Flood Insurance Rate Hikes Affect Everyone Come April

Perhaps 18 Percent for Businesses and Second Homes, Plus Surcharges

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Surcharges and other fees plus a 15 percent flood insurance rate increase to many property owners along the shore come into effect on April 1, according to Jeff Wyrsch, co-owner of the Van Dyk Insurance Group.

“I think they are going to be pretty significant across the board,” he said on Monday.

Annual surcharges and the implementation of something called a reserve fee are part of the Homeowner Flood Insurance Affordability Act of 2014 that replaced the Biggert-Waters Act of 2012.

The Van Dyk Group and other insurance agencies that handle flood insurance received the following message from the National Flood Insurance Program.

“The National Flood Insurance Program (NFIP) is implementing a new law that slows some flood insurance rate increases and offers financial relief to some policyholders who experienced steep flood premium increases in 2013 and early 2014. Known as the Homeowner Flood Insurance Affordability Act of 2014, the new legislation also continues efforts begun in 2012 to align insurance rates more closely with risk. As a result, beginning April 1, 2015, some rating options will change, flood insurance rates will increase (or decrease), and other charges will be revised or added. The changes will affect new and existing policies.”

According to Wyrsch, “Shortly after Sandy, the NFIP implemented a reserve fee of 5 percent of the (individual’s flood policy) premium, and that is being increased to 15 percent of the premium. It’s called a reserve fee because theoretically, it’s to be set aside in case another storm like Katrina or Sandy comes along. But it’s really a matter of trying to stop the NFIP from losing money.”

In addition, the NFIP has implemented new surcharges that for the owner of a primary residence will be $25 annually, but for the owner of a second home or a business will be $250 annually.

Annual rate increases for all risk classes could go up as much as 15 percent. Those currently receiving subsidies because of their Pre-FIRM status (those who owned their homes before the National Flood Insurance Program and flood insurance rate maps came into existence) will see at least a 5 percent increase.

The news for second homeowners and businesses is that they will go up 18 percent. This is bad enough, but Biggert-Waters would have been more egregious, allowing rates to rise to full risk in one year.

On the other hand, ratepayers may be able to save money if they decide to change their deductible from $5,000 to $10,000. “They could get a discount of 40 percent on their premium depending on whether the bank holding their mortgage agrees,” said Wyrsch. “You never know how these things are going to function in reality.”

Wyrsch said he wanted to get the news out that rates will be going up no matter where a person lives in the flood zone and no matter how big or how small the home is. “Flood insurance is not based on the value of the home; it’s only based on how high it is elevated and if it has been significantly improved and is no longer grandfathered.”

The NFIP now requires photos of a property when it changes hands.

Those who have elevated their substantially damaged homes since Sandy should see a huge rate decrease based on how much they have elevated out of the risk of flood waters.

For more personalized information, call your flood insurance agent; for general information, go to the Federal Emergency Management Agency’s Flood Insurance Reform webpages.

— Pat Johnson

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