

# GET THE FACTS<sup>+</sup> ABOUT RISK RATING 2.0



# Cyndee Haydon

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**2022 NAR Vice Chair, Insurance Committee**  
NATIONAL ASSOCIATION OF REALTORS®



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# AGENDA

- Overview and Welcome
- Current FEMA Insurance Rating System
- Risk Rating 2.0 – What REALTORS Need to Know
- Realtor® Resources
- Thank you!

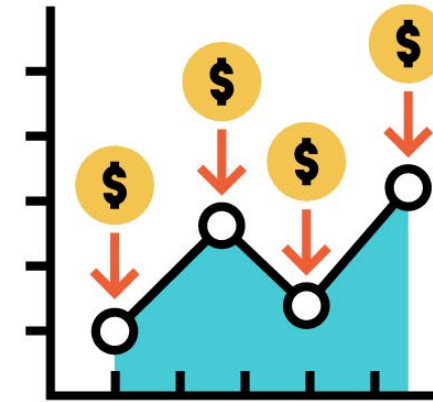
# NFIP - National Flood Insurance Program



\$60 Billion Collected  
since the 1970s

**COST**

\$96 Billion Paid Out



- Hurricane Katrina in 2005 had the highest NFIP payouts, at \$16.3 billion.
- Hurricane Harvey ranked second with \$8.9 billion in NFIP payouts.
- Superstorm Sandy, ranked third, with \$8.8 billion in NFIP payouts.
- Hurricane Irma, ranked ninth with \$1.1 billion in payouts.
- Hurricane Ida, 2021 - cost unknown but significant

Source: FEMA.gov

# 2012 Biggert-Waters Act



Wright National Flood Insurance Company  
 A Stock Company  
 PO Box 33003  
 St. Petersburg, FL, 33733  
 Office: 800.820.3242 x 0  
 Fax: 800.850.3299

AGENCY INFORMATION	
Agency Number	86255
Agency	MORRIS & TEMPLETON INSURANCE AGENCY INC
Address	PO BOX 15088,
City, State, Zip	SAVANNAH, GA 31416-1788
Phone Number	(912) 355-4549

**Construction Date**

01/01/1986

**Building Replacement Cost**

\$300,000.00

**Building Elevated**

Building is elevated

COMMUNITY INFORMATION			
Program Type	Flood Regular Policies	Zone Determination Number	DRP0000000005862342
Community	130016 - BRYAN COUNTY *	Zone Reference Number	-----
Flood Risk/Rated Zone	VE		

BUILDING INFORMATION		
Property Address	3318 FORT MCALLISTER RD	Condominium Coverage
City, State, Zip	RICHMOND HILL, GA 31324-4805	Construction Date
Occupancy Type	Single Family	Building Replacement Cost
Building Type	Two Floors	Building Elevated
Elevation Certificate	Yes	Elevation Difference
Lowest Floor Elevation	9.3 feet	Building Flood Protection
Location of Contents	Basement / Enclosure and Above	Enclosure
Basement	Finished	



COVERAGE/PREMIUM INFORMATION			
Coverage	Limits	Deductible	RPH Basic
Building	\$250,000.00	\$1,000.00	25.00
Contents	\$100,000.00	\$1,000.00	25.00

Discount/Surcharge	30.00
1 Year Premium	\$87,574.00

**IMPORTANT NOTES**  
 THIS IS NOT AN OFFER FOR INSURANCE. THIS QUOTE IS NON-FIRM AND NON-BINDING AND SUBJECT TO REVIEW AND ADJUSTMENT.  
 Please submit the required documentation listed on your application summary for review and approval. If additional information is required to actuarially rate the risk, you will be contacted.



