

Risk Rating 2.0: Equity in Action

National Flood Insurance Program

10/25/2021



FEMA

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.

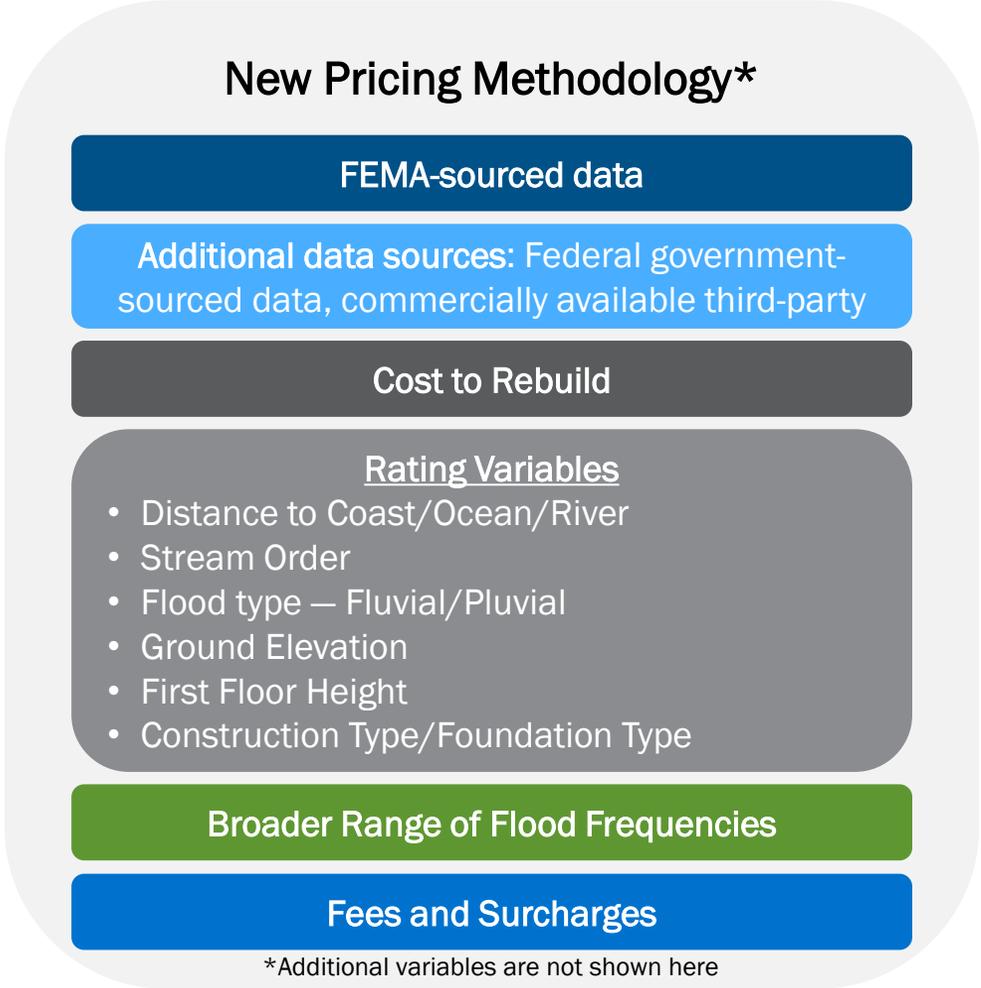
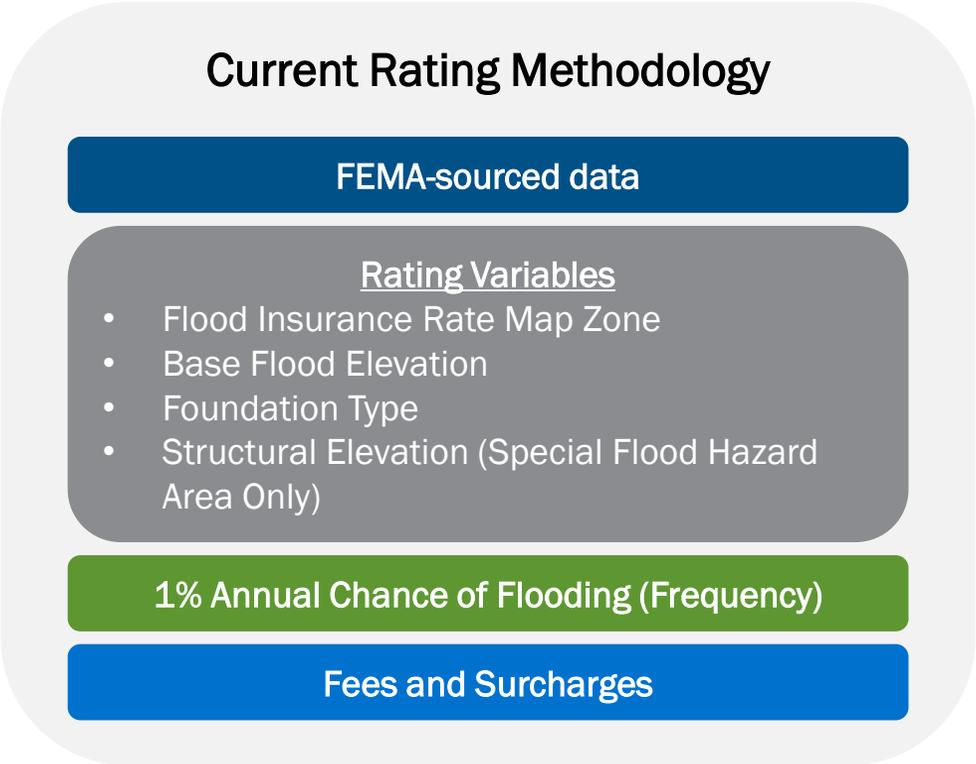


