

# Flood Insurance Premiums Will Increase-

## The Question Is How Much?

As a result of numerous factors, the cost of flood insurance in coastal areas will surely increase in 2013 and in future years. These factors are:

- Normal Annual Increases
- The Biggert-Waters Flood Insurance Reform Act of 2012
- Changes in Flood Elevation Measurement Standards
- New Flood Insurance Rate Maps to be Issued in 2014

### Normal Annual Increases

Premiums will increase an average of 5%. However, if your property is in a “V” zone, i.e. coastal high velocity zone, your premium will increase from 8% to 10%. This large increase was planned before Hurricane Sandy and is the result of the Heinz Center’s Erosion Zone Study, which, according to FEMA, “clearly indicates that current rates significantly underestimate the increasing hazard from steadily eroding coastlines.” We support Mayor Desiderio and Business Administrator Savastano in their efforts to convince FEMA that this conclusion should not apply to Sea Isle City because of the Promenade which acts as a seawall and the massive beach replenishment projects over the past several years.

If your property is in a “Coastal A” zone, i.e. coastal non-velocity zone, and your rate is not affected by the Biggert-Waters Insurance Reform Act of 2012, your premium will increase by 2%.

### The Biggert-Waters Flood Insurance Reform Act of 2012

If your Sea Isle City property is not your primary residence or is a business property, you have been the beneficiary of a subsidy being applied to your premium. This is being phased out by increasing your premium by 25% a year until the premium is equal to the non-subsidized premium. If your policy is new or a renewal of a lapsed policy, you will not receive the benefit of the 25% a year phase-in and you must pay the full non-subsidized rate immediately.

The Act also addresses grandfathering of rates. As background, in 1983 FEMA issued its latest Flood Insurance Rate Maps, which provided Base Flood Elevation (BFE) for the lowest floor. If you were in compliance with the BFE before the issuance of the maps, but were below the BFE on the 1983 map, your premium was calculated as if you

were still in compliance with the BFE. This break will no longer be available. Consider a policy that covered \$250,000 for the building and \$100,000 for the contents. If you are in an “A” zone and you were rated at the BFE and now you are a foot below the BFE, your premium will increase from \$1,724 to \$5,225. If you are in a “V” zone your premium will increase from \$8,603 to \$11,583. The increase will be phased in at 20% per year for five years. If you had a discount removed as per above, you may face double jeopardy.

Finally, the Act increases the limit on annual increases in rates from 10% to 20%, excluding, of course, any phase-in rates.

### Changes in Flood Elevation Measurement Standards

At the January 22<sup>nd</sup> City Council meeting City Solicitor Baldini noted that FEMA has changed its standards for measuring building flood base elevations. He noted that buildings will now be 1.3’ lower under the new measurement standards. This means that a building previously considered at the BFE level could now be considered two feet below (note the rates are based on one foot increments so 1.3’ is rounded up to 2’).

Considering the above policy, a building in an “A” zone could see its premium rise from \$1,724 to \$8,308, while a premium in a “V” zone could increase from \$8,603 to \$15,764. At this time our thoughts are not facts, only conjecture, but, nevertheless should be noted by all.

### New Flood Insurance Rate Maps to be issued in 2014

At this time the effect of the new flood insurance maps is the most uncertain but could be the most onerous of all of the issues discussed in this e-alert. Anything said now is all conjecture, as the matter is subject to future discussion between all coastal municipalities and FEMA.

As reported in the Ocean City Patch on December 4, 2012:

“.....FEMA has been working on establishing new Flood Insurance Rate Maps for both New Jersey and New York for the past two years, though they aren’t expected until next year as a preliminary draft and officially introduced in 2014.”

... “This type of report has not been reexamined and readjusted in more than 25 years, officials said.”

In the meantime, FEMA has released Advisory Base Flood Elevation (ABFE) maps in order to assist in the Hurricane Sandy rebuilding process moving forward. If the flood insurance maps issued in 2014 are anything like ABFEs, many property owners will see their flood insurance rates rise dramatically. Based on the current maps and the ABFE

maps (see links below), it appears that property owners on the west sides of 29<sup>th</sup> through 53<sup>rd</sup> streets (west sides of either Pleasure or Landis depending on the street as shown in the maps) are most at risk.

A property that is currently in an “A” zone and is paying \$1,724 a year would find it paying \$8,603 in a “V” zone. Worse, it is more than likely that the BFE would have been raised and the rate increase would be even more significant. For example, if a property owner now in “A” zone at the BFE level finds himself in a “V” zone three feet below the BFE, the premium would rise from \$1,724 to \$15,764 (note any phase out of the subsidy would add additional cost). (See link to FEMA 2013 flood insurance rates below.)

If your property is below the BFE level, you can reduce your insurance premium by raising your building. This is very expensive but may prove cost effective. Additionally, you may be eligible for a \$30,000 grant from FEMA. In order to get the subsidy, the community (it is not clear whether this is Sea Isle City or Cape May county) must determine that your home has been damaged by flood so that repairs will cost at least 50% or more of your home’s pre-damage market value. You might also be eligible in the case of repetitive damage where your home was damaged two times in the last 10 years and the repair cost exceeded 25% or more of its market value at the time of each flood. In both cases flood insurance claim payments would have needed to be filed.

Nevertheless, we should fight these potential changes in the flood maps. At the January 22<sup>nd</sup> City Council meeting, Mayor Desiderio has stated that he will pursue this matter with vigor:

“On today’s council agenda is the topic of the new FEMA maps. I know this is a matter of great concern to all of our property owners. I encourage everyone to stay calm and stay informed on this issue. We will help our citizens through this process. Just as we were successful in achieving 20% discounts for our homeowners’ flood insurance policies, we’ll bring the same tenacity and professional diligence to bear on the newly issued FEMA flood maps.”

We urge you to contact your senators and congressman regarding this very important matter. For your convenience, we have posted their addresses below. We have also prepared letter templates that you can use.