



RISK RATING 2.0: Equity in Action

For Insurance Professionals



FEMA



NATIONAL FLOOD
INSURANCE PROGRAM

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AGENDA

- What is Risk Rating 2.0: Equity in Action?
- What Led to this Transformation of the NFIP?
- The NFIP Today
- What has Changed
- What has Not Changed
- Transition of Current Policies

***This information is subject to change. The information presented here is correct as of the date of this presentation.*



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WHAT IS RISK RATING 2.0: EQUITY IN ACTION?

FEMA has updated the NFIP risk rating methodology through the implementation of a new pricing methodology called Risk Rating 2.0. The new methodology brings several benefits to individual property owners and their communities



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RISK RATING 2.0 WILL:



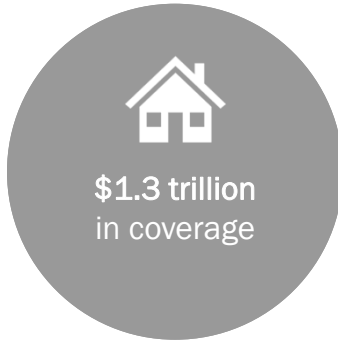
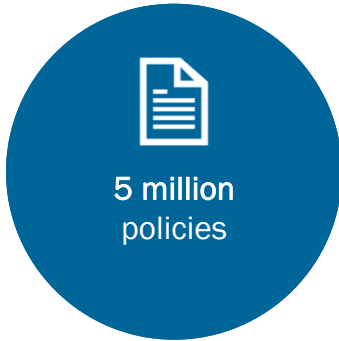
- **Reflect more types of flood risks** in the rates.
- **Provide logical rates** that use easier-to-understand rating characteristics for agents and policyholders.
- **Simplify and standardize** the quoting process for properties across the country.



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NFIP BY THE NUMBERS

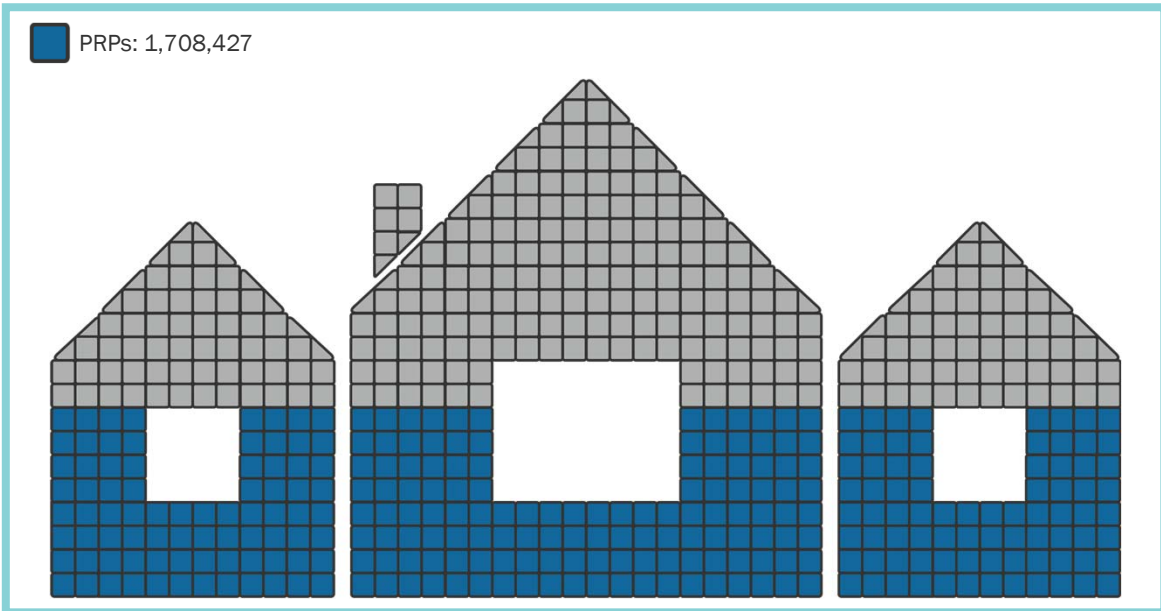
Currently, the NFIP has:



