

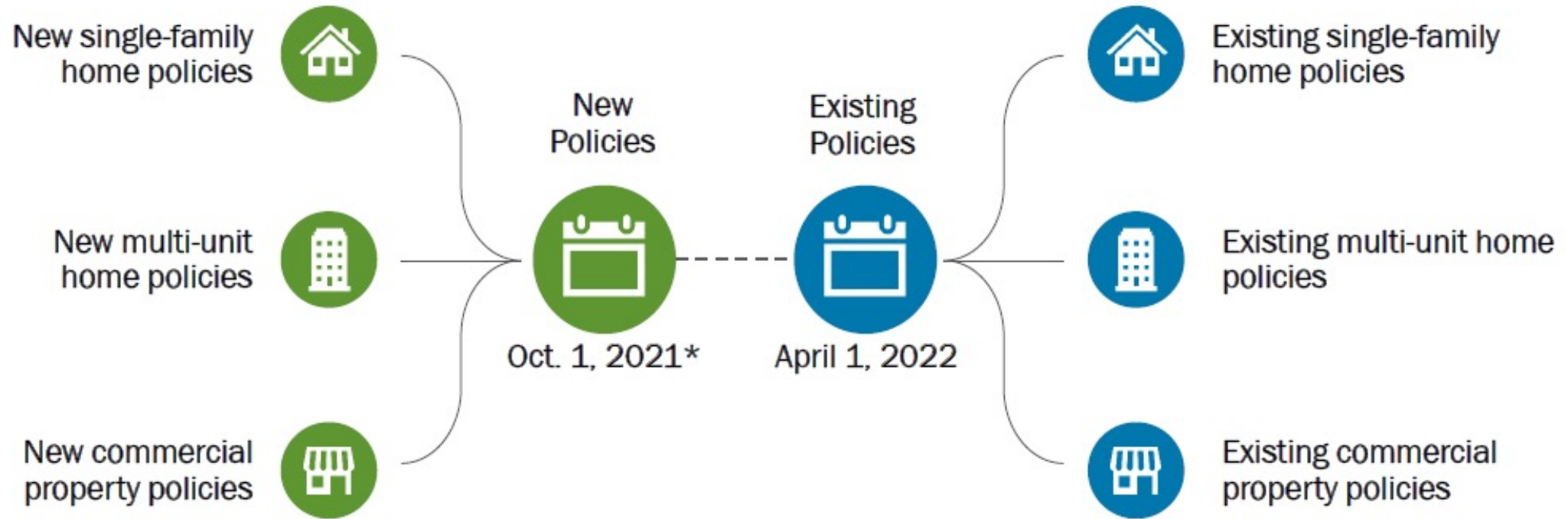
NFIP Risk Rating 2.0

Changes and Impacts

Dwayne Bourgeois, NLLD Executive Director
National Waterways Conference
October 3, 2023



