

This webinar was presented on March 10, 2022. Slide content is current as of that date. Please visit <https://agents.floodsmart.gov/agents-guide/risk-rating> for the most current information on Risk Rating 2.0 – Equity in Action. Questions about the new Risk Rating 2.0 rating methodology should be emailed to fema-nfip-insurance-transformation@fema.dhs.gov



RISK RATING 2.0: EQUITY IN ACTION

Phase II-
Transition of Current Policies



FEMA



NATIONAL FLOOD
INSURANCE PROGRAM

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AGENDA

- Phase I Highlights
- Transition of Current Policies
- Necessary Rating Variables
- Mitigation Discounts
- Premium Details
- Provisional Rates and Lapse in Coverage Rule

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



FEMA



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INSURANCE PROGRAM

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PHASE I HIGHLIGHTS



What is Risk Rating 2.0:



- Frequency of flooding and multiple flood types
- Proximity to flood sources
- Building characteristics



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EQUITY IN ACTION



PHASE I

- New Policies
- October 1, 2021, to March 31, 2022
- NFIP Flood Insurance Manual



Now in effect for new policies!

FEMANATIONAL FLOOD INSURANCE PROGRAM5

TRANSITION OF CURRENT POLICIES



FEMANATIONAL FLOOD INSURANCE PROGRAM6

EQUITY IN ACTION

PHASE II

- Policies renewing on or after April 1, 2022
- WYO Bulletin W-21030



Existing policies will be subject to the new pricing methodology

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NECESSARY RATING VARIABLES



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Building Occupancy

BUILDING INFORMATION

1. BUILDING OCCUPANCY (CHECK ONE)

SINGLE-FAMILY HOME

RESIDENTIAL MANUFACTURED/MOBILE HOME

RESIDENTIAL UNIT

TWO-TO-FOUR FAMILY BUILDING

OTHER RESIDENTIAL BUILDING

RESIDENTIAL CONDOMINIUM BUILDING

NON-RESIDENTIAL BUILDING

NON-RESIDENTIAL MANUFACTURED/MOBILE BUILDING

NON-RESIDENTIAL UNIT

2. BUILDING DESCRIPTION (CHECK ONE)

Residential

ENTIRE APARTMENT BUILDING

APARTMENT UNIT

ENTIRE COOPERATIVE BUILDING

COOPERATIVE UNIT

DETACHED GUEST HOUSE

MAIN DWELLING

ENTIRE RESIDENTIAL CONDOMINIUM BUILDING

RESIDENTIAL CONDOMINIUM UNIT (IN RESIDENTIAL BUILDING)

RESIDENTIAL CONDOMINIUM UNIT (IN NON-RESIDENTIAL BUILDING)

OTHER DWELLING TYPE: _____

Non-Residential

AGRICULTURAL BUILDING

COMMERCIAL

DETACHED GARAGE

GOVERNMENT-OWNED

HOUSE OF WORSHIP

RECREATION BUILDING

STORAGE/TOOL SHED


OTHER NON-RESIDENTIAL TYPE: _____

- **Residential**
 - Single-Family Home
 - Residential Manufactured/Mobile Home
 - Residential Unit
 - Two-to-Four Family Building
 - Other Residential Building
 - Residential Condominium Building
- **Non-Residential**
 - Non-Residential Building
 - Non-Residential Manufactured/Mobile Building
 - Non-Residential Unit

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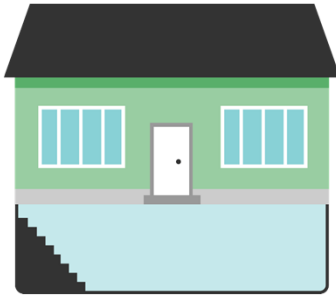
Foundation Types

There are now 6 simple foundation types.



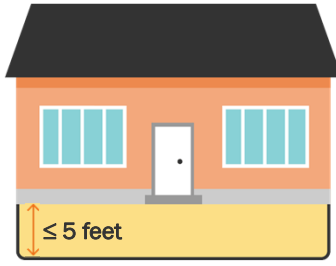
Slab on Grade
(Non-Elevated)

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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Foundation Types


There are now 6 simple foundation types.