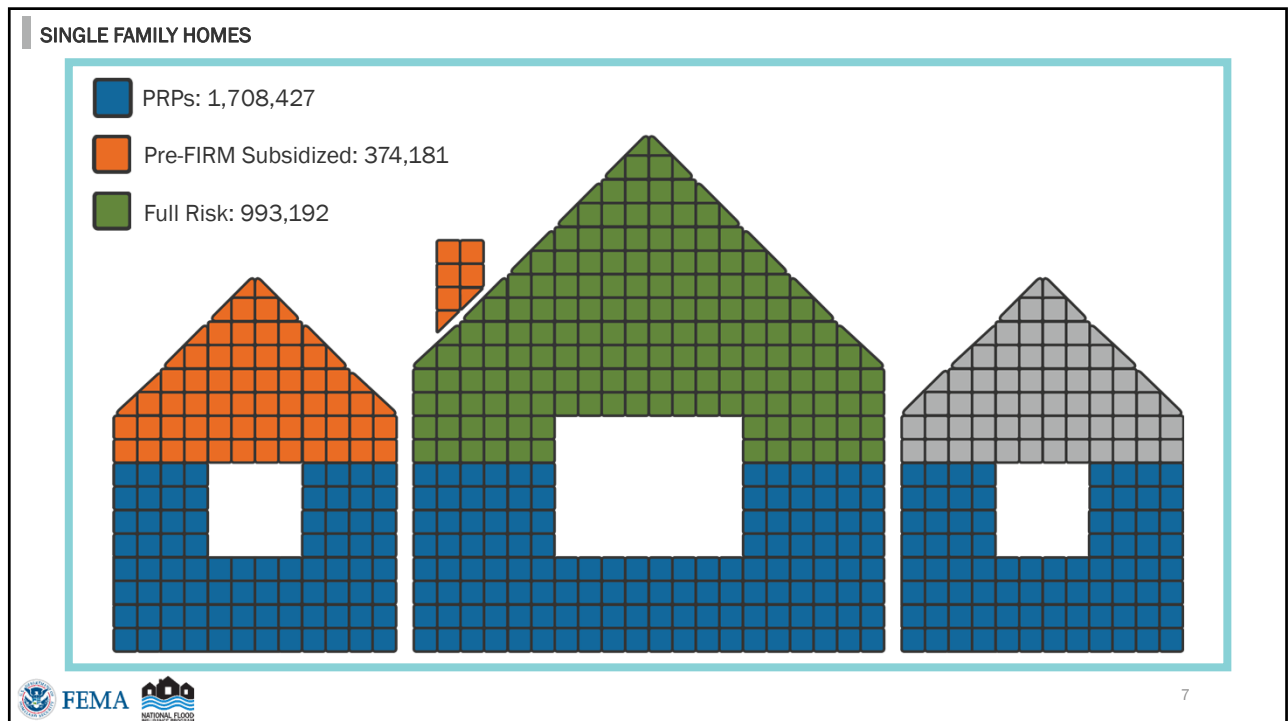
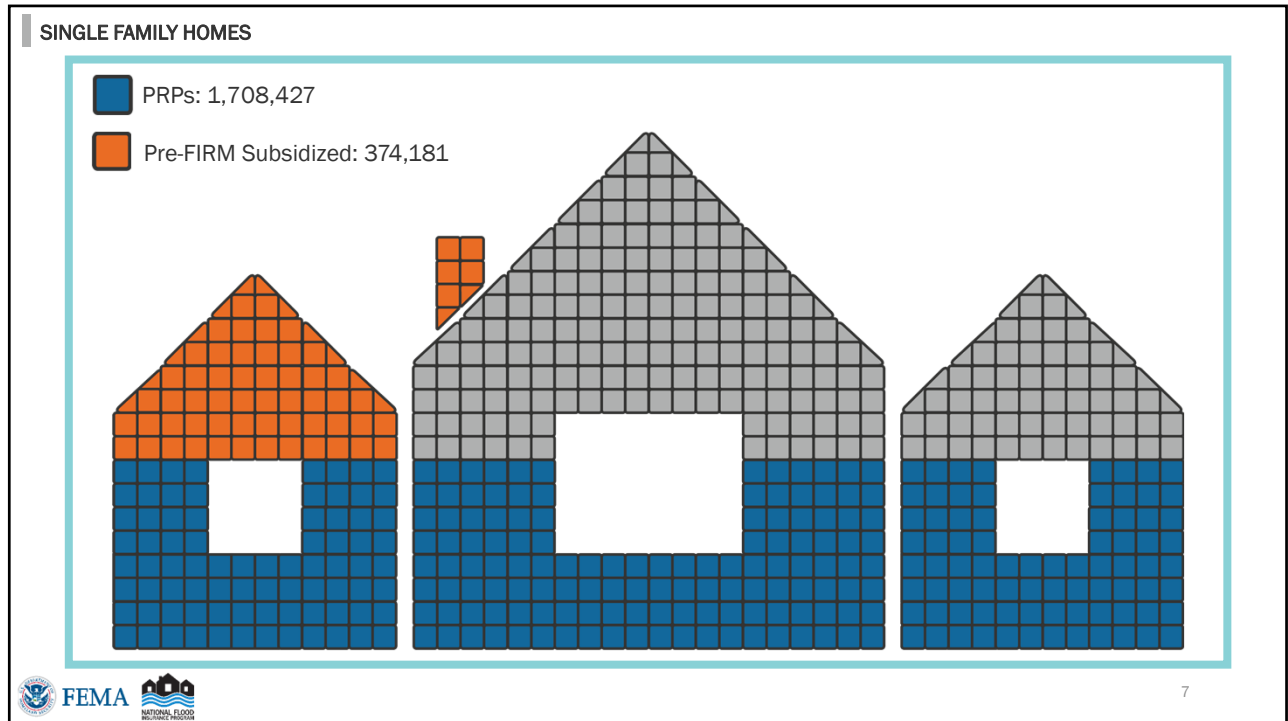
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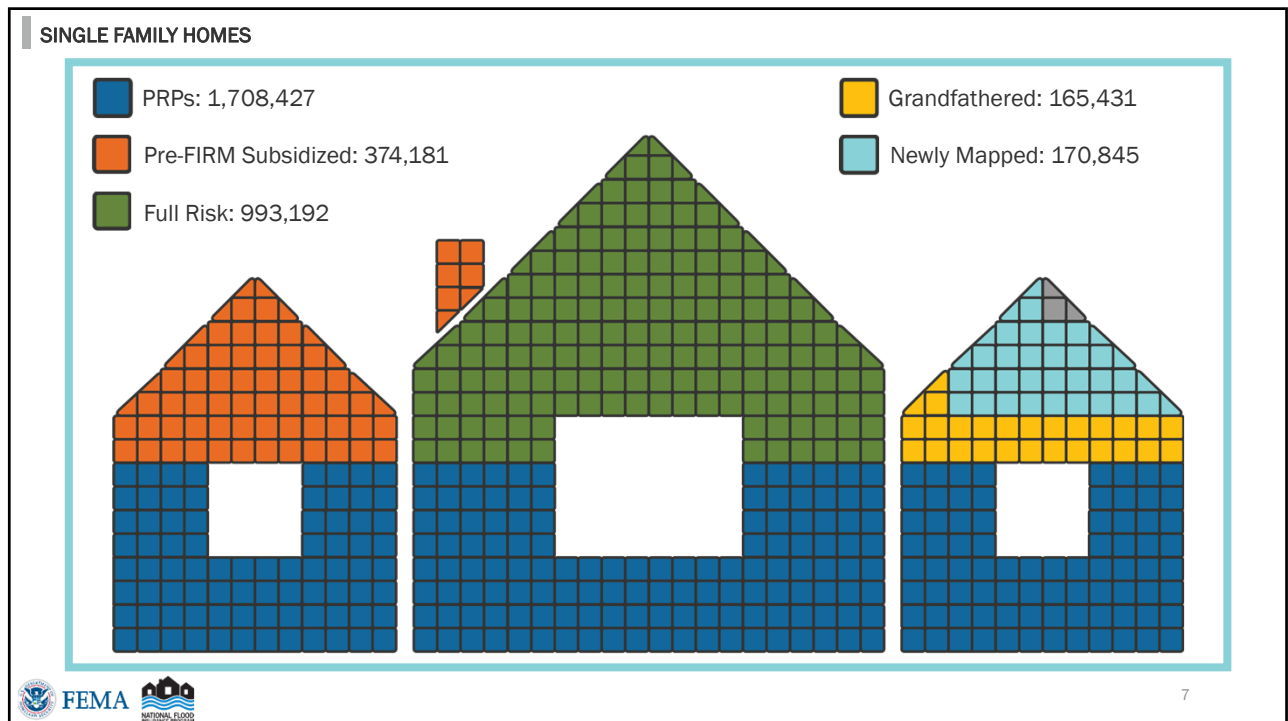
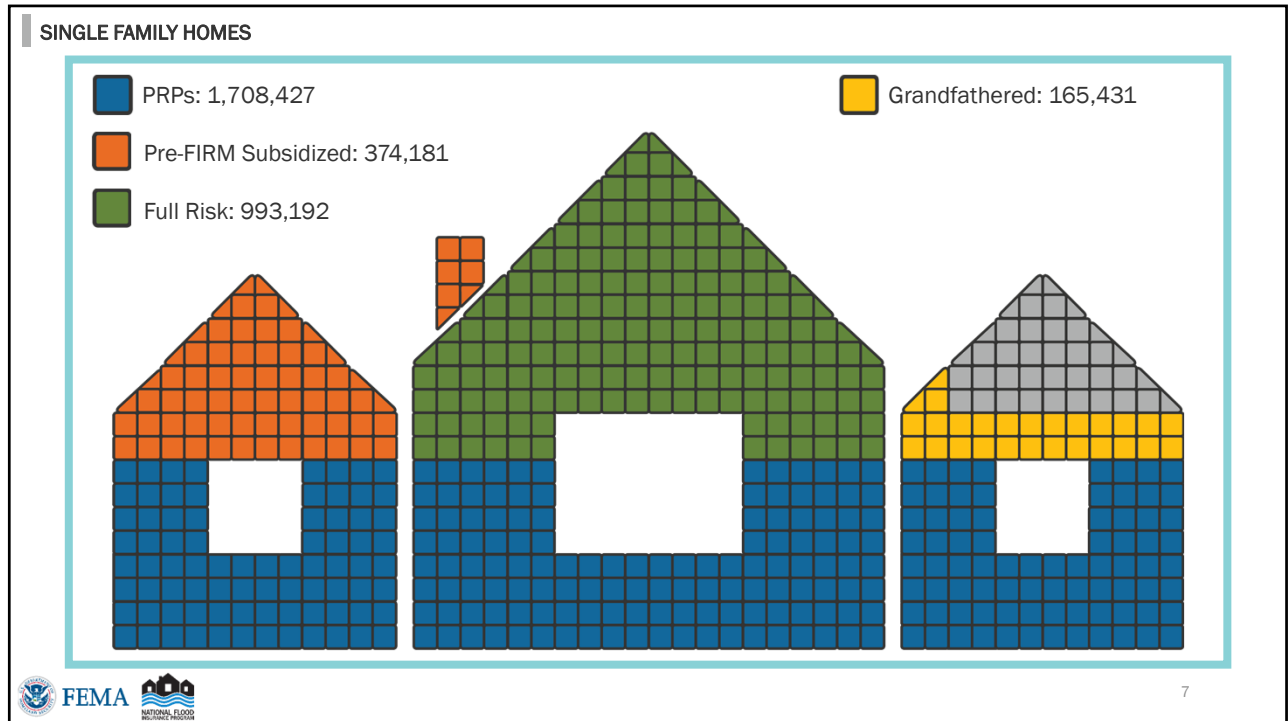
SINGLE FAMILY HOMES

