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How an overhaul of federal flood insurance could impact the Jersey Shore in 2020

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ATLANTIC CITY — Pat and Alonzo Bailey live in a modest, one-story house two blocks from the bay in Bungalow Park.

The couple say they spend about $2,600 on flood insurance each year, a rate determined by three factors: the elevation of their home, its location in an A8 flood zone and a lack of flood vents on the foundation.

Starting next October though, the Federal Emergency Management Agency may begin using dozens of variables to pinpoint exactly how much the Baileys should be paying, using "state-of-the-art" data collection provided by the private sector.

It's a new system local officials and activists worry could increase premiums for some island residents and burden those least able to afford rising costs.

"So, how will it work?" Pat Bailey asked sitting on her couch Tuesday morning.

Few people outside of the government know for certain.

The federal agency is calling it "Risk Rating 2.0"— a way to give "more accurate rates based on (homeowners') unique risk," according to a three-paragraph description on FEMA's website.

A building's precise distance from the water and the cost to rebuild a home are among the new measures FEMA will use to figure out more precise payments. Someone living in Venice Park near the bay may have higher rates than someone living further from the water.

A FEMA spokesperson said "multiple" factors will determine a person's flood insurance, .

"By leveraging industry best practices and technology, FEMA plans to reduce the complexity of buying flood insurance, so that it is as straight-forward as homeowner’s and auto insurance for both agents and applicants," the website reads.

Ocean City insurance agent Tom Heist calls the reform "the biggest thing to happen" to the federal flood insurance program since its inception in 1968, and one that has been quietly rolled out.

Heist, owner of Thomas Heist Insurance Agency, said FEMA could use countless characteristics to someone's flood insurance, including the age of the storms drains and bulkheads in a neighborhood, the number of rain events and specific construction qualities of a house.

"It could be thousands of data points," Heist said. "Is it a house built with average construction qualities or a super fancy, nice house with elevators? What are the barriers in front of it? Are there dunes? How old are the drainage systems in that municipality?"

Residents in low elevation homes close to a water source in towns that aren't taking steps to mitigate flooding could be hurt the most, he said. Those people may also have the fewest resources to lift their homes.

Heist pointed to parts of Atlantic City as being hit by the changes, such as around Florida and Texas avenues where there are outdated storm drain systems and crumbling bulkheads.

Meanwhile, Heist said, homeowners with higher structures in communities pro-actively mitigating flooding could see their rates hold steady or decline. Property owners in Brigantine, for instance, may have less reason to worry after the city two years ago added four pumping stations and refurbished an existing one.

Why the change though?

FEMA has been straddling debt and facing increasing competition from private companies, which Heist says in recent years have begun offering lower flood insurance rates than the government.

Private coverage in New Jersey grew by more than $10 million from 2016 to 2017, according to S&P Global Market Intelligence.

"The government is losing policies at a very fast rate," Heist said. "Is that a good thing or bad thing? I don't know. But it's scaring the government and they want to start acting more like a private insurer."

Little details have been revealed about FEMA's new program. Some consider a lack of transparency worrying, but are otherwise in support of re-doing outdated flood maps to reflect true risk.

Amanda Devecka-Rinear, director of the New Jersey Organizing Project, says her group has been calling for reforms to the National Flood Insurance Program since Hurricane Sandy. In 2016, FEMA reopened thousands of claims from Sandy victims, who officials say were systematically underpaid by private insurers that partner with the agency.

Devecka-Rinear is in favor of requiring people living near rivers (not just beaches and bays) to pay into the system, but wants the government to release more details about "Risk Rating 2.0."

As an administrative change, FEMA's proposal will not be voted on by Congress. Devecka-Rinear says that's a problem, and that representatives from states that have recently undergone disasters should have a voice at the table. In Long Island, Sen. Chuck Schumer called on FEMA to put the brakes on its plan until more details are released about it.

"FEMA really isn't being transparent about its changes... We are a very squishy state, so this policy going wrong could be really destabilizing," said Devecka-Rinear.

Cities can take steps to help residents though as FEMA begins the process of phasing out subsidies on some properties by increasing premiums. In Cape May and Atlantic counties, there are more than 80,000 federal policies, with the average premium in both counties around $1,500.

Through FEMA's "Community Rating System," towns get city-wide discounts for policyholders located in Special Flood Hazard Areas and cushion any potential blow to residents.

The Community Rating System is a voluntary incentive program for municipalities. When towns achieve certain floodplain management activities, such as educating the public about flooding, FEMA gives insurance discounts to residents.

Twelve communities participate in Atlantic County, and of those, all of the barrier island towns have secured a 25 percent discount with the exception of Atlantic City, where residents get a 20 percent discount.

Somers Point officials announced last week that residents qualify for a 25 percent discount, saving taxpayers collectively more than $185,000 annually. The average annual premium in the city will be reduced to $608.

While some worry about the effects of "Risk Rating 2.0," Heist is more optimistic.

FEMA, he said, could use its new data to shine a light on which homeowners are in most need of federal aid. The agency could then give subsidies on premiums and money for elevations to those in the worst situations.

"If they're smart about it, they'd say.. 'Now that we have this big data, it really tells us these are terrible properties,'" Heist said. "'What properties need the most attention?'"