



## Flood Insurance Premiums Recalculated

While flood insurance can be a topic easily overlooked, it is one in which Bald Head Island property owners should become well-versed since it affects many, if not most, owners on this barrier island. Flood insurance is mandatory for homeowners whose homes are located in special designated flood hazard areas and whose mortgages are backed by the federal government. Most homeowners purchase their flood insurance through the National Flood Insurance Program (NFIP) since most states — like North Carolina — do not have options for flood insurance through private industry. Regardless of the home’s replacement cost, flood insurance coverage through NFIP is capped at \$250,000.

Over the years, Congress has reauthorized NFIP, which is run by the Federal Emergency Management Agency, or FEMA, and has forgiven billions of dollars of NFIP’s debt after numerous years of paying out significant claims for hurricane-related damage from storms like Katrina, Rita, Sandy, Florence and Irma. Still, NFIP is currently \$20.5 billion in debt.

In an attempt to adjust the amount of risk to homeowners, some of whom have paid premiums subsidized by the federal government, NFIP has rolled out a new rating system called Risk Rating 2.0. These modifications are intended to reflect better the flooding risks in a changing climate. Previously, premiums were calculated based on factors such as location and elevation. Going forward, premiums will take into account additional factors like flood frequency, multiple flood types (river overflow, storm surge, coastal erosion and heavy rainfall) and distance to water source. New policy premiums are now calculated under the new formula; premiums for existing policies will be adjusted beginning on April 1, 2022.

Adjustments to premiums are indeed expected and in order to help constituents with increased premiums, Congress capped annual increases for each homeowner at 18% per year until the premium reaches the actual adjusted premium. According to FEMA, 97% of North Carolina policyholders’ premiums will either decrease or increase by \$20 or less per month under Risk Rating 2.0. Of those, 26% — or 35,704 — will decrease. Brunswick County is expected to fare even better, with 99% of policy holders’ premiums either decreasing or increasing by \$20 or less per month.

To help lower flood insurance costs even more, NFIP offers a voluntary incentive program for municipalities that recognizes and encourages local mitigation, community outreach and floodplain management practices that exceed the minimum requirements of NFIP. Over 1,500 communities participate in the Community Rating System (CRS) nationwide. The Village of Bald Head Island became eligible to participate in the CRS in October of 2020. Development Services Director Stephen Boyett has led the Village’s effort to reduce premiums through CRS. The Village’s initial entrance rating was a Class 7, and the Village recently received its annual recertification at a Class 7. The Class 7 rating qualifies property owners for a 15% discount on special flood hazard area policies and 5% discount on non- special flood hazard area policies.

With all of these flood insurance changes, be sure to schedule a time to talk with your insurance agent so s/he can be aware of your flood insurance needs and walk you through the complex changes that have recently been implemented.