■ PRPs: 1,708,427

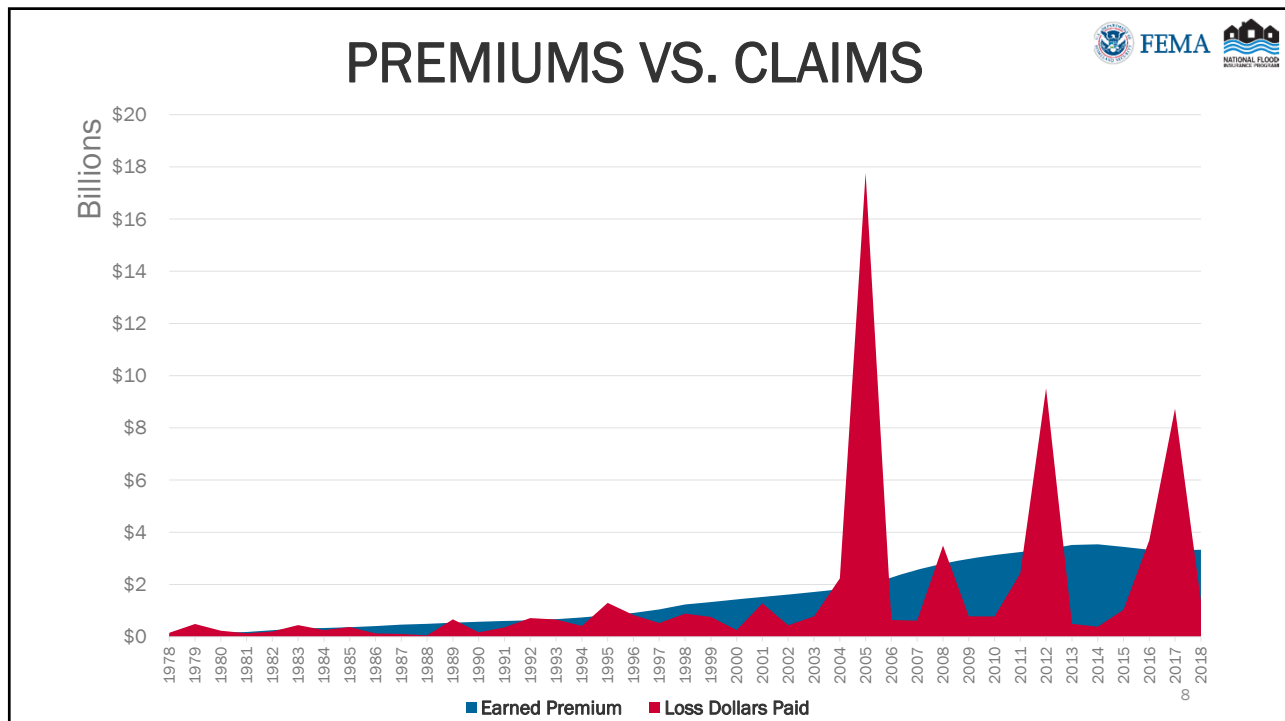
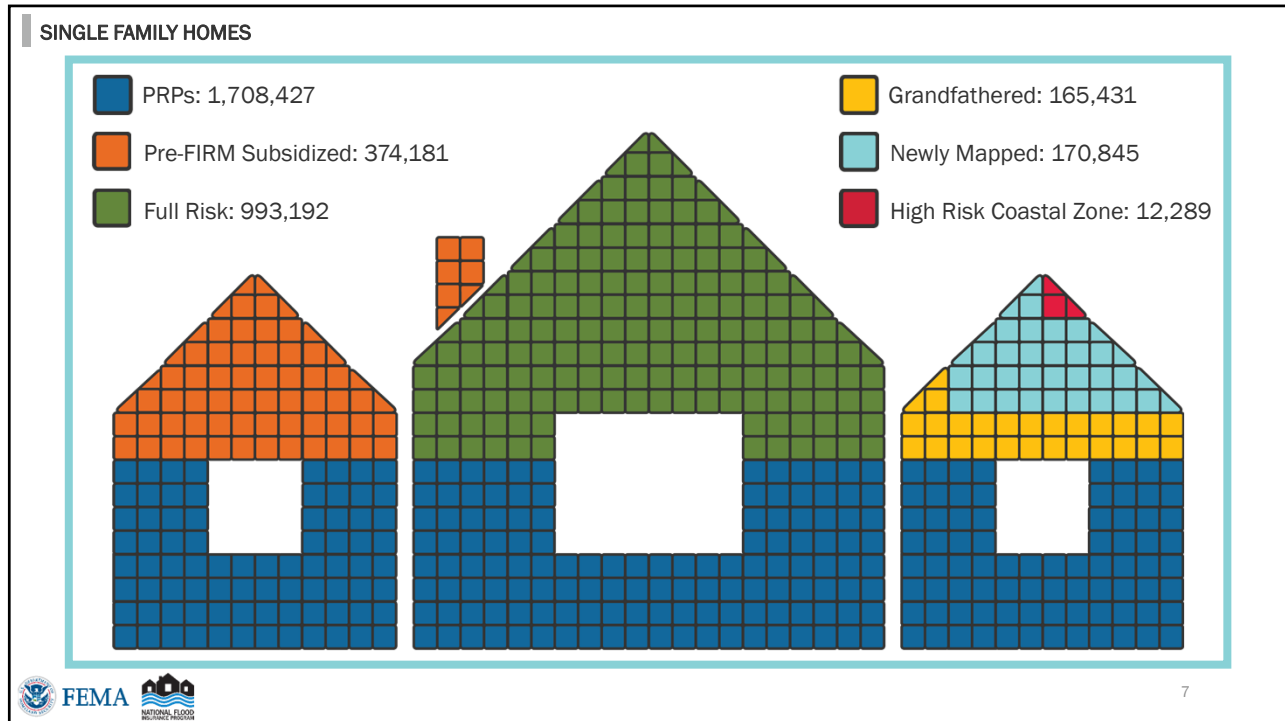


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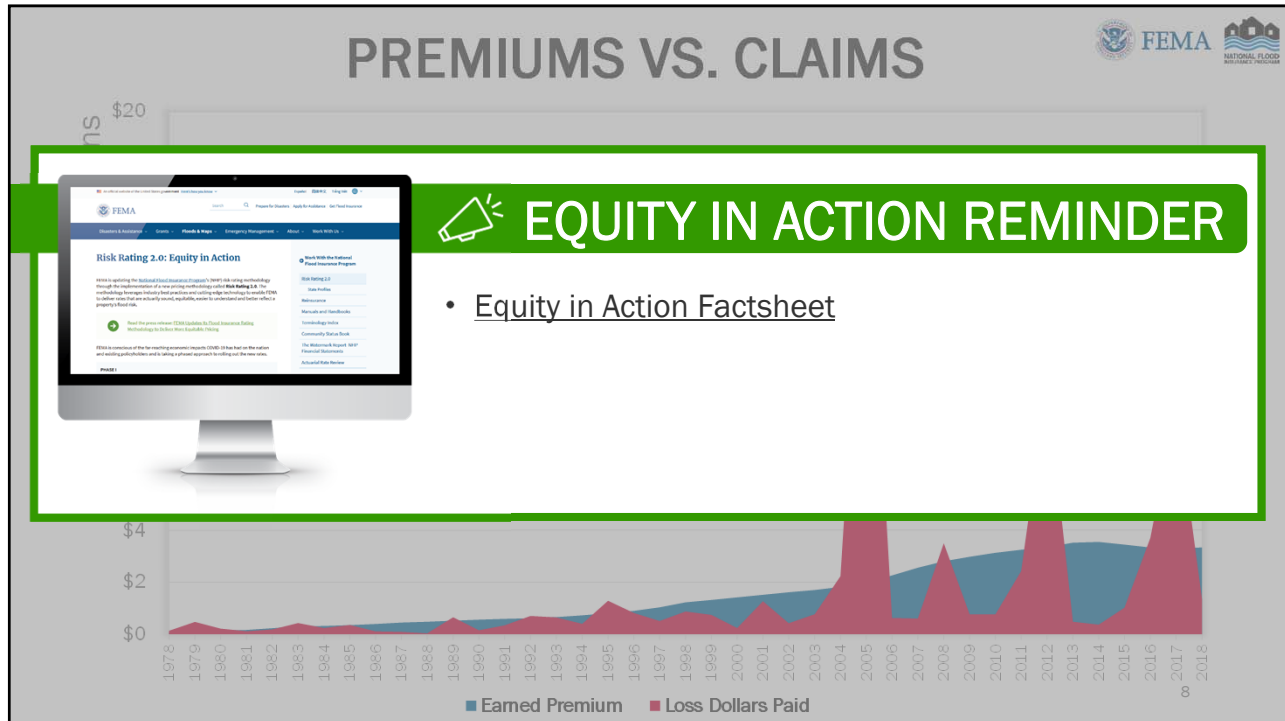




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Equity In Action



PHASE 1



- New Business Only
- NFIP Flood Manual
- System Access



Now in effect for New Business policies!



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Equity In Action

PHASE 1

- New Business Only
- NFIP Flood Manual
- System Access


• October 1, 2021 – March 31, 2022

• Existing policyholders will be able to renew under the new pricing methodology if beneficial



OCTOBER
1
2021

Goes into effect for New Business policies!





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NEW PRICING METHODOLOGY

Transition timeline

SEPTEMBER 1, 2021
FEMA released final guidance documents.



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WHAT HAS CHANGED

NEW PRICING METHODOLOGY



LEGACY METHODOLOGY

LEGACY METHODOLOGY

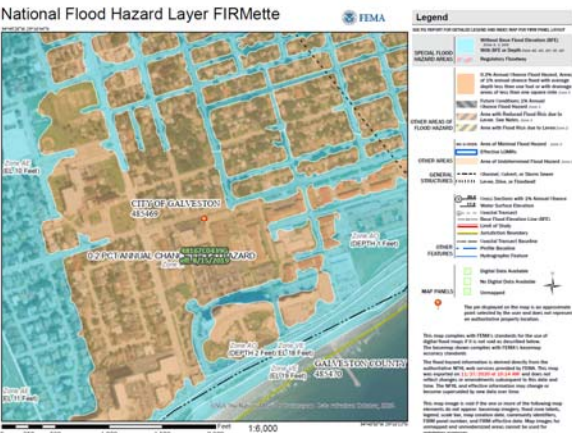
FEMA-SOURCED DATA


RATING VARIABLES

- Flood Insurance Rate Map Zone
- Base Flood Elevation
- Foundation Type
- Structural Elevation (Special Flood Hazard Area Only)

