

The National Flood Insurance Program

NHMA Webinar: October 20, 2021 Briefing - Risk Rating 2.0: Equity in Action

Tony Hake, FEMA/FIMA

October 20, 2021

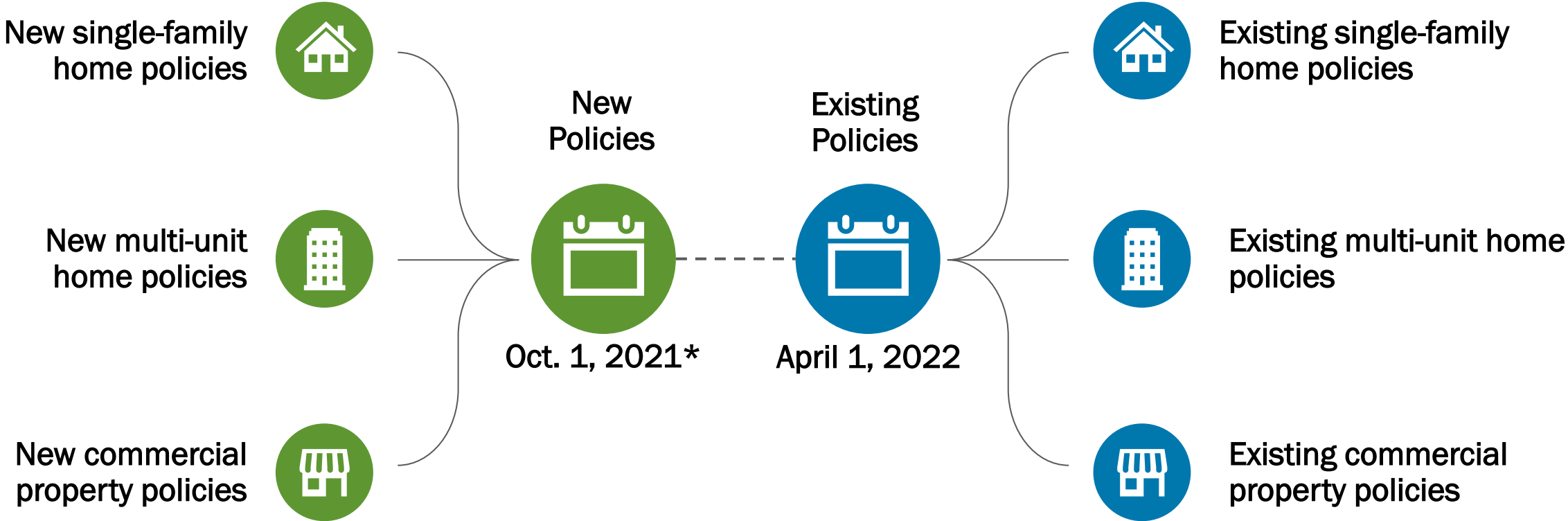


FEMA



Risk Rating 2.0: Equity in Action

Equity in Action – Phased Approach



**Also beginning Oct. 1, 2021, existing policyholders eligible for renewal will be able to take advantage of immediate decreases in their premiums.*



Why Risk Rating 2.0: Equity in Action

Equity:

Individuals will **no longer pay more than their share** in flood insurance premiums based on the value of their homes.