RR2.0 – Phased Approach



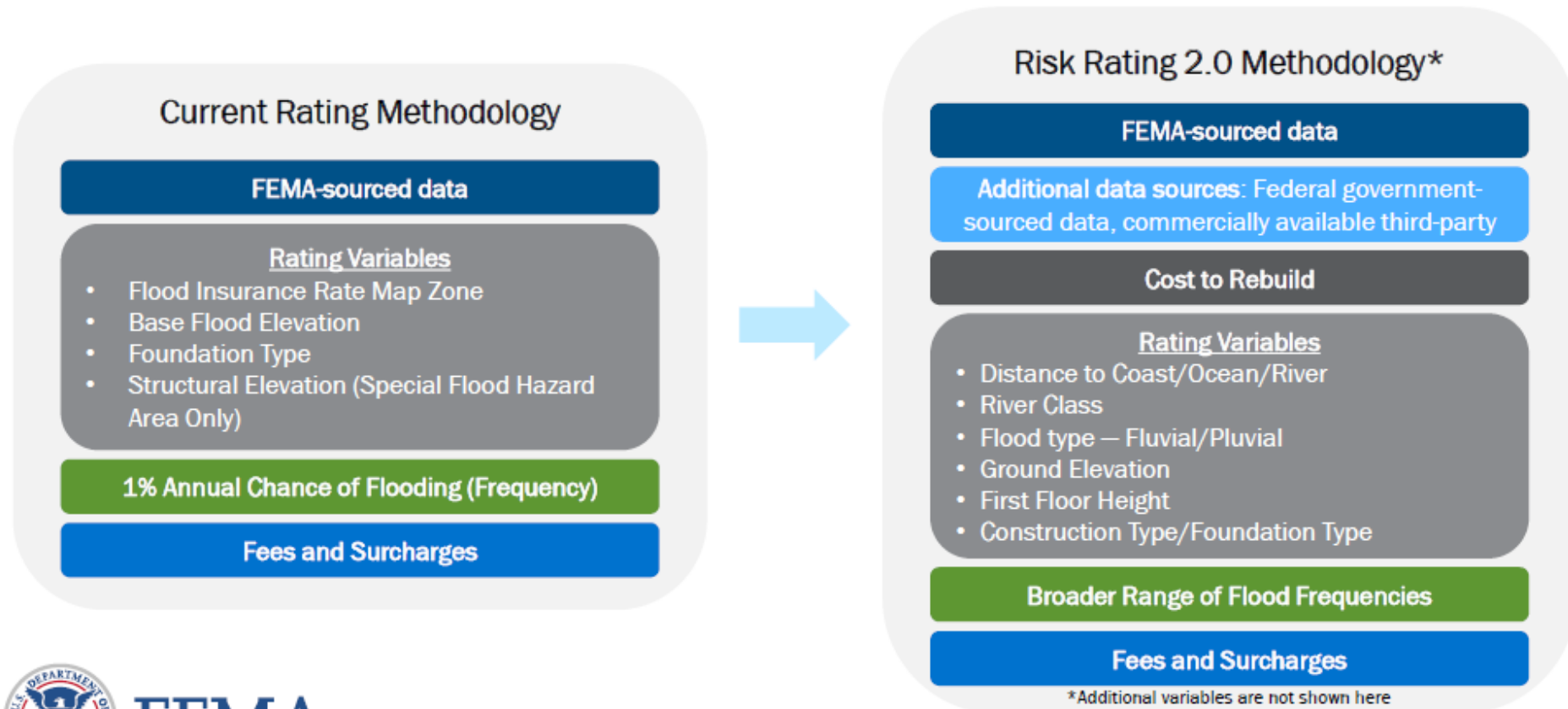
**Also beginning Oct. 1, 2021, existing policyholders eligible for renewal will be able to take advantage of immediate decreases in their premiums.*



Federal Emergency Management Agency

FEMA

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



FEMA

Federal Emergency Management Agency

Risk Rating 2.0 -- “Equity in Action” National Impacts

Under the current rating methodology policyholders on average see premium increases of \$8 per month.

Under the new pricing system, 96% of current policyholders will see either an immediate decrease or \$20 or less per month increase in their premiums. (Figure 1 Bar Graph)



This is an intrinsically deceitful way of messaging these changes.

Policyholder's Dec Pages

A policyholder will not know their full risk premium until they ask to get their Dec Page.

COVERAGE AND RATING			
	Coverage	Deductible	Premium Details
Building	\$250,000	\$2,000	Building Premium \$3,996
Contents	\$100,000	\$1,000	Contents Premium \$2,224
PROPERTY INFORMATION			
Flood Zone	C		ICC Premium \$75
Primary Residence	Yes		Mitigation Discounts (\$0)
Building Occupancy	Single-Family Home		CBS Discount (\$0)
Building Description	Main Dwelling		Full-Risk Premium \$6,295
Building Description Detail			<u>Statutory Discounts</u>
First Floor Height	1.1000000352 Feet		Annual Increase Cap Discount (\$5,774)
Method Used for 1st Floor Height	TOOL		Pre-FIRM Discount (\$0)
Property Description	Elevated w/o enclsr. on Posts, 1 Floor, Frame		Newly Mapped Discount (\$0)
Date of Const/Substantial Imp	01/01/1966		Other Statutory Discounts (\$0)
Replacement Cost Value	\$250,000		Discounted Premium \$521
Prior NFIP Claims	0 claims		<u>Fees and Surcharges</u>
Number of Units	1		Reserve Fund Assessment \$94
			HFIAA Surcharge \$25
			Federal Policy Fee \$47
			Probation Surcharge \$0
			Total Annual Premium \$687

Effective 4/1/2022, the NFIP implemented a new pricing methodology, Risk Rating 2.0 Phase II Renewals. Some property information on your policy may have been updated. Please contact your flood insurance agent to ensure you have the most accurate and up to date property information.