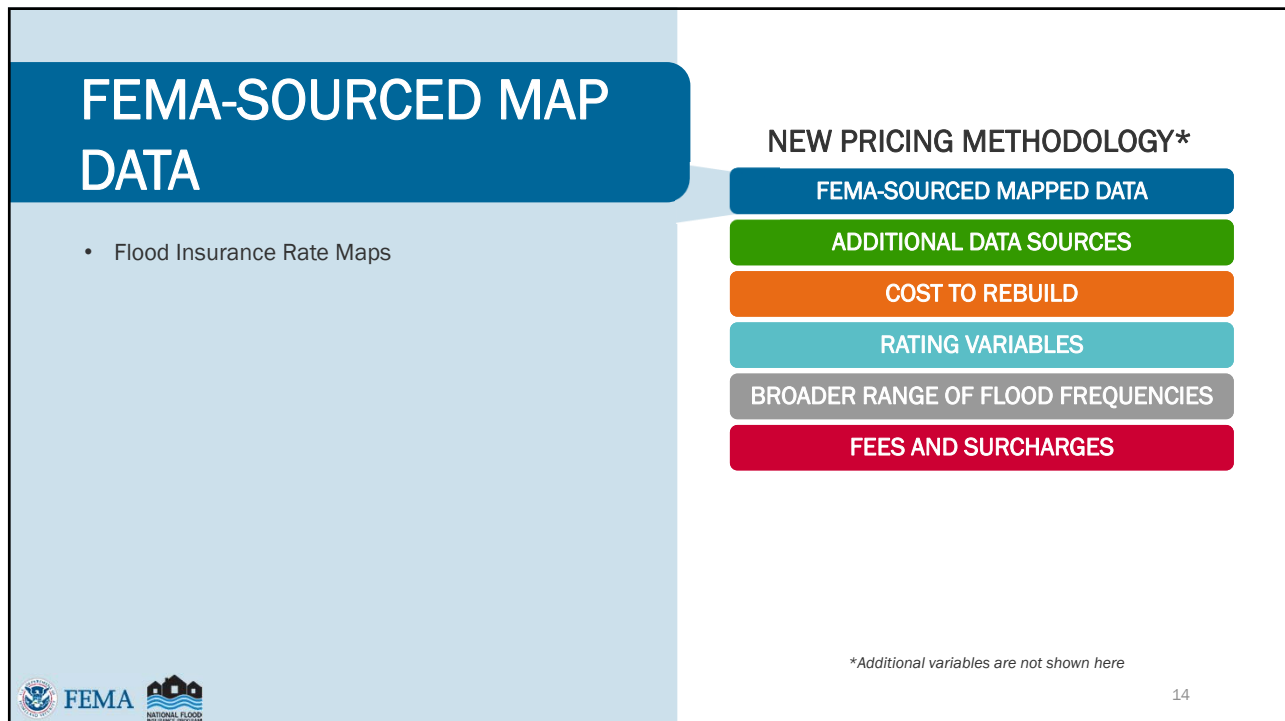
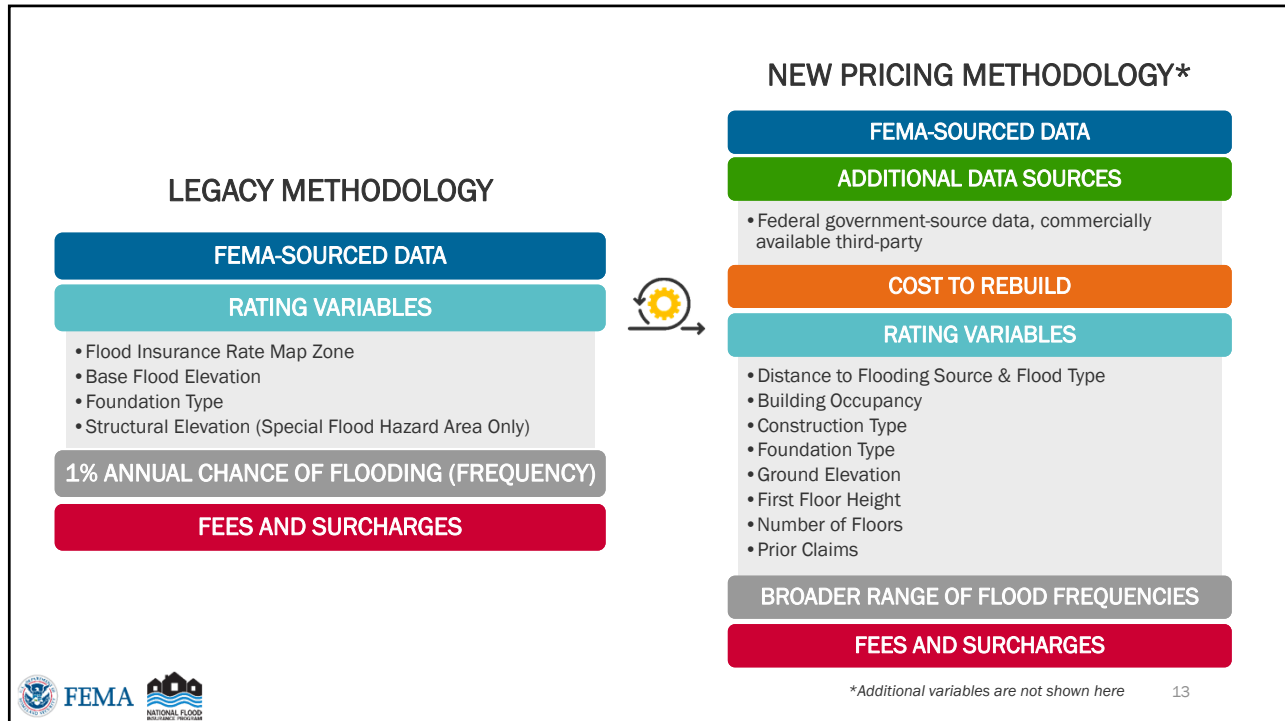
1% ANNUAL CHANCE OF FLOODING (FREQUENCY)

FEES AND SURCHARGES





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ADDITIONAL DATA SOURCES

- Uses new risk considerations to better quantify the real risk to a structure.
- To do this, FEMA has integrated additional datasets into the rating structure. This will be included in the new rating and will be automated.

NEW PRICING METHODOLOGY*

- FEMA-SOURCED MAPPED DATA
- ADDITIONAL DATA SOURCES
 - Federal government-source data, commercially available third-party
- COST TO REBUILD
- RATING VARIABLES
- BROADER RANGE OF FLOOD FREQUENCIES
- FEES AND SURCHARGES

**Additional variables are not shown here*



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COST TO REBUILD

- The building replacement cost will be a **new** rating element for **all properties**.
- The replacement cost tool **will** be used for single-family homes, residential manufactured/mobile homes, residential units, and 2-4 family buildings.
- The replacement cost tool **will not** be used for Other Residential Buildings, Residential Condo Buildings (RCBAP), Non-residential Buildings, and other Non-Residential types.

NEW PRICING METHODOLOGY*

- FEMA-SOURCED MAPPED DATA
- ADDITIONAL DATA SOURCES
- COST TO REBUILD
- RATING VARIABLES
- BROADER RANGE OF FLOOD FREQUENCIES
- FEES AND SURCHARGES

**Additional variables are not shown here*



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RATING VARIABLES

- Rate tables will no longer be used, rates will be calculated using an algorithm.
- The flood zone and Base Flood Elevation (BFE) will no longer be used as a rating variable.
- Elevations will be considered for all properties.


NEW PRICING METHODOLOGY*

- FEMA-SOURCED MAPPED DATA**
- ADDITIONAL DATA SOURCES**
- COST TO REBUILD**
- RATING VARIABLES**
 - Distance to Flooding Source & Flood Type
 - Building Occupancy
 - Construction Type
 - Foundation Type
 - Ground Elevation
 - First Floor Height
 - Number of Floors
 - Prior Claims
- BROADER RANGE OF FLOOD FREQUENCIES**
- FEES AND SURCHARGES**

**Additional variables are not shown here*



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RATING VARIABLES

DISTANCE TO FLOODING SOURCE & TYPE OF FLOODING

- Legacy methodology versus the new pricing methodology.
- Include Inland, Storm Surge, Tsunami, Coastal Erosion, and Great Lakes – that are likely to impact the structure.
- Both are determined automatically using geospatial information (GIS) data
- Based on the property location entered by the agent.

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RATING VARIABLES

BUILDING OCCUPANCY



- **Single Family Home**
- Residential Mobile Home/Manufactured Home
- **Residential Unit**
- 2-4 Family Building
- Other Residential
- Residential Condo Building
- Non-Residential

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Key Takeaways



- Equity in Action
- Legacy vs New Pricing Methodology
- Rating Variables: Flood Source, Flood Type, Building Occupancy



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RATING VARIABLES



CONSTRUCTION TYPE

FRAME:

- The first floor above ground level is constructed with wood or metal frame walls.

MASONRY:

- The first floor above ground level is constructed with masonry including brick, or concrete walls for the full story.

OTHER:


- The first floor above ground level is constructed with materials other than wood or metal frame or masonry walls for the full story.