# **NAR has worked 10 years with FEMA on a Long Term, Equitable solution**

**2012** - Biggert Waters Flood Reform Act

**2014** - Homeowner Flood Insurance  
Affordability Act

**2015** - NAR Forms Insurance Committee to  
hire Actuaries and Work with FEMA

**2021** - NFIP Risk Rating 2.0

RPAC and Advocacy at work



# Austin Perez

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**NAR Staff Executive, Insurance Committee**  
NATIONAL ASSOCIATION OF REALTORS®



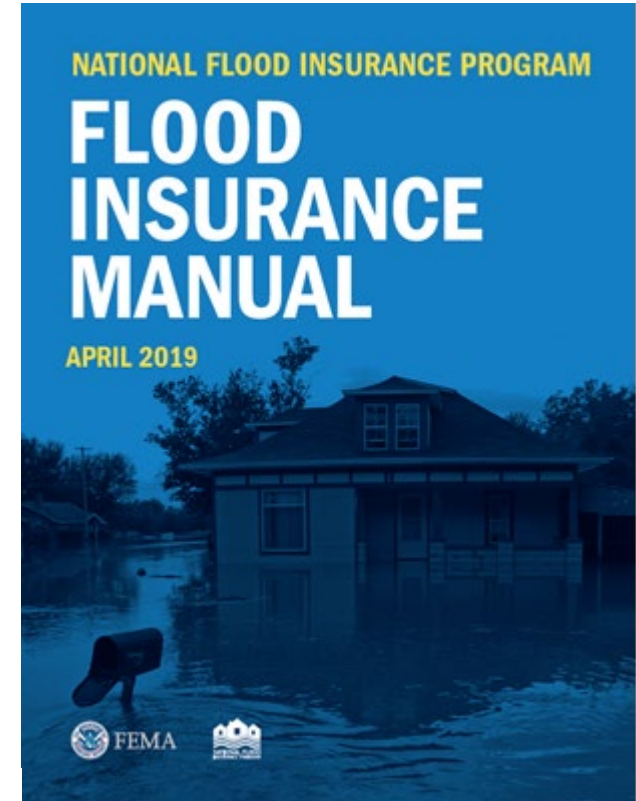
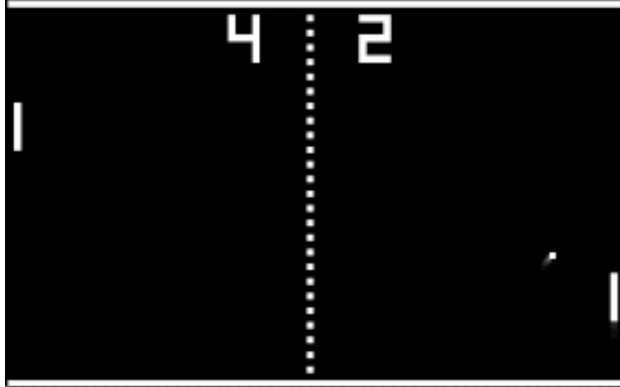
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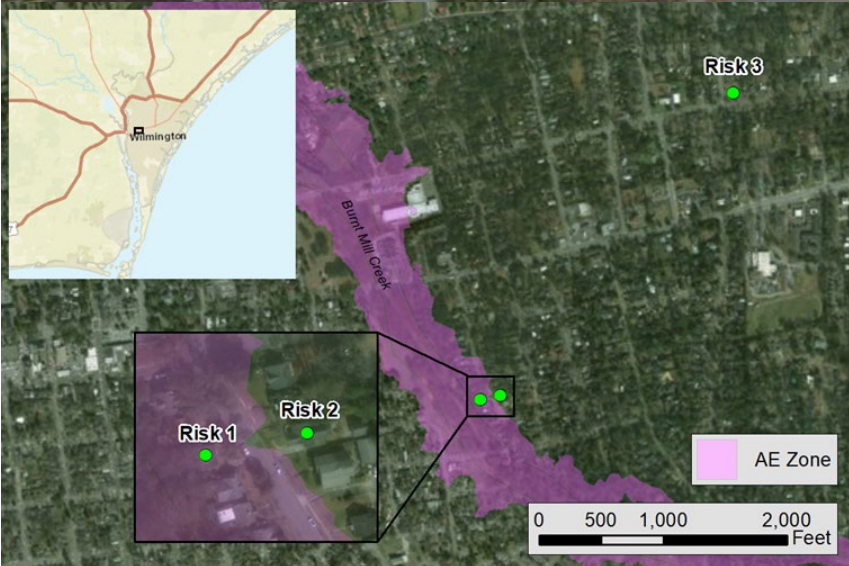
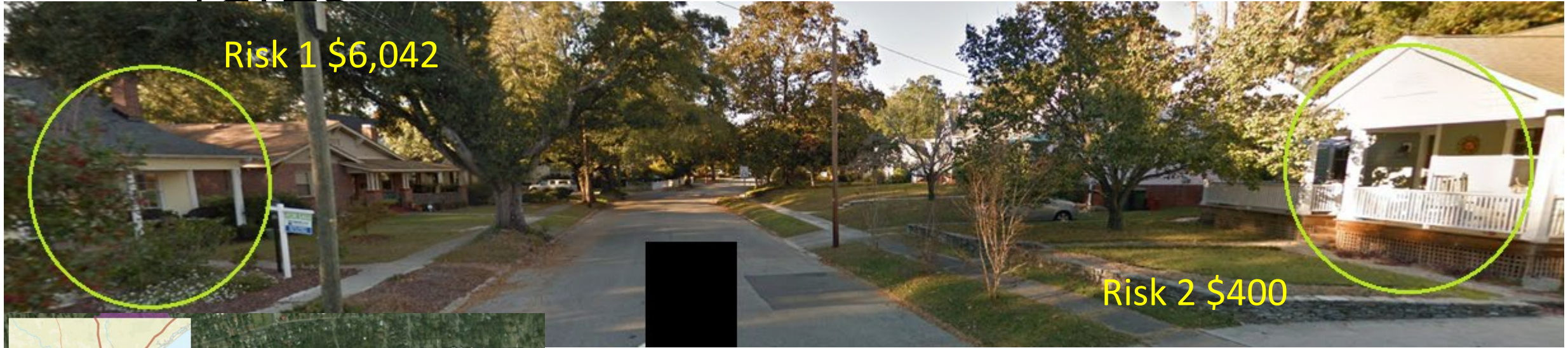
# Problem 1: Current NFIP rates developed 50 years ago



