

NATIONAL FLOOD INSURANCE PROGRAM COST INCREASES

Many residents of Baytown have National Flood Insurance Program (NFIP) policies on their homes and businesses. For many in this region of the Texas Gulf Coast, this Flood Insurance is a requirement of lenders in order to get a home or business mortgage. For many others, who live outside of the official floodplain, Flood Insurance is a wise protection of the investment that they have in their home or business. NFIP Flood Insurance coverage is specifically for damages from floods, which most basic homeowner or business insurance policies specifically exclude.

There are some significant increases to the costs of NFIP Policies that many policy holders are not aware of, coming this year.

Congress, through the Biggert-Waters Insurance Reform Act of 2012, began to phase out the federal subsidies that have kept the NFIP policies costs so affordable. Policy cost increases that resulted from Biggert-Waters were shocking, so congress modified Biggert-Waters with the Homeowner Flood Insurance Affordability Act of 2014 (HFIAA). Nevertheless, NFIP premium increases will occur and will impact all policy holders as of April 1, 2015 and beyond.

Annually, beginning April 1, the basic flood insurance premium costs for every policy will increase. The maximum increase will be 18% of the current premium rate.

In addition:

- There will be either a \$25 surcharge on all “primary residence” NFIP policies or a \$250 surcharge on any “non-primary residence” (businesses, rent houses, vacation homes, etc.) policies. NFIP policy holders should contact their insurance agent for the required certification of “primary residence” documentation. If no certification is filed, the \$250 surcharge will automatically be added when the policy is renewed.
- Increases in the Annual Reserve Fund Assessments on all policies of:
 - 10% of premium on Preferred Risk Policies.
 - 15% of premiums on all other policies.

These premium cost increases will continue every year and until the cost of the NFIP Flood Insurance policies reach the actual market cost without federal subsidy or “full risk rate”.

This is only a brief overview of the most dynamic changes to the NFIP policy rates; there may be additional increases specific to individual properties or classes of properties that only your insurance agent can inform you about. For more information and specifics about how these costs will impact you, contact your homeowner’s or business insurance agent. You can also read more information about the congressionally mandated rates and changes at: www.fema.gov/flood-insurance-reform.