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RATING VARIABLES

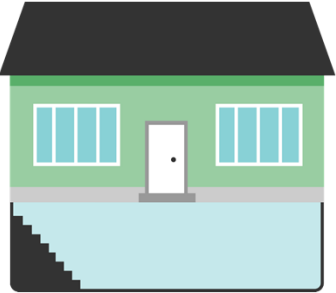
FOUNDATION TYPES

There are now 6 simple foundation types.



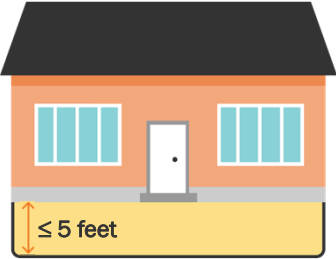
Slab on Grade
(Non-Elevated)

Includes EC Diagram numbers
1A, 1B, and 3



Basement
(Non-Elevated)

Includes EC Diagram numbers
2A, 2B, and 4



Crawlspace
(Elevated, including non-elevated sub-grade crawlspace)




Includes EC Diagram number 8
and 9

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RATING VARIABLES

FOUNDATION TYPES

There are now 6 simple foundation types.

 <p>Elevated without Enclosure on Post, Pile, or Pier Includes EC Diagram number 5</p>	 <p>Elevated with Enclosure on Post, Pile, or Pier Includes EC Diagram number 6</p>	 <p>Elevated with Enclosure Not Post, Pile, or Pier Includes EC Diagram number 7</p>
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RATING VARIABLES

FIRST FLOOR HEIGHT



- Elevations are used in determining rates for **all** policies.
- The elevation of the first floor of the structure replaces the elevation difference in the legacy methodology.
- There are 2 ways to determine first floor height for a property.


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FIRST FLOOR HEIGHT EXAMPLES

Definition: height of the building's first lowest floor above the adjacent grade

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RATING VARIABLES



DETERMINING ELEVATIONS:

Method 1: System Generated

- This is part of the new pricing methodology rating engine.
- FEMA will determine a First Floor Height value using application information, and various datasets.


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FIRST FLOOR HEIGHT EXAMPLES

Method 2: Difference between the reported First Flood Height and the Adjacent Grade.

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RATING VARIABLES



DETERMINING ELEVATIONS:

Method 2: Elevation Certificate (EC)

(Optional)

- Under the new pricing methodology, an EC will **no longer be required** for rating (optional).
- ECs can be used to determine the structure's elevations, including the first-floor elevation above ground level.
- ECs may still be required to comply with local floodplain management regulations.

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**SECTION E – BUILDING ELEVATION INFORMATION (SURVEY NOT REQUIRED)
FOR ZONE AO AND ZONE A (WITHOUT BFE)**

For Zones AO and A (without BFE), complete Items E1–E5. If the Certificate is intended to support a LOMA or LOMR-F request, complete Sections A, B and C. For Items E1–E4, use natural grade, if available. Check the measurement used. In Puerto Rico only, enter meters.

E1. Provide elevation information for the following and check the appropriate boxes to show whether the elevation is above or below the highest adjacent grade (HAG) and the lowest adjacent grade (LAG).

a) Top of bottom floor (including basement, crawlspace, or enclosure) is _____ feet meters above or below the HAG.

b) Top of bottom floor (including basement, crawlspace, or enclosure) is _____ feet meters above or below the LAG.

E2. For Building Diagrams 6–9 with permanent flood openings provided in Section A Items 8 and/or 9 (see pages 1–2 of Instructions), the next higher floor (elevation C2.b in the diagrams) of the building is _____ feet meters above or below the HAG.

E3. Attached garage (top of slab) is _____ feet meters above or below the HAG.

E4. Top of platform of machinery and/or equipment servicing the building is _____ feet meters above or below the HAG.

E5. Zone AO only: If no flood depth number is available, is the top of the bottom floor elevated in accordance with the community's floodplain management ordinance? Yes No Unknown. The local official must certify this information in Section G.

SECTION F – PROPERTY OWNER (OR OWNER'S REPRESENTATIVE) CERTIFICATION

The property owner or owner's authorized representative who completes Sections A, B, and E for Zone A (without a FEMA-issued or community-issued BFE) or Zone AO must sign here. The statements in Sections A, B, and E are correct to the best of my knowledge.

Property Owner or Owner's Authorized Representative's Name _____

Address _____ City _____ State _____ ZIP Code _____

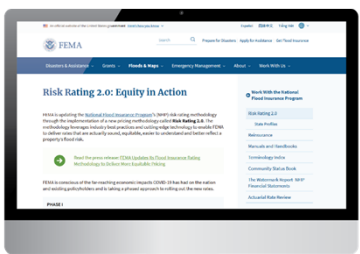
Signature _____ Date _____ Telephone _____

RATING VARIABLES

Note: If Section E is completed for zones other than unnumbered A and AO, the information should be used for underwriting purposes only

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EQUITY IN ACTION REMINDER



- Elevation Certificates
 - *Optional for rating purposes*
 - Used for Floodplain Management compliance

(Optional)

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RATING VARIABLES

NUMBER OF FLOORS

Will no longer include:

- Basements
- Enclosures
- Crawlspace
- Attics (if used for storage)

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6TH FLOOR

5TH FLOOR

4TH FLOOR

3RD FLOOR

2ND FLOOR

1ST FLOOR

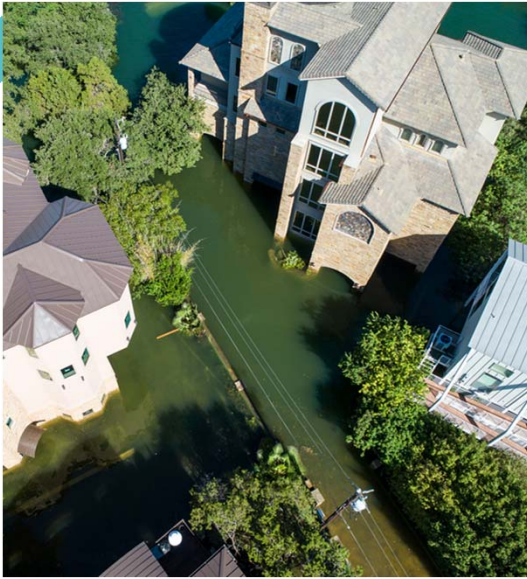
RATING VARIABLES

NUMBER OF FLOORS

A unit's floor will now be determined by the actual floor on which it is located.

This is an important change for condominiums and apartment renters.

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RATING VARIABLES

PRIOR CLAIMS

- FEMA will **not** include prior claims history in the **initial** rate calculation
- The prior claims variable will be applied at renewal of the policy, after first loss under the new pricing methodology
- A rolling 20-year period
- Severe Repetitive Loss (SRL) surcharge included in their premium until they have their first loss under the new pricing methodology

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DEFINITION:

“Excluded Losses”

