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New Flood Insurance Rates Could Startle Some Jersey Shore Sandy Victims

(FEMA Gives Price Examples Tied to Elevation)

The federal government has released examples of flood insurance premiums for houses in the high-risk AE flood zone that top out at $10,723, but many homeowners could pay much less — $553 a year — if they elevate to the proper height.

The question, though, is how many homeowners will be able to afford to rebuild their homes to reach the proper elevation?

Under the new National Flood Insurance Program (NFIP) plan, the old high-end estimate of $31,500 annual premium for a home below the base flood elevation level in the highest-risk flood zone has disappeared. The Federal Emergency Management Agency, which administers the NFIP, provided three insurance premium estimates in the AE zone, where many Shore homes are located:

- **$553 for 4 feet above base flood elevation;**
- **$1,815 for those at the base elevation; and**
- **$10,723 for a house 4 feet below flood elevation. Rates could rise if elevations fall below four feet, according to FEMA.**

Dan Watson, FEMA spokesman, said a number of factors determine flood insurance premiums, including where the property is located and the elevation of the lowest floor.

He Said, “Residents should check with an insurance agent to get the most accurate premium quote and to find out what level of insurance and deductible provide appropriate protection”.

When flood maps and premiums are finally settled, it could reconfigure the Jersey Shore.
Faced with high premiums or high reconstruction costs despite government grants, some homeowners could choose to walk away. Others with more money could step in to pick up what could be considered bargain real estate at the Jersey Shore.

“There are winners and losers here,” said James W. Hughes, dean of the Edward J. Bloustein School of Planning & Public Policy at Rutgers University, New Brunswick. “There are essentially new baselines being established, higher cost structures. That will cause some shifts in the demographic profile of the area.”

Clearer Picture:

Confusion reigned over new flood insurance rates even before the floodwaters of Superstorm Sandy receded, but federal officials are starting to release some clear figures. Estimates for the AE zones, which most homeowners on the Shore fall under, are being provided to hotline callers.

Estimates for the highest-risk flood zones — the *V* or velocity zones — are expected to be made available by the end of the summer.

While some could see their insurance rates cut from the current average of $3,600 a year to $553, the boost on the higher end has been driven by the **2012 Biggert-Waters Flood Insurance Reform Act.**

The law removes the subsidies that have historically been given to policyholders who own older homes. The new rates will reflect the real risk, FEMA officials said. The difference between old rates and new rates will be phased in over time.

Insurance agents will get the full rate tables in 30 to 45 days, said Dewana Davis, a hazard mitigation insurance specialist for the National Flood Insurance Program.

Homeowners can provide their agents with property details, such as the type of foundation and basement, then that information gets plugged into a software program. Hotline operators are now using that same program to help people in AE zones. (AE zones are A-Zones that have been fine-tuned with hydrological and other analysis.)

The Hotline number is: 877-287-9804.

Worst-case Scenario

While the rates are higher, they are not as high as first feared.

The brochure on building smarter that contained that $31,500 figure has been pulled from a Federal Emergency Management Agency website. No official from the National Flood Insurance Program or FEMA would provide the basis for that figure.

"There was a lot of confusion," said Leo Cunningham, a hazard mitigation specialist for FEMA, explaining why the brochure was removed. "People were looking at the worst-case scenario and thought that would be their rates."

On a FEMA document entitled: ***The NFIP Specific Rate Guidelines*,** the worst-case scenario has been revised. In addition the document reads, "It is important to note that a small number of flood insurance policies protecting properties in very high-risk coastal areas (*VE*-zones) — where wave action combined with high water causes increased damage — will see significantly higher premiums which could be in excess of $20,000 in rare cases".

Only 20 percent of all policies have enjoyed subsidies that the Biggert-Waters law aims to remove. Those properties were built before Flood Insurance Rate Maps (FIRM's) were established in 1975 or before a community joined the National Flood Insurance Program. The FIRM's are used to set flood insurance premium rates.

Homes lose their pre-FIRM status if damaged or improved by more than 50 %. Those policyholders already are starting to see their subsidies phased-out. They will pay an additional **25 % of current premiums until they reach full premium costs.**

Confusing Phase-Outs

Those phase-outs can be confusing. For second homes, the phase-out began at the beginning of this year. For primary residences that are repeatedly flooded and for business properties, the phase-out starts in October.

The rest of those pre-FIRM homes will continue to enjoy subsidies **until the home is sold** or a flood insurance policy lapses, FEMA said.

For homes built after 1975 or when a community joined the NFIP, flood insurance rates will begin to rise when the new flood maps are made final, possibly at the start of 2015. Those rates will rise 20 percent a year until they reach the full premium amount.

Of course there are exceptions. For instance, if a home is built new after the new flood maps are established, the home owner will pay the full premium.