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## Homeowners in over their heads with flood insurance premiums

December 12, 2013 - Rhode Island

Homeowners in flood plains all over Rhode Island may face "sticker shock" in 2014 and beyond as federal subsidies for flood insurance are phased out and premiums soar. Beginning October 1st, more than a million policy holders throughout the country were facing huge rate increases, unless Congress passes the Grimm-Waters Homeowner Flood Insurance Affordability Act. This bill was before the Senate Banking, Housing and Urban Affairs committee as of this writing.

"Even if this legislation is enacted, it will just delay the inevitable. But it would give owners of homes and businesses grandfathering if their flood zone has been re-mapped to become higher-risk," said Michelle Burnett, Rhode Island state floodplain coordinator. "Premium increases would be delayed, and the Federal Emergency Management Agency (FEMA) would be directed to conduct an affordability study within two years."

The original legislative culprit in the scenario is the Biggert-Waters Flood Insurance Reform Act, passed by congress almost unanimously in 2012. After decades of artificially low premiums, the law appeared to finally place the National Flood Insurance Program on a firm financial basis. Grandfathered and subsidized insurance rates rise, payments no longer go to structures that flood repeatedly, and taxpayers are no longer on the hook for the program's \$24 billion deficit.

A budget buster

For homeowners, however, the law is a Trojan Horse for their budgets. And members of the Rhode Island Builders Association will face a second shock because the Biggert-Waters law eliminates all grandfathering.

"I just did a house in Misquamicut, and we had to be above a certain flood elevation. The base flood elevation (BFE) was 11 feet, and the code added one more foot. In October, the new FEMA maps came out, and it went up another foot," said Thomas D'Angelo of Terry Lane Co./Progressive Realty Group and a co-chairman of RIBA's environmental committee.

"With the Biggert-Waters law, there's no more grandfathering. So suddenly I don't meet the flood zone requirement anymore. The owner's insurance will cost more."

Even if implementation of the law is delayed, the burden will eventually fall on builders and property owners, D'Angelo added.

"Owners of older buildings have been paying a little more anyway, but now their insurance might go up \$10,000 to \$12,000 a year, gradually over several years. You either have to raise your house or you have to pay this kind of insurance," he said.

"It's putting an unbelievable burden on people. There will be a lot of houses for sale in these ocean-front areas. The people who buy them will have money, will probably forego the flood insurance if they don't have a mortgage, and will take their chances."

Watch the January Rhode Island Builder Report for an in-depth interview with Burnett on the flood

insurance issue.

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