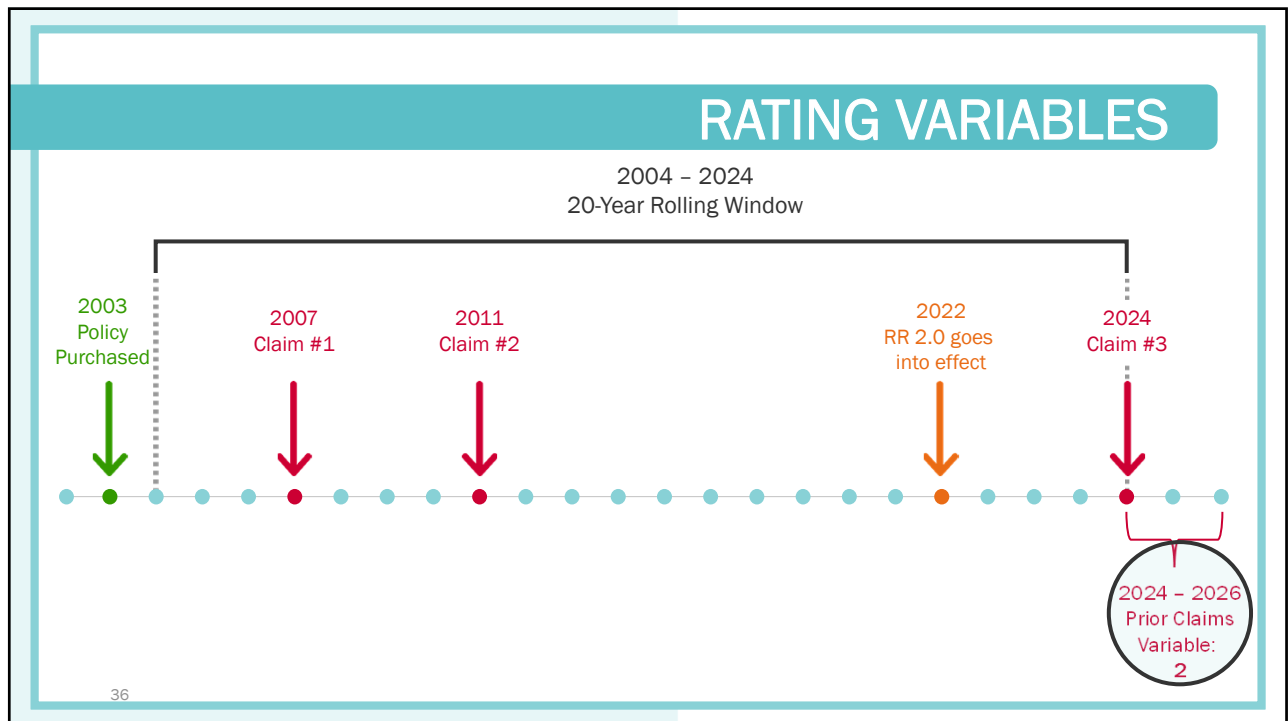
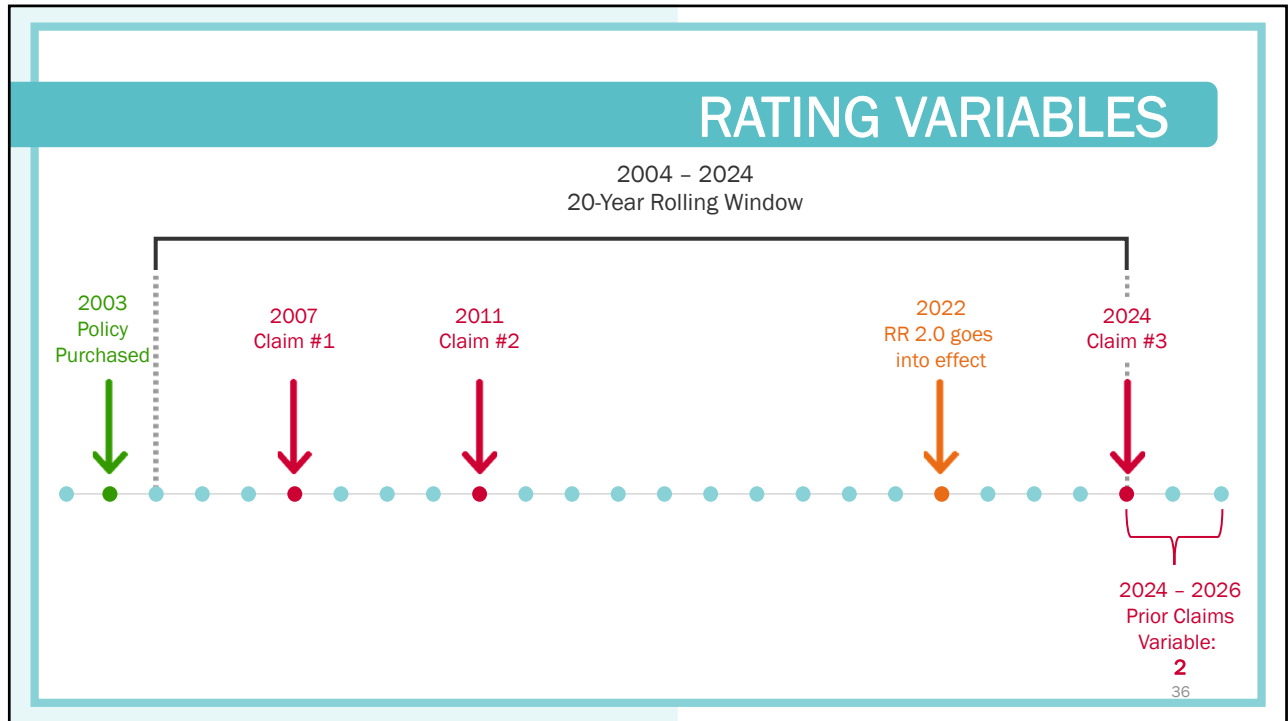
RATING VARIABLES

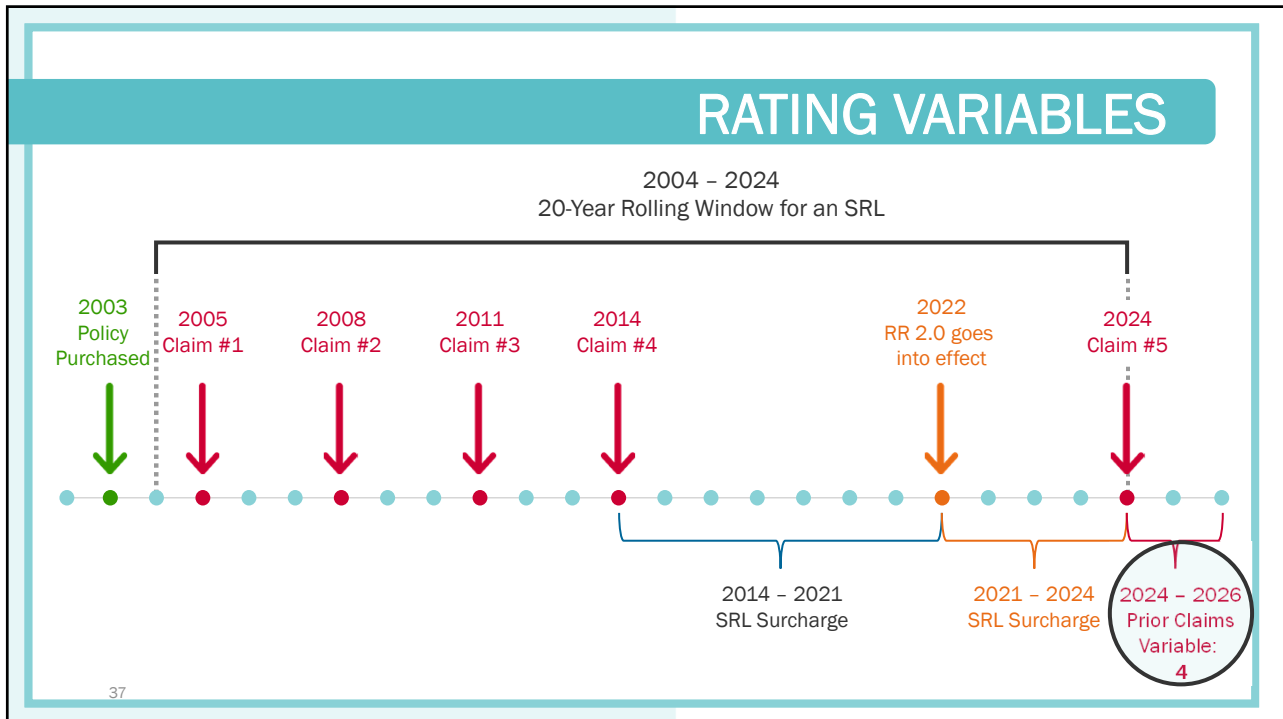
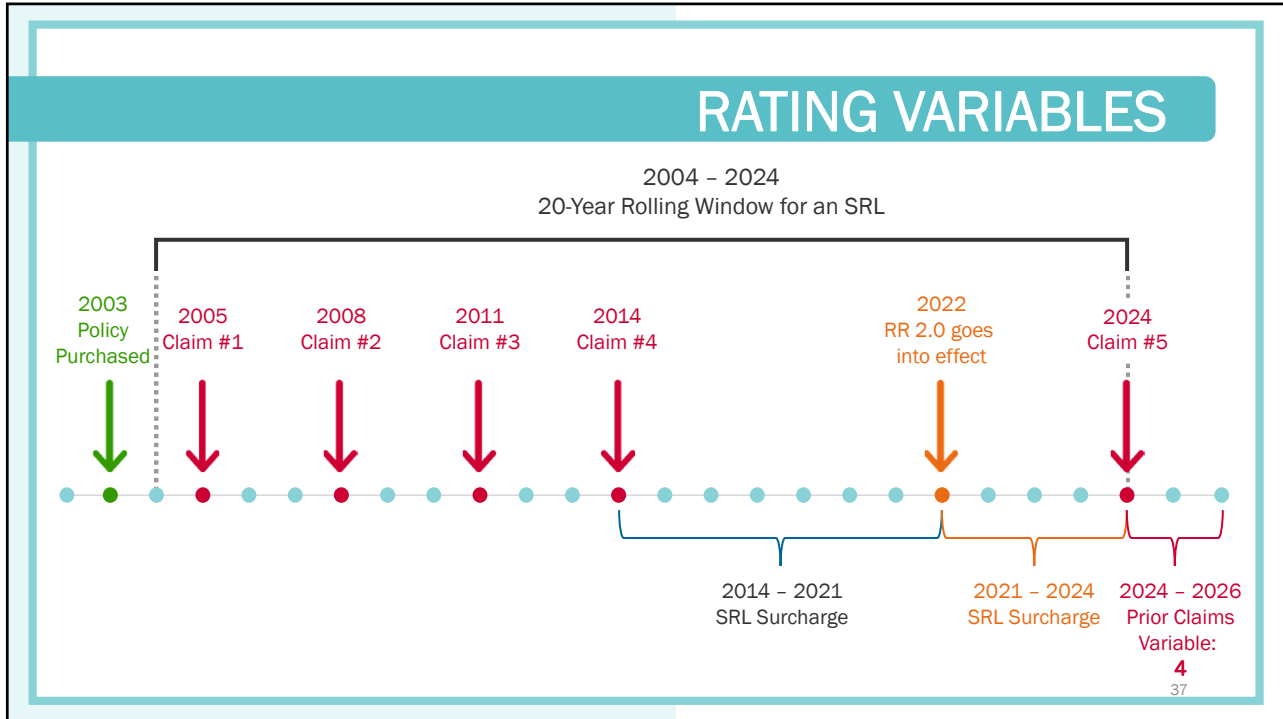
WHAT IS AN EXCLUDED LOSS?