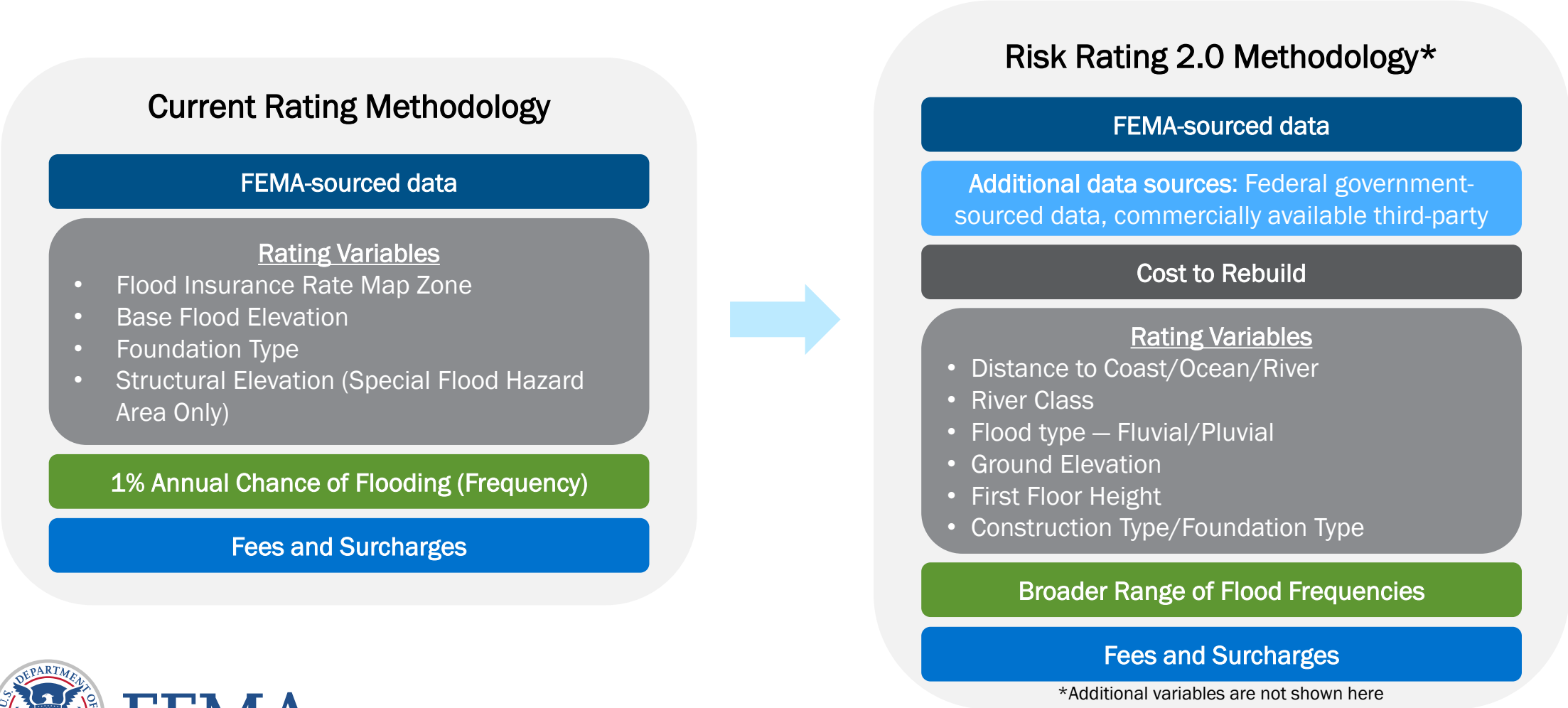


Roughly 2/3 of policyholders with older pre-FIRM homes will see a premium decrease.



FEMA

Equity in Action premiums will more accurately reflect a property's unique flood risk by considering a broader range of variables.



FEMA

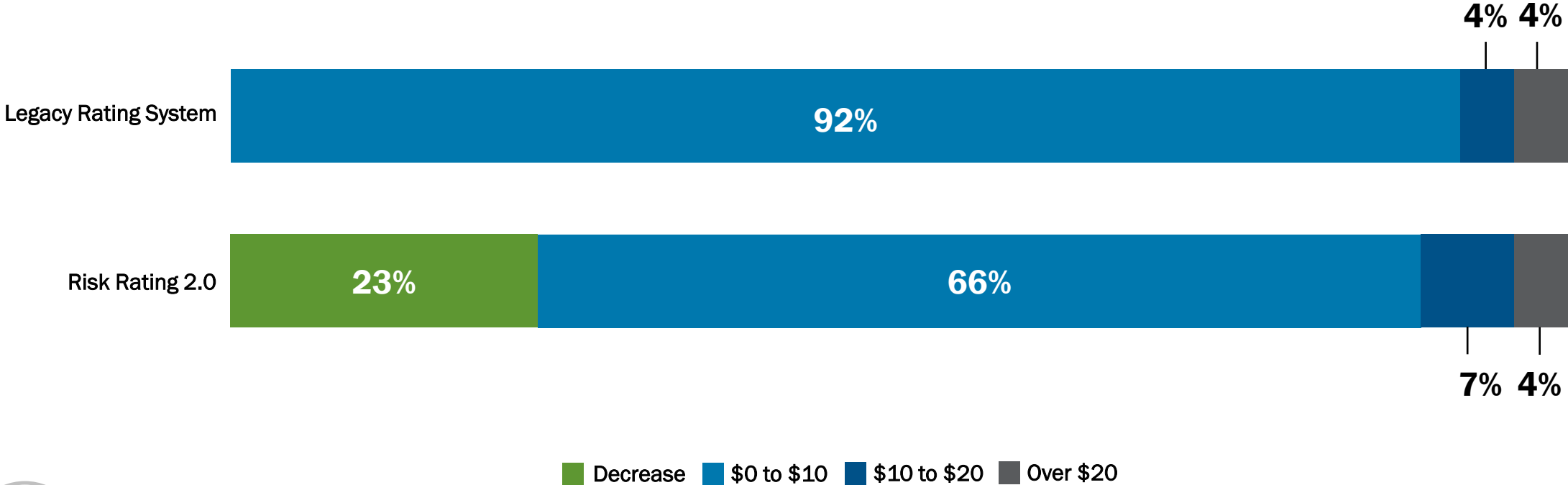
What is Not Changing

- Statutory rate caps on annual premium increases
- Availability of premium discounts
- Transfers of policy discounts to new homeowners
- Use of Flood Insurance Rate Maps (FIRMs) for mandatory purchase and Floodplain Management
- Availability of premium discounts for Community Rating System (CRS) participation