Base Flood Elevation (BFE)  
and  
Special Flood Hazard Area



# Problem 2: Neighbors paying very different rates

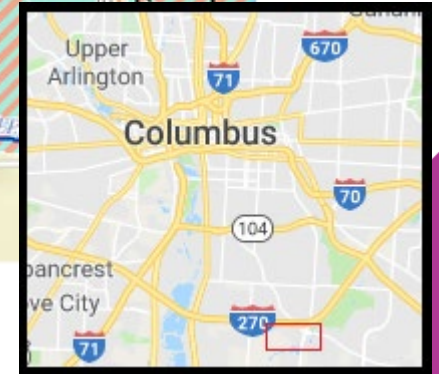
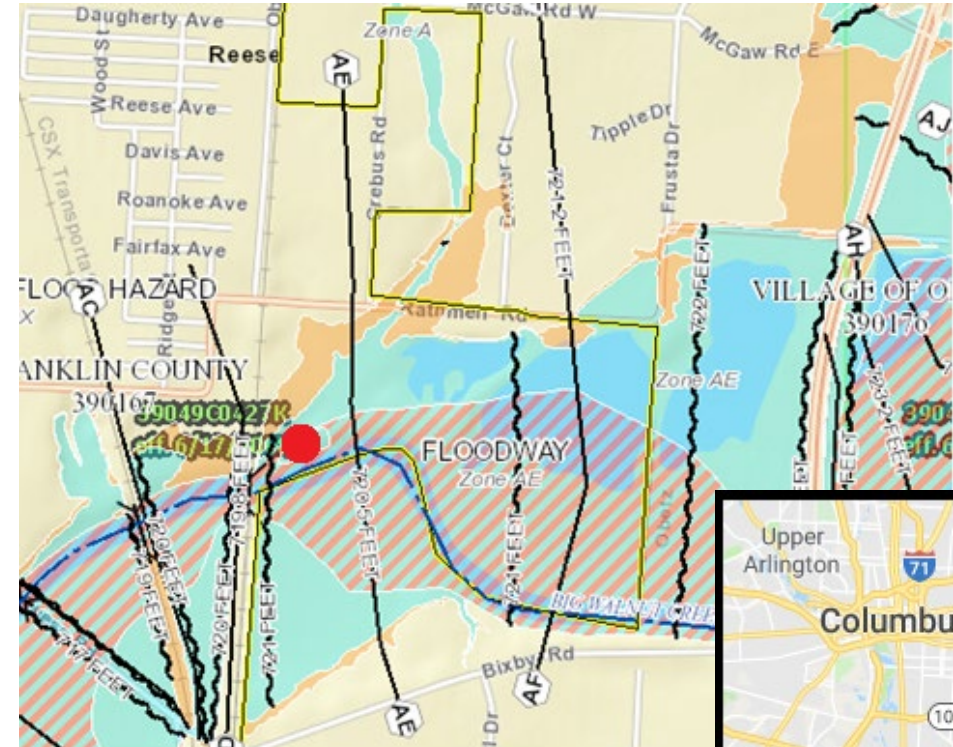
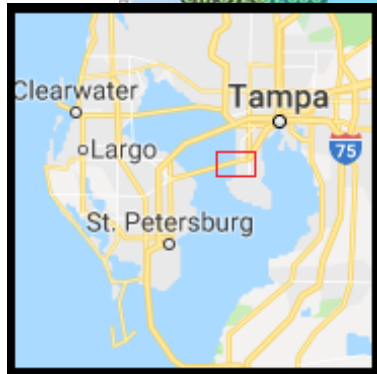
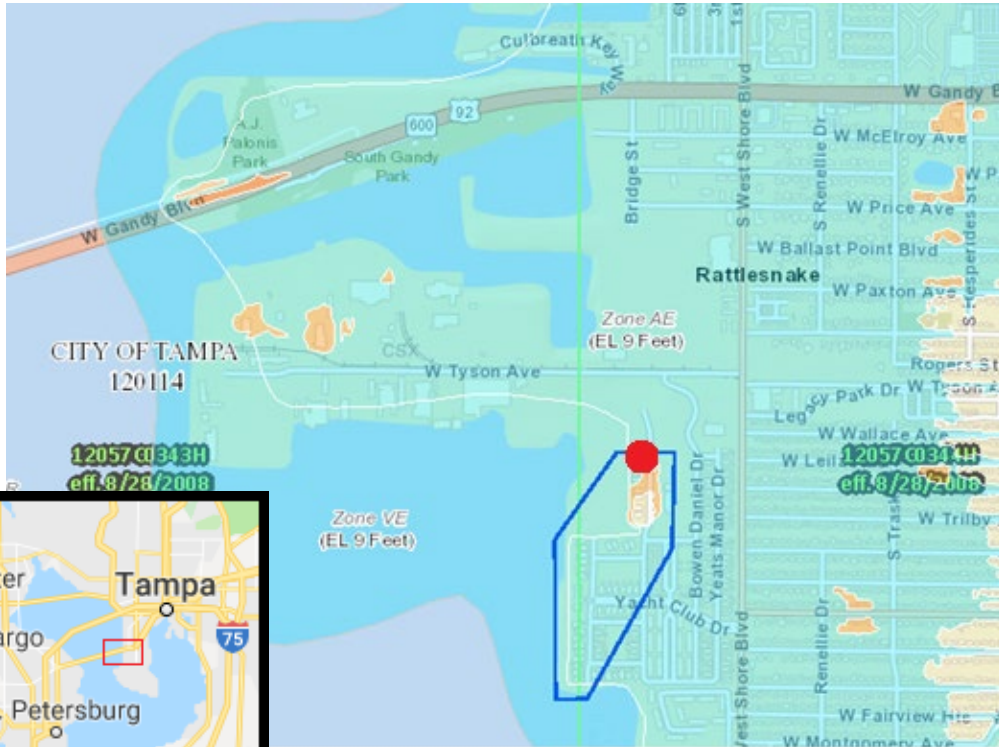