Elevated without Enclosure on Post, Pile, or Pier
Includes EC Diagram number 5




Elevated with Enclosure on Post, Pile, or Pier
Includes EC Diagram number 6



Elevated with Enclosure Not Post, Pile, or Pier
Includes EC Diagram number 7

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First Floor Height



- First Floor Height is used in determining rates for **all** policies
- The First Floor Height of the building replaces the elevation difference used in the old rating methodology
- There are 2 ways to determine first floor height for a building

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First Floor Height




DETERMINING ELEVATIONS:

Method 1: System Generated

- The system generated First Floor Height is a new rating variable
- FEMA determines a First Floor Height value using policy information, and various datasets

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First Floor Height



DETERMINING ELEVATIONS:

Method 2: Elevation Certificate (EC) *(Optional)*

- Under the new pricing methodology, an EC is **no longer required** for rating (optional)
- ECs can be used to determine the building's First Floor Height
- ECs not currently in the policy file can be provided to the insurer to determine the First Floor Height

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First Floor Height

U.S. DEPARTMENT OF HOMELAND SECURITY
Federal Emergency Management Agency
National Flood Insurance Program

OMB No. 1660-0008
Expiration Date: November 30, 2022

ELEVATION CERTIFICATE

Important: Follow the instructions on pages 1–9.

Copy all pages of this Elevation Certificate and all attachments for (1) community official, (2) insurance agent/company, and (3) building owner.

SECTION C – BUILDING ELEVATION INFORMATION (SURVEY REQUIRED)

C1. Building elevations are based on: Construction Drawings* Building Under Construction* Finished Construction
*A new Elevation Certificate will be required when construction of the building is complete.

C2. Elevations – Zones A1–A30, AE, AH, A (with BFE), VE, V1–V30, V (with BFE), AR, ARIA, ARI/AE, ARIA1–A30, ARIA/H, ARIA/O. Complete Items C2 a–h below according to the building diagram specified in Item A7. In Puerto Rico only, enter meters.
Benchmark Utilized: _____ Vertical Datum: _____
Indicate elevation datum used for the elevations in items a) through h) below.
 NGVD 1929 NAVD 1988 Other/Source: _____
Datum used for building elevations must be the same as that used for the BFE.

| | Check the measurement used. | |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------|
| a) Top of bottom floor (including basement, crawlspace, or enclosure floor) _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters |
| b) Top of the next higher floor _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters |
| c) Bottom of the lowest horizontal structural member (V Zones only) _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters |
| d) Attached garage (top of slab) _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters |
| e) Lowest elevation of machinery or equipment servicing the building (Describe type of equipment and location in Comments) _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters |
| f) Lowest adjacent (finished) grade next to building (LAG) _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters |
| g) Highest adjacent (finished) grade next to building (HAG) _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters |
| h) Lowest adjacent grade at lowest elevation of deck or stairs, including structural support _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters |

Section C

- First Floor Height using section C is calculated by taking the difference between the first floor and the lowest adjacent grade
- Refer to the NFIP Flood Insurance Manual for additional guidance

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First Floor Height

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ELEVATION CERTIFICATE

Important: Follow the instructions on pages 1–9.

Copy all pages of this Elevation Certificate and all attachments for (1) community official, (2) insurance agent/company, and (3) building owner.

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 _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters | <input type="checkbox"/> above or | <input type="checkbox"/> below the HAG. |
| b) Top of bottom floor (including basement, crawlspace, or enclosure) is _____ | <input type="checkbox"/> feet | <input type="checkbox"/> meters | <input type="checkbox"/> above or | <input type="checkbox"/> 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 E

- Section E can now be completed for **all flood zones**
- If section E is completed for zones other than unnumbered A and AO, the information is for insurance purposes only
- Refer to the NFIP Flood Insurance Manual for additional guidance

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Construction Type



FRAME:

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

MASONRY:

- The first full 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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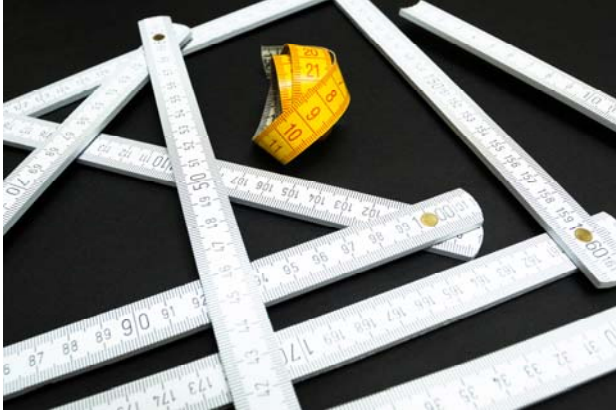
Building Replacement Cost



