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Flood insurance rates to recede soon

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The Tampa Bay area has a large number of homes built before modern flood maps that were subject to sharply higher flood insurance premiums.

ST. PETERSBURG — Flood insurance rates will return to more affordable levels for many people come May 1, as the federal government’s insurance program looks to quickly enact changes passed last month.

The Federal Emergency Management Agency advised insurers this week that new and renewed policies issued May 1 and after will be restored to rates set before last year’s roll-out of the Biggert- Waters Act.

Lower, subsidized premiums will be reinstated for older properties that FEMA had determined were paying too little based on their risk, though rates will gradually climb each year.

“It’s something I’ve been trying to get done for a while now,” said U.S. Sen. Bill Nelson, D-Orlando. “It’s long overdue and I’m glad FEMA is moving quickly in the wake of Congressional action.”

Insurance agencies had warned homeowners that it could take many months, possibly a year, before FEMA began enacting premium changes, but the announcement this week means some people will get a break within a few weeks.

“The encouraging thing is FEMA is very, very aggressively trying to resolve this,” said Neal Conolly, president of Wright Flood, a national insurance agency based in St. Petersburg.

Homebuyers hit by this unexpected sticker shock will get refunds for the excess premiums they’ve paid since the law was enacted last year, but that may still take awhile, Conolly said.

FEMA plans to finish overhauling its rate tables before issuing refunds to make sure they’re correct, he said. “The intent is to do it certainly this year and hopefully in a matter of months,” he said.

People who let their policy lapse in recent months due to unaffordable insurance bills also may renew at the previous rates after May 1. Those who recently got a renewal at the higher rates but haven’t made a first payment should contact their insurance agent.

Since the president signed the changes into law last month, Wright and other agencies that write policies for the National Flood Insurance Program have been consulting with FEMA to ensure the roll-out goes more smoothly than last year’s implementation of the Biggert-Waters Act.

On Wednesday, Florida Insurance Commissioner Kevin McCarty encouraged homeowners to buy flood coverage before hurricane season, especially now that the government has begun scaling back premiums.

Flood coverage is required for homes with a government-backed mortgage, but many people who own their property outright don't carry it.

"The fact is, now is the time to buy a flood insurance policy if you need one," McCarty said in a news release, adding Florida's private flood insurance market has recently expanded.

The most relief comes to people who bought properties since the passage of the 2012 flood reform expecting to keep current rates, only to find them immediately rise to their "full risk" level upon their next renewal, sometimes in excess of \$10,000 or more a year.

The Homeowner Flood Insurance Affordability Act reversed this so-called "sales trigger," returning premiums to an affordable baseline, though second homes and businesses will continue to see a 25 percent annual increase.

The new law sets increases at 5 percent to 18 percent a year for primary homes, but FEMA has yet to release details about how rates within that range will be set in the future.

Homeowners, real estate agents and even some insurers were taken by surprise in October when rates on certain properties in flood zones skyrocketed as soon as they were sold to new owners.

Biggert-Waters increased rates on homes built before modern flood maps were drawn in the mid-1970s, which had been kept lower than warranted by their hazard risk.

Congressional representatives from districts most affected by higher flood rates have been pressing FEMA to move quickly putting the new law into action. Rep. Gus Bilirakis, R-Palm Harbor, said he was "pleased" to see the agency acting quickly.

"This legislation was a true, bipartisan effort that will provide relief to homeowners, and its enactment is positive for homeowners," he said in a statement.

Bilirakis is also pushing for legislation to force FEMA to clearly explain to policyholders how their flood rate is calculated, and recently elected U.S. Rep. David Jolly, R-St. Petersburg, wants to pass a bill to shield business properties from steep annual increases.

The issue has hit the Tampa Bay area particularly hard with a larger number of older homes near coastal waters. Pinellas County has more than 33,000 single-family homes subject to the rate increases and more than 1,600 business properties.

In Florida, an estimated 13 percent of the state's 2 million flood policies are subject to the rate changes.

The unaffordable coverage has brought a handful of private insurers to the market in Florida and nationwide in recent months, offering policies at lower rates than the government.

A day before FEMA's announcement, The Flood Insurance Agency in Gainesville significantly slashed rates on its private coverage from Lloyd's of London, which extends to second homes and commercial properties, agency CEO Evan Hecht said.

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