- Hypothetical, identical houses\*
  - Risk 1 near a creek
  - Risk 2 across the street from Risk 1
  - Risk 3 far away from the creek
- Current NFIP premiums:
  - Risk 1: \$6,042
  - Risk 2: \$400
  - Risk 3: \$400

Source: Milliman



# Problem 3: Many paying more than their share of the risk



- Homes in same zones are subject to same rates across states
- AE zones in coastal Tampa and Columbus, OH
- Identical houses at these locations
  - One-story, frame house worth \$250k
  - First floor 1 foot above base flood elevation
  - No basement, built 1990

Source: Milliman

# Tony Hake

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**Director, NFIP Transformation**  
FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)



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# Flooding in America

- America's #1 Natural Disaster
- Every state
- Just one inch of water can cost \$25,000 in damage
- Most Homeowner's Insurance doesn't cover flood
- Many flood disasters aren't Presidentially declared disasters
- Most people don't have flood insurance



# The National Flood Insurance Program

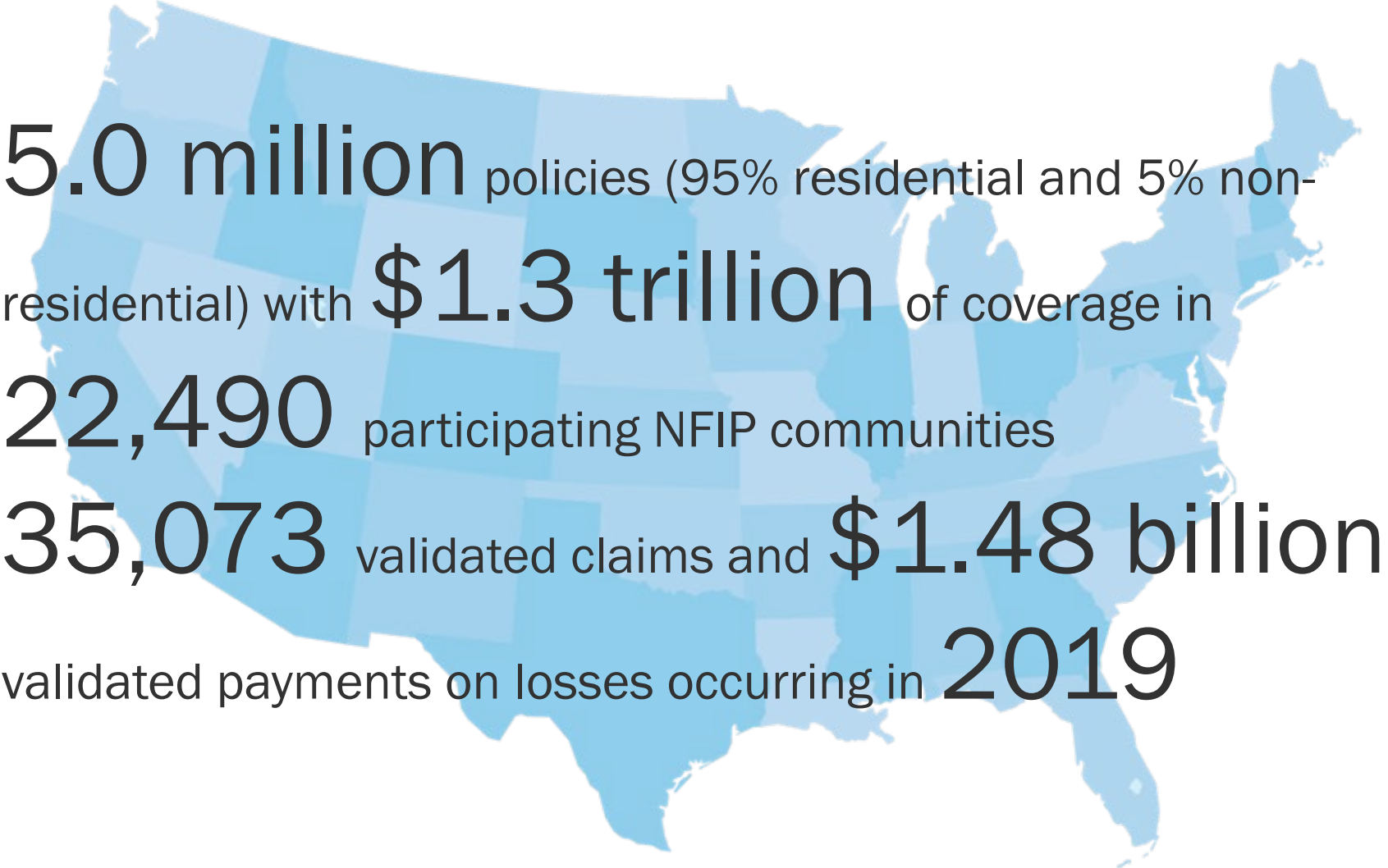
- Created by Congress in 1968 to reduce the toll of flooding disasters in the U.S.
- Is a voluntary federal program enabling property owners in participating communities to buy flood insurance
- In exchange, communities must adopt floodplain management regulations that meet NFIP minimum requirements.