- Increased Cost of Compliance claim payments; or
- Claims closed without payment.

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BROADER RANGE OF FLOOD FREQUENCIES

Flooding sources other than what is listed on the FIRM.


Examples:

- Catastrophe modeling
- Urban Flooding

NEW PRICING METHODOLOGY*

- FEMA-SOURCED MAPPED DATA
- ADDITIONAL DATA SOURCES
- COST TO REBUILD
- RATING VARIABLES
- BROADER RANGE OF FLOOD FREQUENCIES**
- FEES AND SURCHARGES

**Additional variables are not shown here*



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FEES AND SURCHARGES


The following fees and surcharges will apply to all policies:

- Reserve Fund Assessment
- HFIAA Surcharge
- Federal Policy Fee
- Probation Surcharge (if applicable)

NEW PRICING METHODOLOGY*

- FEMA-SOURCED MAPPED DATA
- ADDITIONAL DATA SOURCES
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- FEES AND SURCHARGES**

**Additional variables are not shown here*



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Key Takeaways



- Construction and Foundation type
- First floor height: System vs EC
- Claims Rating Variable

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5 MINUTE BREAK

Coming Up Next:

- Statutory Discounts
- Retired Policy Types
- What has NOT Changed
- Transition of Current Policies
- And more...



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WHAT HAS CHANGED

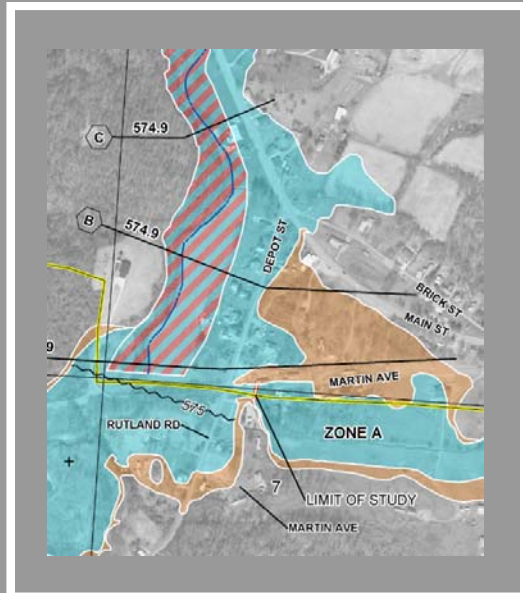
STATUTORY DISCOUNTS & MITIGATION CREDITS





STATUTORY DISCOUNTS

- Pre-FIRM
- Newly Mapped
- Other (Emergency Program)
- The discount will *gradually* phase out
- A policyholder may lose their discount if they allow the policy to lapse



COMMUNITY RATING SYSTEM DISCOUNTS

- The new pricing methodology applies the CRS discount **uniformly** in qualifying communities - regardless of whether the structure is inside or outside the Special Flood Hazard Area (SFHA).
- The discount is a flat percentage based on the CRS class, **with no difference for flood zone**.



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Diagram Showing Location

Guidance on Location



Slab on Grade (Non-Elevated)

- One floor: Elevated at least to the height of the attic
- More than one floor: Elevated to the height of the second floor or higher



Basement (Non-Elevated)

- Elevated to the height of the floor above the basement or higher



Elevated Without Enclosure on Posts, Piles or Piers




- Elevated to the height of the lowest elevated floor or higher



MACHINERY & EQUIPMENT (M&E)

- The rating engine will apply a discount for policyholders with M&E Elevated to at least the elevation of the floor above the building's first floor.
- Agents will self-certify the position of the M&E by answering a "Yes/No" question on the application.
- The list of eligible M&E will be listed in the Flood Insurance Manual.

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Diagram Showing Location	Guidance on Location
	Elevated With Enclosure on Posts, Piles or Piers <ul style="list-style-type: none">Elevated to the height of the lowest elevated floor or higher
	Elevated With Enclosure Not Posts, Piles or Piers <ul style="list-style-type: none">Elevated to the height of the lowest elevated floor or higher
	Crawlspace (Elevated or Non-Elevated Subgrade Crawlspace) <ul style="list-style-type: none">Elevated to the height of the floor above the crawlspace or higher

MACHINERY & EQUIPMENT (M&E)

- The rating engine will apply a discount for policyholders with M&E Elevated to at least the elevation of the floor above the building's first floor.
- Agents will self-certify the position of the M&E by answering a "Yes/No" question on the application.
- The list of eligible M&E will be listed in the Flood Insurance Manual.

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FLOOD VENTS

- The rating engine will apply a discount to the policy for buildings in any flood zone with proper openings in the enclosure.
- The flood insurance application will need to reflect the proper information in order to receive the discount.



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FLOOD VENTS

- A minimum of 2 openings on at least 2 exterior walls
- Total net area of not less than 1 square inch for every square foot of enclosure
- Bottoms of openings no higher than 1 foot above the higher of the exterior or interior grade



FLOODPROOFING

- An alternative to elevating a building at or above the Base Flood Elevation
- The insurer must submit proper documentation
- Meet eligibility requirements







WHAT HAS CHANGED

WHAT'S GOING AWAY



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GRANDFATHERING

- BFEs and Flood Zones will no longer be used for rating
- Transition to true risk premium
- Subject to statutory caps (if applicable)



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RETIRED POLICY TYPES/RATING METHODS

U.S. DEPARTMENT OF HOMELAND SECURITY
FEDERAL EMERGENCY MANAGEMENT AGENCY
National Flood Insurance Program
PREFERRED RISK POLICY
IMPORTANT—PLEASE PRINT OR TYPE; ENTER DATES AS MM/DD/YYYY

FOR RENEWAL BILL:

<input type="checkbox"/> INSURED	<input type="checkbox"/> LOSS FREE
<input type="checkbox"/> FIRST MORTGAGE	<input type="checkbox"/> OTHER (AS SPECIFIED IN MORTGAGE/OTHER" BC
<input type="checkbox"/> SECOND MORTGAGE	

NAME AND MAILING ADDRESS OF AGENT/PRODUCER:

AGENCY NO.: _____ AGENT'S NO.: _____
PHONE NO.: _____ FAX NO.: _____

BANK

National Flood Insurance Program
Specific Rating Guidelines
April 2019

FEMA


Preferred Risk Policies
(PRPs)

Mortgage Portfolio
Protection Program
(MPPP)

Submit-for-Rates (SFRs)



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Key Takeaways

- Discounts and Credits
- Legacy Rating and New Pricing Paths
- Retired Policies and Rating Methods



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WHAT HAS NOT CHANGED



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WHAT HAS NOT CHANGED



- The Mandatory Purchase requirement
- Floodplain Management
- Statutory caps on annual individual rate increases
- Building/Contents Eligibility and Increased Cost of Compliance (ICC)
- Underwriting Forms
- Assignment of a policy to a new building owner

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WHAT HAS NOT CHANGED

The Mandatory Purchase requirement


- Still be required for properties in Special Flood Hazard Areas (SFHAs).
 - Flood Insurance Rate Maps
 - 30-day waiting period waived (loan exception)

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WHAT HAS NOT CHANGED

Floodplain Management

- Community compliance
- LOMAs and LOMRs will still exist.
 - Flood Insurance Rate Maps




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WHAT HAS NOT CHANGED

Statutory caps on annual individual rate increases

- Most premium rates may not increase by more than 18% per year.





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WHAT HAS NOT CHANGED

Building/Contents Limits and Increased Cost of Compliance (ICC)



- Coverage limits.
- ICC coverage/%

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WHAT HAS NOT CHANGED

Underwriting Forms

- The application, general change endorsement, and cancellation forms will still be used the same way as current.
- The forms will be updated under Risk Rating 2.0.
- Policy forms: Dwelling, General Property, RCBAP are not changing.