Roughly 2/3 of policyholders with older pre-FIRM homes will see a premium decrease.



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



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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



What is Changing?

FEMA is communicating full-risk premiums:

The New Pricing Methodology communicates every policy's full-risk premium

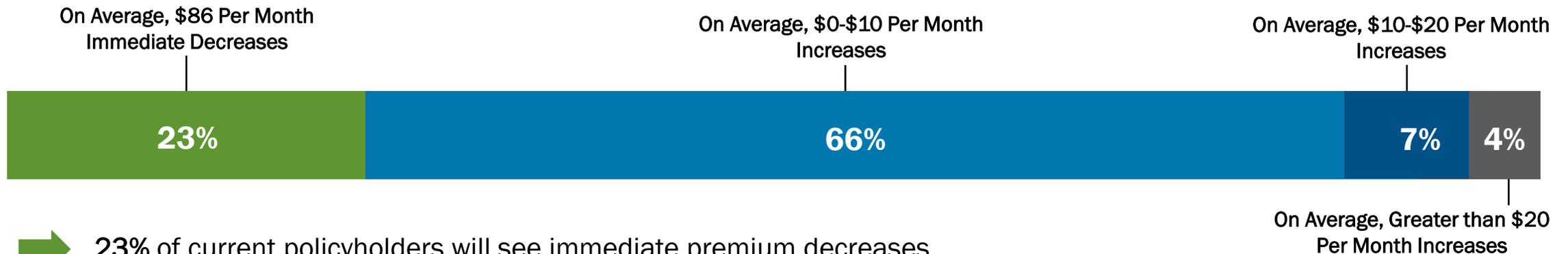
Building Premium	\$1,100
Contents Premium	\$490
Increased Cost of Compliance (ICC) Premium	\$10
Mitigation Discount	(\$100)
Community Rating System (CRS) Discount	(\$300)
Full-Risk Premium	\$1,200
Statutory Discounts	
Annual Increase Cap	(\$200)
Pre-FIRM Discount	(\$200)
Newly Mapped Discount	\$0
Other Statutory Discounts	\$0
Adjusted Premium	\$800
Reserve Fund Assessment	\$144
Premium [HFIAA] Surcharge	\$25
Federal Policy Fee	\$47
Probation Surcharge	\$0
Total Annual Payment	\$1,016



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Equity in Action – National Rate Analysis

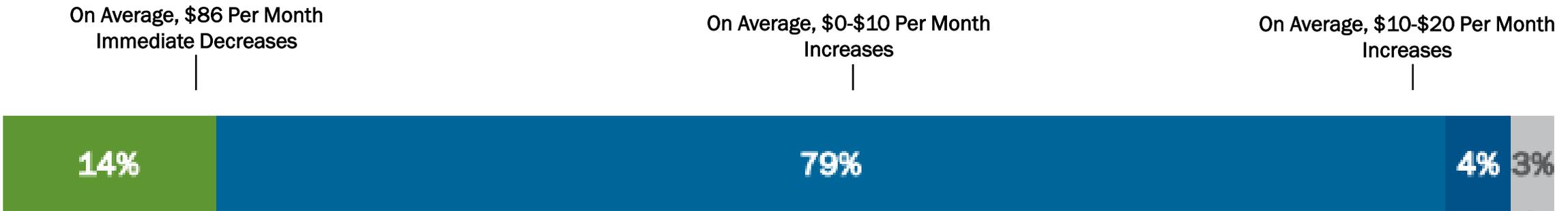
Under the **current rating methodology**, every year at renewal, policyholders on average see premium increases of **\$8 per month**.