# NFIP By the Numbers...



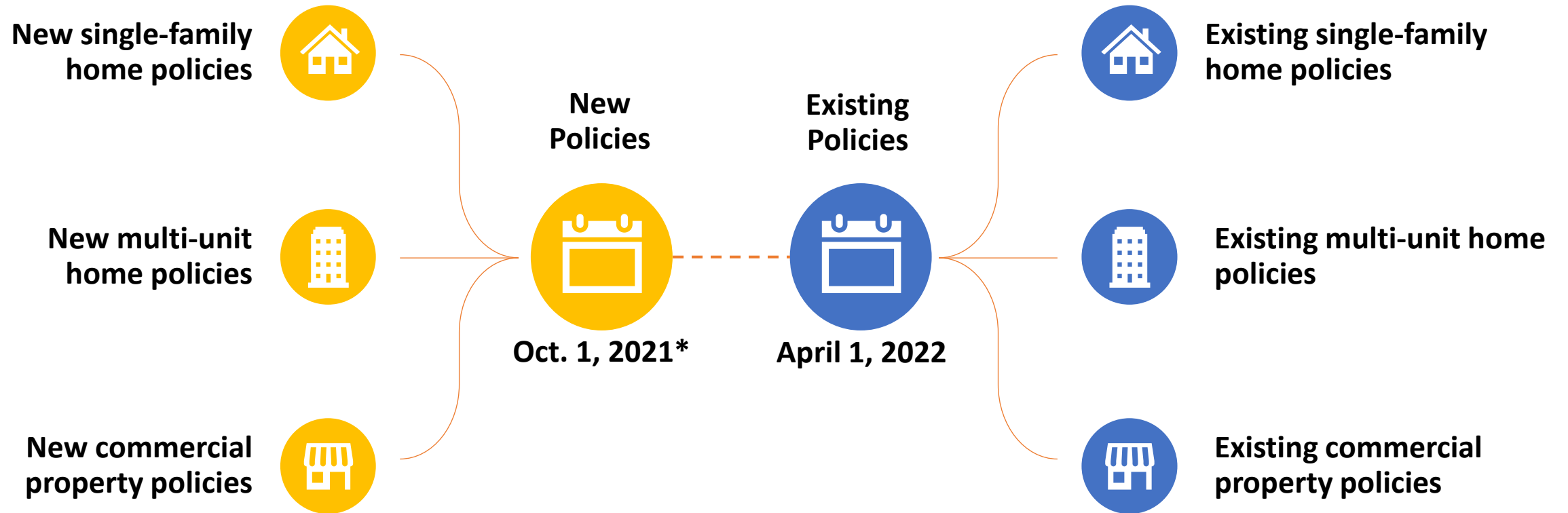
**5.0 million** policies (95% residential and 5% non-residential) with **\$1.3 trillion** of coverage in  
**22,490** participating NFIP communities  
**35,073** validated claims and **\$1.48 billion**  
validated payments on losses occurring in **2019**

