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31 18

New options may turn tide on flood insurance rates

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Real estate and insurance agents in the Tampa Bay area aren’t waiting for congressional action to address rising premiums in the National Flood Insurance Program.

They’re directing home buyers facing rising costs to private options that have emerged in the past month as alternatives to rates that may exceed $20,000 per year, in some cases.

Congress is considering reforms or delays of the Biggert-Waters Act, a sweeping overhaul of the National Flood Insurance Program passed last year. The law eliminated artificially low rates on older properties that did not reflect their true flood risks in an effort to shore up a flood insurance program that was $24 billion in the red. Many of the rate increases went into effect last month, prompting calls for Congress to either curb or delay the law’s impacts; but while members in both the House and Senate have proposed numerous bills, Congress has yet to act.

"We're working under the impression that Biggert-Waters is here to stay," said Jake Holehouse of St. Petersburg's Holehouse Insurance.

"We just don't see enough movement happening to get it reversed at this point."

Tuesday, the U.S. House of Representatives' Housing and Insurance subcommittee held a hearing that lasted more than three hours, but it remains unclear when legislation to delay rate hikes may come up for a vote.

There was some movement in the Senate Tuesday, as U.S. Sen. Bill Nelson, D-FL, and five other senators proposed including the delays as an amendment to a defense spending bill that is likely to be voted on by the end of the year.

With no congressional legislation imminent, though, Holehouse and other insurance agents are advising customers to consider new private market alternatives to the federal program, such as policies underwritten by Lloyds of London.

A state bill proposed by St. Petersburg state Sen. Jeff Brandes could also clear the way for more private competition as regulations on setting rates are loosened.

The emergence of private insurance has gotten the market for homes in flood zones moving again after an unprecedented October during which she and many of her colleagues had no closings, said Century 21 Realtor Dania Perry.

A flood policy expected to leap from $2,900 to $12,000 or more under the federal program might cost closer to $4,000 in a private policy, she said.

Part of the uptick, though, may be driven by home-buyers' hope that Congress will eventually pass a bill to stop the federal premium hikes on older homes, Perry said.

"I think that improvement is really counting on [Biggert-Waters] being delayed, on us getting implemented a more reasonable, doable flood policy," she said.

Many people apparently misread news headlines three weeks ago heralding a bipartisan resolution to delay the increases by four years, Holehouse said.

That bill still has a long way to go before being passed, and enacting it could be fraught with complications, as members of the Housing and Insurance subcommittee learned in Tuesday's hearing.

Representatives from Florida, Massachusetts, Missouri and elsewhere questioned Federal Emergency Management Agency Director Craig Fugate for two hours about the reasoning behind the precipitous rate increases rolled out this year.

The 2012 flood insurance reform bill called for FEMA to eliminate artificially low rates on older homes built before accurate flood maps were drawn that don't reflect their true risk.

The goal is to make the program financially solvent as it nears its borrowing limits from the U.S. Treasury.

Owners of second homes, commercial properties and those with repeated losses are seeing rates go up by 25 percent each year until they reach their full risk-rate — in some cases, $30,000 or more a year.

While people won't immediately see such dramatic increases on their primary homes, the cost jumps to the highest risk rate when they sell.

California Rep. Maxine Waters, one of the authors of the 2012 reform, called FEMA's drastic increases "unreasonable" and "outrageous" during Tuesday's hearing.

She called for the passage of the bipartisan bill she has also co-sponsored that would delay increases until FEMA completes a required affordability study.

"I feel a responsibility to straighten out the unintended consequences," she said.

Working out those consequences could be problematic, as many homeowners have already started paying the higher rates, Fugate said.

For homeowners faced with losing their homes, Congress would need to lay out a process for means-testing to separate those who can afford their policies from those who can't.

Expert witnesses from six environmental and industry groups such as the National Association of Realtors and the National Association of Homebuilders offered divergent opinions on whether Biggert-Waters' rate increases should be stopped.

The experts who spoke at Tuesday's hearing all called for creating some way to help homeowners who couldn't afford their policies while phasing out the lower rates over time.

The committee will review the testimony in coming days and could offer recommendations or propose a bill.

That legislation, though, would join other bills that Congress has yet to pass.

This year, the late U.S. Rep. C.W. “Bill” Young sponsored a flood insurance amendment to a Homeland Security spending bill that passed the House but still hasn’t gone before the Senate.

But there remains significant opposition in Congress to delaying or stopping the rate increases, according to the Tampa Bay Beaches Chamber of Commerce, which has been lobbying Congress for a delay.

Nevertheless, U.S. Rep. Gus Bilirakis, R-Palm Harbor, who has proposed his own bill to cap premium increases, said he’s hopeful Congress will act soon.

“We’ve made a lot of progress,” he said. “We’ve got a ways to go. I really think there’s a possibility we can get a bill out.”

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