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WHAT HAS NOT CHANGED

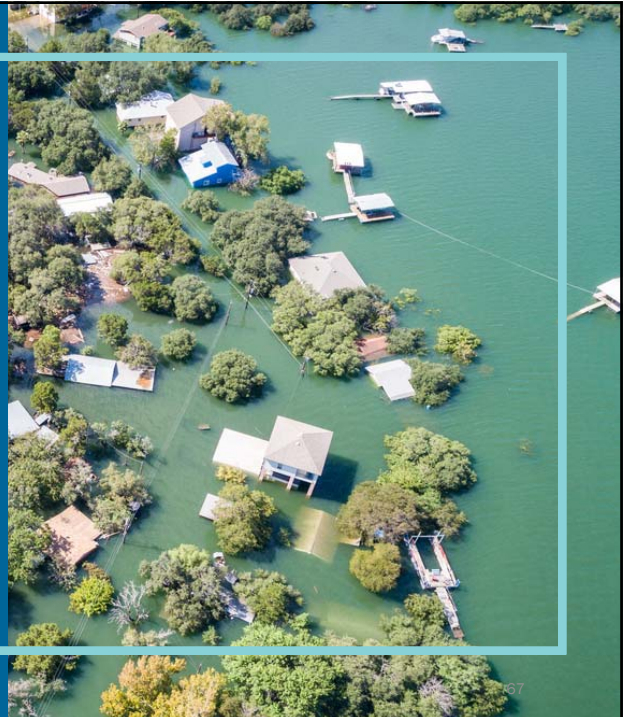
Assignment of a policy to a new building owner

- Policies can still be assigned to a new building owner.
- This is important under Risk Rating 2.0 specifically, because it allows the glidepath to transfer to the new building owner.



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TRANSITION OF CURRENT POLICIES



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Equity in Action for Renewals

PHASE 2



Existing policies will be subject to the new pricing methodology.



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TRANSITION OF CURRENT POLICIES

Reminder: Phase 1

- October 1, 2021 – March 31, 2022
- Existing policyholders will be able to renew under the new pricing methodology if beneficial

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TRANSITION OF CURRENT POLICIES

- With the implementation of the new pricing methodology, any premium changes will go into effect at renewal.
- At renewal, PRP and Newly Mapped policyholders will be able to:
 - Change their coverage amounts
 - Increase their deductible
- Lapse in Coverage

Summary

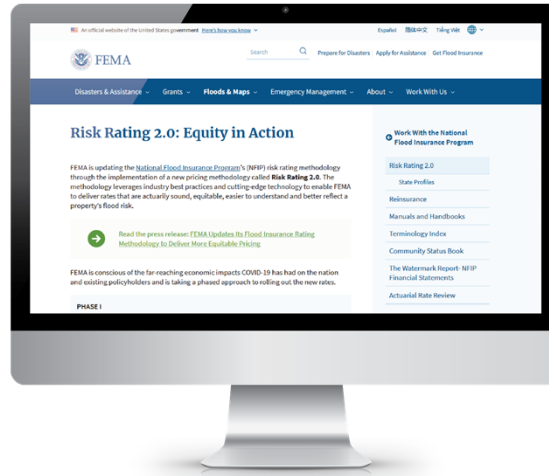


- Legacy Methodology
- Risk Rating 2.0: Equity in Action
- What has Changed and Not Changed
- Transition of Policies

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RESOURCES

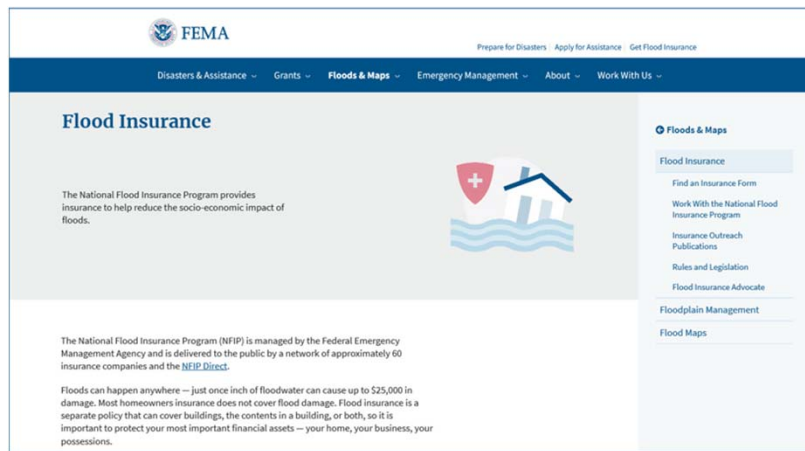
- Risk Rating 2.0: Equity in Action Website
 - [Risk Rating 2.0](#)
- WYO Bulletin
 - [W-21003 - New Pricing Methodology](#)
 - [W-21007 - New Pricing Methodology Update](#)
- Equity in Action Fact Sheet
 - [Equity In Action](#)



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National Flood Insurance Program Home Page

<http://www.fema.gov/national-flood-insurance-program>



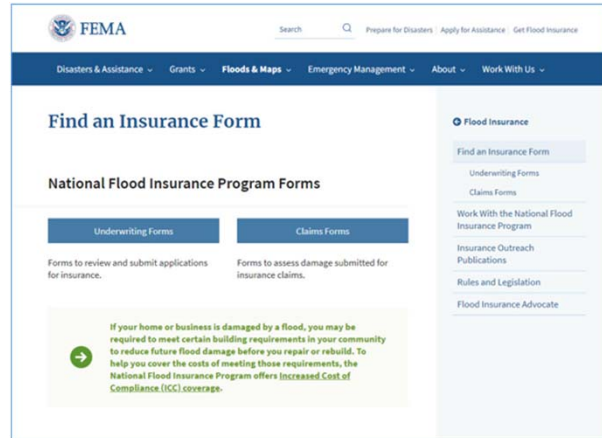
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Find an Insurance Form

<https://www.fema.gov/flood-insurance/find-form>

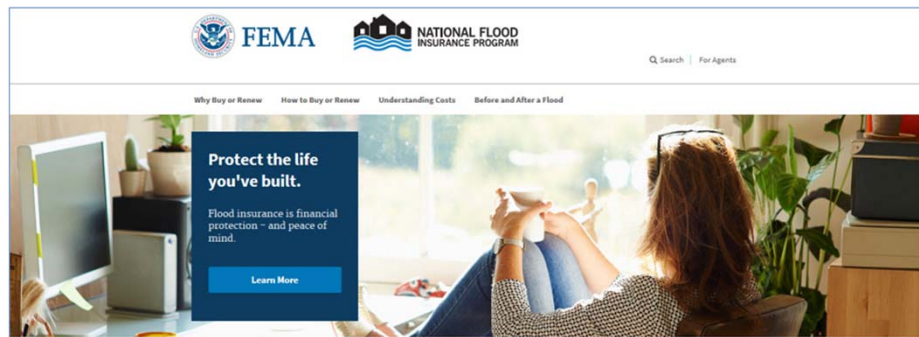
Standard flood Insurance Policy Forms

- Dwelling Policy Form
- General Property Policy Form
- Residential Condominium Building Association Policy (RCBAP) Form



FloodSmart.gov

<https://www.floodsmart.gov>



This webinar was presented on November 30, 2021. Slide content is current as of that date. Please visit <https://www.fema.gov/flood-insurance/risk-rating> for the most current information on Risk Rating 2.0 Equity in Action. Questions about the new RR 2.0 rating methodology should be emailed to fema-nfip-insurance-transformation@fema.dhs.gov

Agents.FloodSmart.gov

<https://www.agents.floodsmart.gov>



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Follow NFIP on LinkedIn

[linkedin.com/showcase/national-flood-insurance-program-fema](https://www.linkedin.com/showcase/national-flood-insurance-program-fema)



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Office of the Flood Insurance Advocate

<https://www.fema.gov/flood-insurance/advocate>

Flood Insurance Advocate

The Office of the Flood Insurance Advocate (OFIA) advocates for the fair treatment of policyholders and property owners by:

- Providing education and guidance on all aspects of the National Flood Insurance Program (NFIP)
- Identifying trends affecting the public
- Making recommendations for NFIP improvements to FEMA leadership

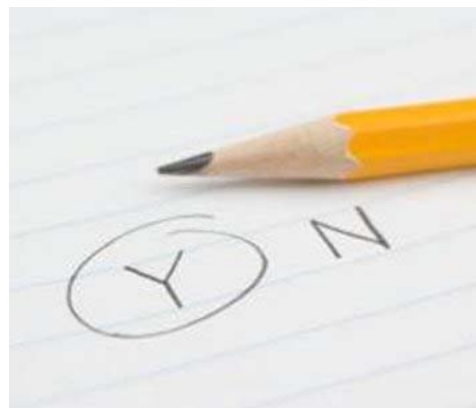
What Information Can OFIA Help Me Find?

Flood Insurance

- Flood Insurance Advocate
- Office of the Flood Insurance Advocate Library
- Find an Insurance Form
- Work With the National Flood Insurance Program
- Insurance Outreach Publications
- Rules and Legislation

Evaluations

- All attendees will be receiving an email link to a survey and feedback form.
- Please take time to complete and help us improve our training effort!



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To stay up to date with Risk Rating 2.0: Equity in Action, and for the latest details, please visit:

[Risk Rating 2.0: Equity in Action](#)

THANK YOU!