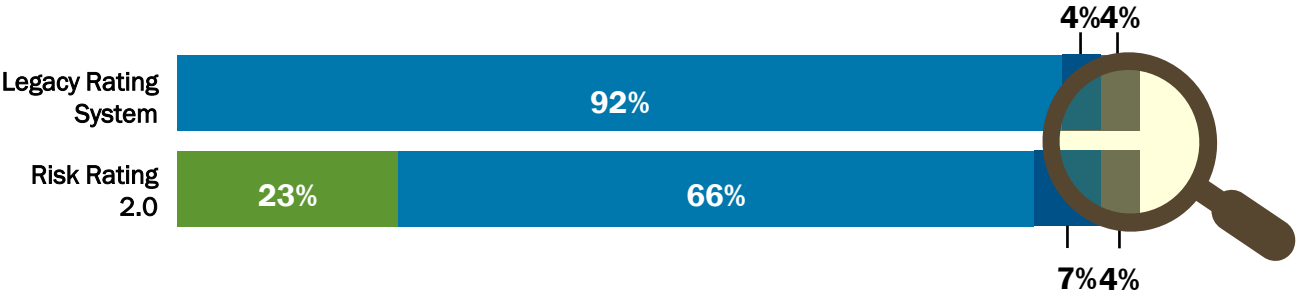
Legacy Rating System vs. Risk Rating 2.0

The graphs compare rate analysis under the legacy rating system to the Risk Rating 2.0 rating system.



FEMA

Legacy Rating System vs. Risk Rating 2.0 – Policies Increasing >\$100/Month



Zoom in on Policies Increasing >\$100/Month



- Under the legacy rating system, **45,035** policyholders have seen premium increases of more than \$100 per month. The single-family homeowners in this group have an average replacement cost value (RCV) of **\$399,643**.
- Under Risk Rating 2.0: Equity in Action, only **3,246** policyholders will see premium increases of more than \$100 per month. The single-family homeowners in this group have an average RCV of **\$1,064,537**.



What can policyholders with steep flood insurance costs today expect under Risk Rating 2.0?

Methodology	Single-Family Home Maximum Policy Cost*
Legacy Rating Methodology	\$45,925
Risk Rating 2.0	\$12,125

Policyholders paying the most under the legacy methodology will see dramatic decreases when they transition to Risk Rating 2.0.



FEMA

*Amounts shown include premium, fees, assessments, and surcharges

Federal Emergency Management Agency

Equity in Action – Resource Investments

TECHNOLOGY: Cutting-edge technology and **best available data** used to make a **modern-day program**:

Private Sector
Rate Setting Methods



Private Sector
Catastrophe Models



Government Models, Available
Data, and Collaborations



Equity in Action - Endorsements



“Based on FEMA's nationwide analysis, Risk Rating 2.0 will help ensure NFIP policyholders pay a **rate proportionate to their property risk**. The new initiative will also help FEMA identify and target mitigation grant dollars to the highest risk properties.”

NAR includes 1.4 million brokers, salespeople, property managers, appraisers, counselors, and others engaged in all aspects of the real estate industry.



“Pew fully supports FEMA’s updated approach and concludes that **Risk Rating 2.0 will better align rates with risk, create a fairer program, increase transparency and understandability, and encourage additional mitigation from policyholders and communities.**”



FEMA

Equity in Action – Industry Support

“We oppose efforts to delay this important initiative.”

Risk Rating 2.0...

- 1.2 million policyholders eligible for insurance premium decrease
- 90% will see a decrease or increase or less than \$10 a month
- More accurate and equitable way to determine a property’s unique flood risk
- Provide property owners information on their full risk rate

- American Rivers
- Association of State Floodplain Managers
- Enterprise Community Partners, Inc.
- League of Conservation Voters
- National Association of Mutual Insurance Companies
- National Institute of Building Sciences
- Natural Resources Defense Council
- National Wildlife Federation
- National Taxpayers Union
- R Street Institute
- Reinsurance Association of America
- SmarterSafer
- Smart Home America
- Taxpayers for Common Sense
- The American Consumer Institute
- The Pew Charitable Trusts



FEMA

Affordability

- The 2018 Affordability Framework is guiding policy conversations
- The President's FY22 Budget includes a legislative proposal to provide affordability assistance
- A targeted assistance program would support low to moderate income policyholders
- We will continue to engage with Congress to reduce barriers to purchasing flood insurance



Equity in Action – Learn More

Explore more about Risk Rating 2.0 – Equity in Action by visiting www.fema.gov/nfiptransformation.

Available Products and Resources

- [Equity in Action Fact Sheet](#)
- [Video: Defining a Property's Unique Flood Risk](#)
- [National Rate Analysis](#)
- [State Profiles](#)
- [ZIP Code-Level Data](#)
- [County-Level Data](#)
- [Methodology Data Source](#)
- [Premium Calculation Worksheet Examples](#)
- [Appendix D Rating Factors](#)



FEMA