- ➔ 23% of current policyholders will see immediate premium decreases
- ➔ An additional 66% of current policyholders will see, on average, \$0 - \$10 per month increases
- ➔ 7% of current policyholders under Risk Rating 2.0 will see, on average, \$10 - \$20 per month increases
- ➔ And 4% of current policyholders under Risk Rating 2.0 will see, on average a \$20 or more per month increase

Equity in Action – Texas State Profile

Under the **current rating methodology**, every year at renewal, policyholders on average see premium increases of **\$8 per month**.



- ➔ 23% of current policyholders will see immediate premium decreases
- ➔ An additional 66% of current policyholders will see, on average, \$0 - \$10 per month increases
- ➔ 7% of current policyholders under Risk Rating 2.0 will see, on average, \$10 - \$20 per month increases
- ➔ And 4% of current policyholders under Risk Rating 2.0 will see, on average a \$20 or more per month increase



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What can policyholders with steep flood insurance costs today expect under new pricing methodology?

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

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

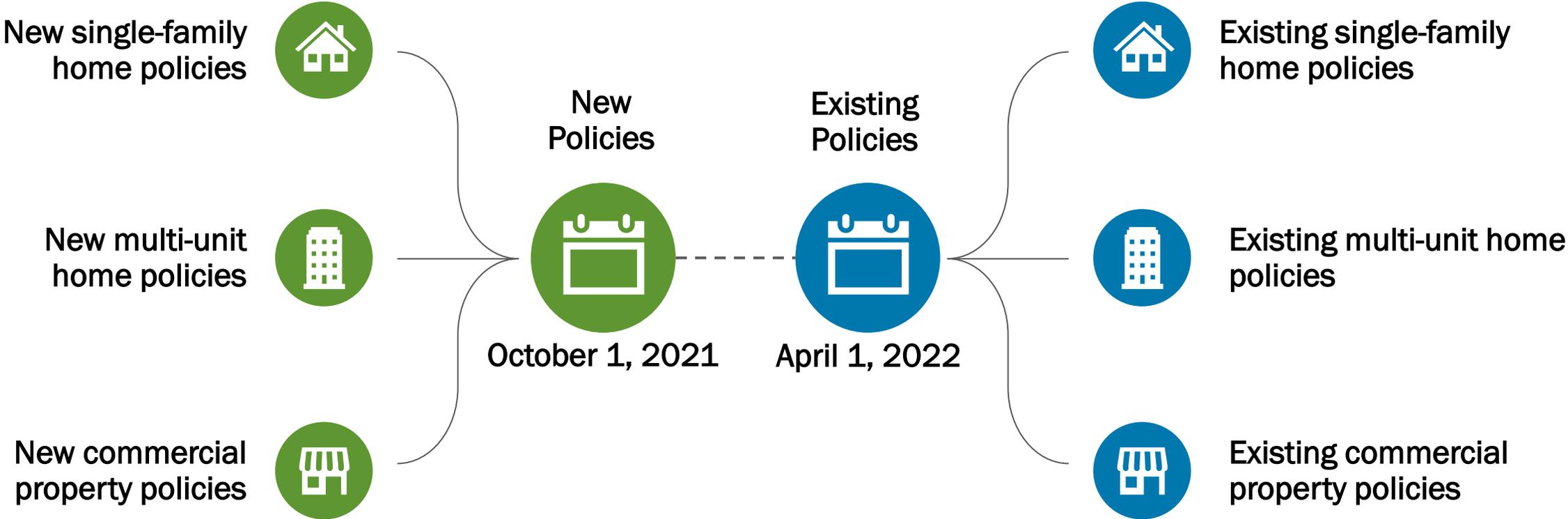


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*Amounts shown include premium, fees, assessments, and surcharges

Federal Emergency Management Agency

Equity in Action – Phased Approach



Equity in Action – Resource Investments

TIME: Research, design, analysis, development, and testing translates to **5+ years** of work and **thousands of hours**.

PEOPLE: The cross-functional team of **20+ NFIP program experts**, including **8+ full-time actuaries**, collaborated with a diverse network of experts from a wide range of disciplines:

- Academics
- Actuaries
- Building scientists
- Engineers
- Insurance industry experts
- Mappers
- Underwriters
- Mitigation experts

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



Questions?



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