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

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Square Footage



- Single-Family Home, Residential Manufactured/Mobile Home, Residential Unit, and Two-to-Four family buildings should provide the total finished living area
- Garages, basements, enclosures, porches, or decks should not be included in the square footage calculation

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Square Footage



- Provide square footage of the building, including stairwells and elevator shafts for:
 - Other Residential Buildings
 - Residential Condominium Buildings
 - Non-Residential Buildings
 - Non-Residential Manufactured/Mobile Buildings
 - Non-Residential units
- Basements and mezzanines should not be included
- Refer to the NFIP Flood Insurance Manual for additional guidance

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Number of Floors



- No longer includes:
 - Basements
 - Enclosures
 - Crawlspace
 - Attics (if used for storage)

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Multi-Floor Building

6TH FLOOR
5TH FLOOR
4TH FLOOR
3RD FLOOR
2ND FLOOR
1ST FLOOR



- A unit's floor is determined by the actual floor on which it is located
- ***This is an important change for condominiums and apartments***
- Total number of units in the building will also be required

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KEY TAKEAWAYS



- Phase I Highlights
- Transition of Current Policies
- Necessary Rating Variables



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MITIGATION DISCOUNTS



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Proper Openings

- The rating engine applies a discount to the policy for buildings in any flood zone with proper openings in the enclosure
- Engineered openings may be considered for this discount
- The flood insurance application will need to reflect the proper information in order to receive the discount



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Proper Openings

- 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






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| Diagram Showing Location | Guidance on Location |
|-----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Slab on Grade (Non-Elevated)</p> <ul style="list-style-type: none"> • 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 |
|  | <p>Basement (Non-Elevated)</p> <ul style="list-style-type: none"> • Elevated to the height of the floor above the basement or higher |
|  | <p>Elevated Without Enclosure on Posts, Piles or Piers</p> <ul style="list-style-type: none"> • Elevated to the height of the lowest elevated floor or higher |


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MACHINERY & EQUIPMENT (M&E)

- The rating engine applies a discount for policyholders with M&E elevated to at least the elevation of the floor above the building's first floor
- Agents should self-certify the position of the M&E by answering the "Yes/No" question on the application
- A list of eligible M&E is found in the Flood Insurance manual

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


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MACHINERY & EQUIPMENT (M&E)

- The rating engine applies a discount for policyholders with M&E elevated to at least the elevation of the floor above the building's first floor
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Premium Details






Policy Coverages

FLOOD INSURANCE POLICY DECLARATIONS

This Declarations Page is part of your Policy. THIS IS NOT A BILL.

Policy Coverages & Endorsements

| COVERAGE | LIMIT | DEDUCTIBLE |
|----------|-------|------------|
| Building | | |
| Contents | | |

[Coverage limitations may apply. See your Policy Form for details.]

\$

Total Annual Payment
Includes Premium, Discounts, Fees, and Surcharges

Payor:

Premium Details

| | |
|--------------------------------------------|----|
| Building Premium | \$ |
| Contents Premium | \$ |
| Increased Cost of Compliance (ICC) Premium | \$ |
| Mitigation Discounts | |
| Community Rating System Discount | |
| Full-Risk Premium | \$ |
| Statutory Discounts | |
| • Annual Increase Cap Discount | |
| • Pre-FIRM Discount | |
| • Newly Mapped Discount | |

- At renewal policyholders will be able to:
- Change their coverage amounts
- Change their deductible

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Mitigation Discounts

FLOOD INSURANCE POLICY DECLARATIONS

This Declarations Page is part of your Policy. **THIS IS NOT A BILL.**

| Premium Details | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Building Premium | \$ |
| Contents Premium | \$ |
| Increased Cost of Compliance (ICC) Premium | \$ |
| Mitigation Discounts | |
| Community Rating System Discount | |
| Full-Risk Premium | \$ |
| Statutory Discounts | |
| <ul style="list-style-type: none"> • Annual Increase Cap Discount • Pre-FIRM Discount • Newly Mapped Discount • Other Statutory Discounts | |
| Discounted Premium | \$ |
| Fees and Surcharges | |
| <ul style="list-style-type: none"> • Reserve Fund Assessment • Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) Surcharge • Federal Policy Fee • Probation Surcharge | \$ |
| Total Annual Payment (Premium, Discounts, Fees and Surcharges) | \$ |

