, they required homeowners to raise their homes to the mandated height or face flood insurance premiums that would be drastically increased to unaffordable levels—as high as $31,000. per year for some homeowners—rendering their homes unlivable, unsellable, and worthless.*

*Thousands of Jersey Shore residents are in this situation, and this is the big story looming down the road at the Shore—if homeowners can't or won't raise their homes, they will loose them due to skyrocketing flood insurance premiums. Their homes will also be unsellable because potential buyers will face the same predicament. New, recently passed laws were supposed to help homeowners in this situation but have instead only delayed the inevitable. The new law, as it stands now, will in time render these homes worthless and most will have to be torn down to sell the land.*

On March 24, 2014, President Obama signed the 2014 Flood Insurance Relief Bill. Originally introduced by N.J. Sen. Robert Menendez (D), the law delays flood insurance premium increases that were the result of the Biggert-Waters Flood Insurance Reform Act of 2012.

In plain words, as a result of Biggert-Waters (which was finalized in July 2012 before Superstorm Sandy was a reality), homeowners living in flood zones, whose homes were not at a mandated height, would have their flood insurance premiums increased to unaffordable levels—unless they raised their homes.

As a result, many residents who wanted to rebuild after the storm were unable to physically recover because they couldn't afford to both fix *and* raise their homes and because they didn't see any hope for financial security due to the looming skyrocketing flood insurance premiums.

It is not just Jersey Shore coastal homes that are affected by flooding and rising insurance premiums. Thousands of New Jersey residents in areas such as Bound Brook, Wayne, and other communities along the Passaic and Delaware rivers have experienced flooding several times over the past few years from storms and weather events other than Sandy. These homeowners will also be affected by rising flood insurance costs.

Nationally, there are 5.5 million homes in flood zones, and when the rest of the country receives the updated FEMA flood zone maps, millions more will be required to purchase flood insurance and possibly raise their homes.

The 2014 Flood Insurance Relief Bill implemented several measures, including creating a cap on annual flood insurance rate increases. FEMA is now prevented from raising flood insurance rates on individual policies for primary homes more than 18% per year, with the average rate increase being 15%. Primary homeowners also have to pay a $25. annual surcharge.

People who own secondary homes, repetitive loss properties, and commercial properties in flood zones will continue to see premiums increase by 25% a year until reaching a level consistent with the risk of flooding, plus an annual surcharge of $250.

While the 2014 Flood Insurance Relief Bill appeared as though it would help homeowners, the opposite is actually true. Over time, rates will continue to increase until the flood insurance actuary rate is reached. (An actuary rate is based on an estimate of the expected amount of a future loss.) The actuary rate varies from homeowner to homeowner and is based upon many variables such as the current height of the home, its distance from the water, and the age of the structure. This rate

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will be as high as $31,000. a year for some homeowners.

Insurance companies predict this rate based upon actual losses experienced and consideration of potential risks. This protects the insurance companies against severely underwriting policies.

For example, if a primary homeowner's flood insurance premium was raised from $1,000. to $10,000., the bill mandates that the homeowner would pay a cap of 18% of what they are currently paying for the first year, then that amount would be compounded annually. Over time, the full amount of the new premium ($10,000.) would be due each year.

Stop FEMA Now is a grass roots organization that is trying to turn all of this around. Representative George Kasimos explained that all the bill does is delay the inevitable, and that in five to ten years, when the flood insurance premiums start to reach their actuary rates, most homeowners will not be able to afford them.

Another problem Kasimos foresees is the difficulty homeowners are going to have when selling their homes. "I can see what has already happened to the market because of the increased flood insurance premiums," he said. "Homes will be worth less than the value of the land, rendering them unaffordable for both the seller and the buyer."

Another provision mandated by the new bill allows sellers of older homes, built before flood insurance risk maps were created, to pass taxpayer-subsidized flood insurance policies on to the buyer of the home at their current rate. Although the buyer is freed from immediately paying the actuary rate, they will still face the annual increases till the actuary rate is reached.

The first increase in premiums occurred this year. Only time will tell the ultimate effects the bill will have on thousands of homeowners who call the Jersey Shore home.

*—Jill M. Ocone*



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