Your property's NFIP flood claims history can affect your premium.

They didn't move the goal post; they have changed the playing field!

- DFIRMs now have little to do with rates.
- DFIRMS now only are important for designating SFHA.
- Elevation above BFE is no longer a rating factor.
- Long time Quid Pro Quo arrangement is gone.
- This disincentivizes adopting higher floodplain management standards because they do not change the rates except through CRS discounts.
- They killed their Grandfathering policy.

They do not have a handle on the impacts of levees in their rating system.

- For RR2.0, they are relying on the USACE National Levee Database which is largely incomplete at this time.
- In fact, FEMA admits that it only had suitable data on 42% of the nation's levees.
- Even then, the screening analysis done by USACE was not appropriate for rate setting.
- Beyond that they tried to use LIDAR. But LIDAR resolution is too coarse to properly consider smaller levee systems.
- They are moving to residual risk behind levees.

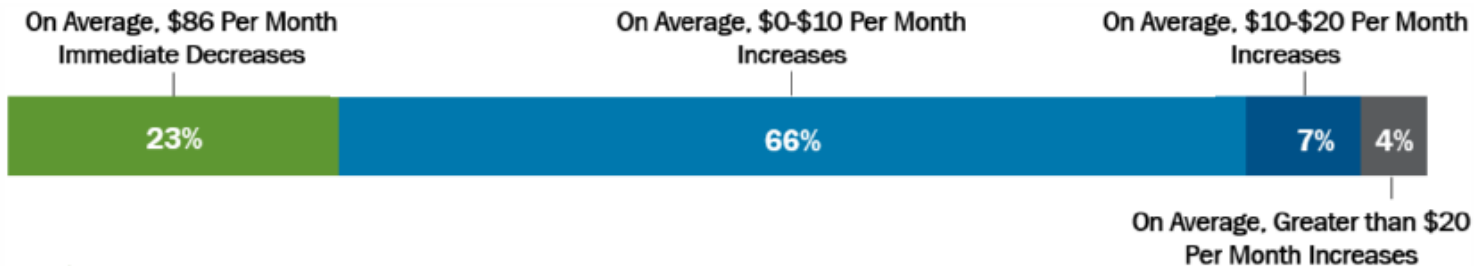
What didn't FEMA do in Creating RR2.0!

- Follow the requirements of the Administrative Procedures Act and other considerations.
- Consider the affordability issues caused by RR2.0.
- Consider the prior lack of mandatory participation in the NFIP.
- Consider the full attrition out of the program due to high rates.
- Consider the downstream impacts to housing values.
- Consider the downstream impacts to Ad Valorem collected by state and local agencies.
- Consider the impacts to local banks portfolio of loans.

Risk Rating 2.0 and “Equity in Action”

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A key part of developing nationwide preparedness is transforming the NFIP to ensure disaster survivors and communities can recover more quickly and more fully following flooding events. FEMA will reduce disaster-related suffering and disaster-related costs through Risk Rating 2.0 by leveraging advances in industry best practices, advanced actuarial practices, technology, flood risk modeling and the emphasis on mitigation efforts.

Over the last 50 years, FEMA has collected \$60 billion in NFIP premiums, but has paid \$96 billion in costs (including losses, operating expenses, and interest). Taxpayers and policyholders are adversely impacted when the program does not generate the revenue needed to pay claims. Risk Rating 2.0 will help put the NFIP on solid financial footing by creating a more stable program that is accountable to taxpayers.

Louisiana – Risk Rating 2.0



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⁵ Structures built to NFIP standards experience 65 percent less damage than structures not built to these standards and have resulted in \$2.4 billion per year in reduced flood losses, saving the nation more than \$100 billion over the last 40 years. See Individuals—Floodplain Management Resources, found at <http://www.fema.gov/floodplain-management/manage-risk/individuals> (last accessed June 16, 2021).

⁶ 44 CFR 59.1.

⁷ *Id.*

as a NFI **PROGRAM?**

\$36B in cost to the nation....

\$100B in savings to the nation....