- Mitigation discounts include proper openings as well as M&E
- Minimum Premium
- Maximum Premium

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Annual Increase Cap

FLOOD INSURANCE POLICY DECLARATIONS

This Declarations Page is part of your Policy. **THIS IS NOT A BILL.**

| Premium Details | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Building Premium | \$ |
| Contents Premium | \$ |
| Increased Cost of Compliance (ICC) Premium | \$ |
| Mitigation Discounts | |
| Community Rating System Discount | |
| Full-Risk Premium | \$ |
| Statutory Discounts | |
| <ul style="list-style-type: none"> • Annual Increase Cap Discount • Pre-FIRM Discount • Newly Mapped Discount • Other Statutory Discounts | |
| Discounted Premium | \$ |
| Fees and Surcharges | |
| <ul style="list-style-type: none"> • Reserve Fund Assessment • Homeowner Flood Insurance Affordability Act of 2014 (HFIAA) Surcharge • Federal Policy Fee • Probation Surcharge | \$ |
| Total Annual Payment (Premium, Discounts, Fees and Surcharges) | \$ |

- All policies renewing effective April 1, 2022, or later, will be rated with Risk Rating 2.0
- Policies are subject to the annual premium cap increase of 18% for most policies


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PROVISIONAL RATES



Provisional Rates



- Provisional Rates should be used as a last resort
- Update policy within 60 days
- Not eligible to be renewed
- Claims are not payable under provisional rates


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LAPSE IN COVERAGE RULE CHANGE





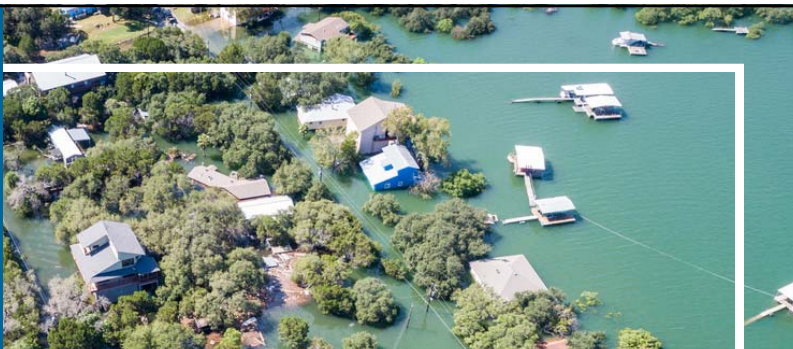


Lapse In Coverage

- Policies rated under Risk Rating 2.0 are subject to the lapse in coverage rule
 - New Policies effective on or after October 1, 2021
 - Renewal Policies effective on or after April 1, 2022

- A new policy with payment is required if a lapse in coverage occurs on or after 30 days following the policy expiration
 - Lapse is applied regardless of payor
 - Any lapse in coverage will result in the loss of glidepath rating

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KEY TAKEAWAYS



- Mitigation Discounts
- Premium Details
- Provisional Rates
- Lapse in Coverage Rule



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RESOURCES



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Resources

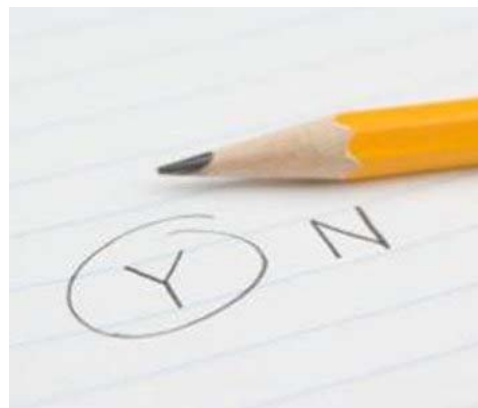


- [NFIP Flood Insurance Manual](#)
- [WYO Bulletin W-21030](#)
- [Industry Transition Memorandum](#)

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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:

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

THANK YOU!