Data as of June 29, 2020



# 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

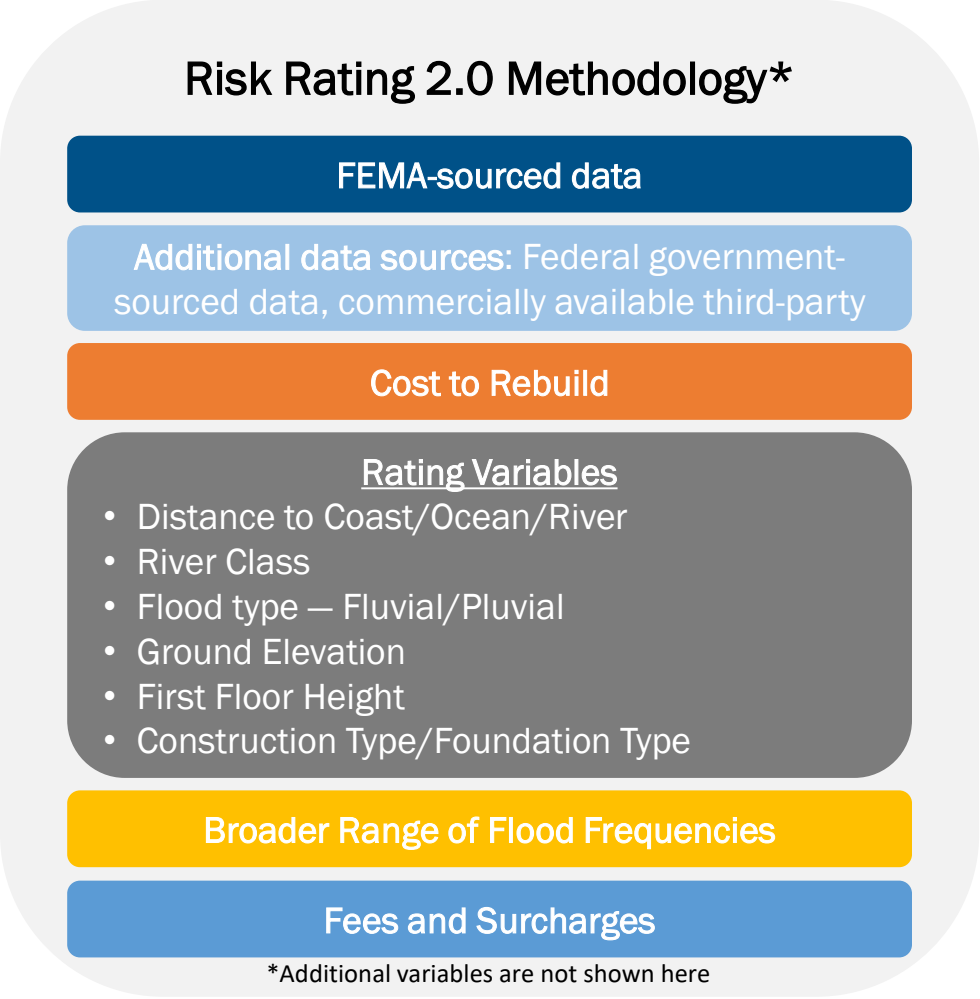
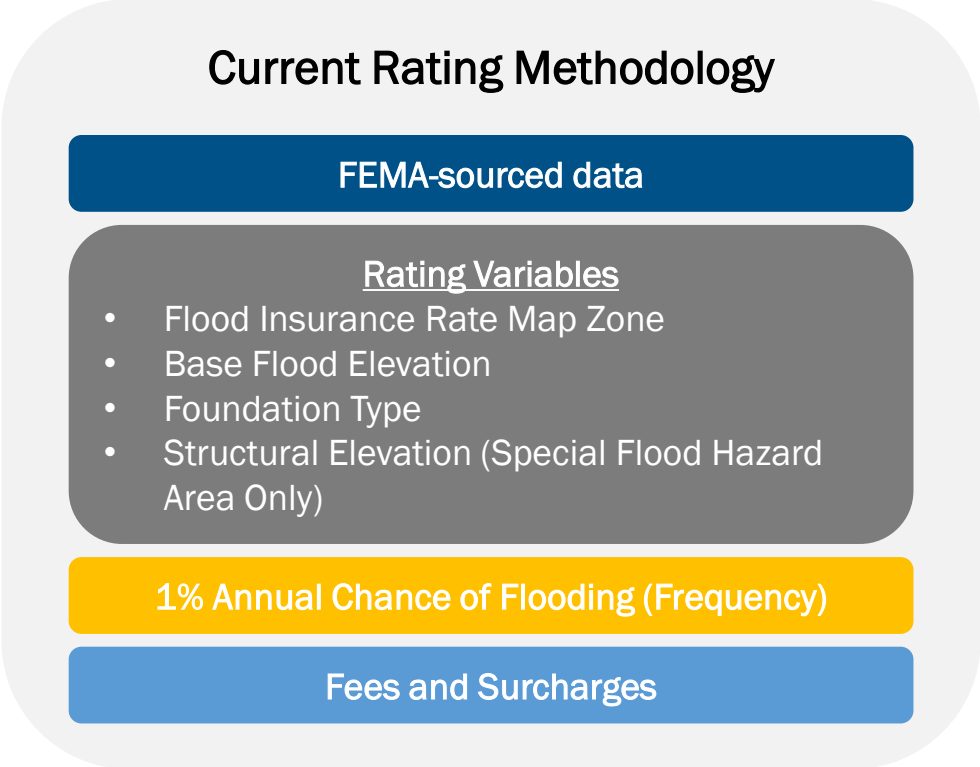
## Equity:

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.

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





# 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



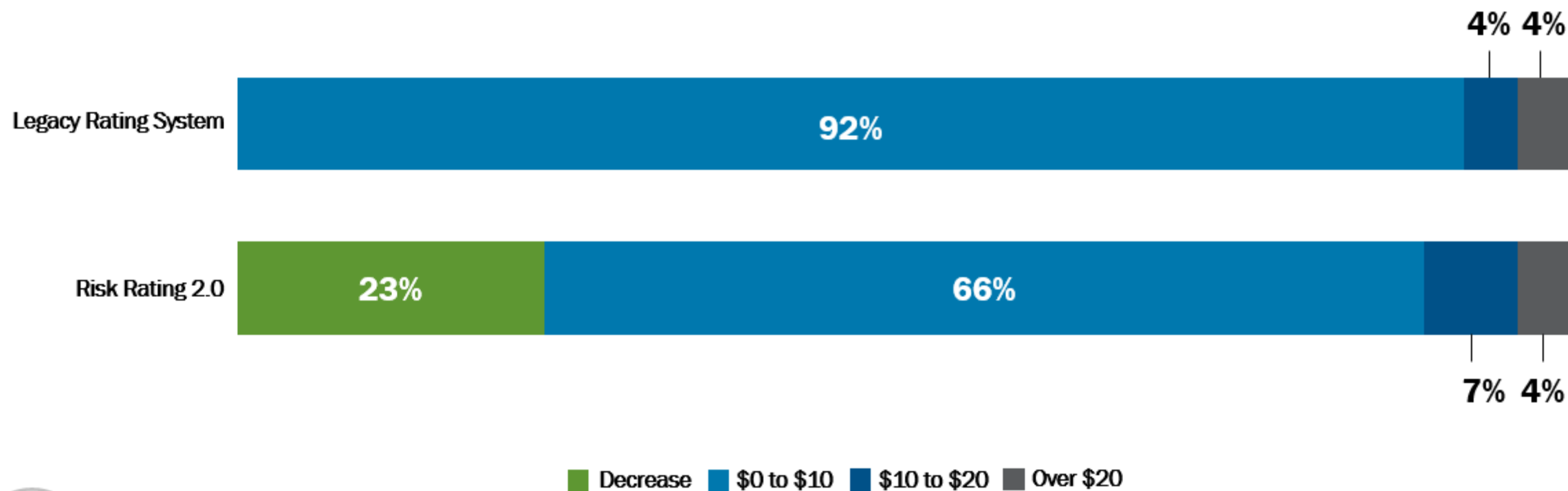
Source: FEMA

# 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

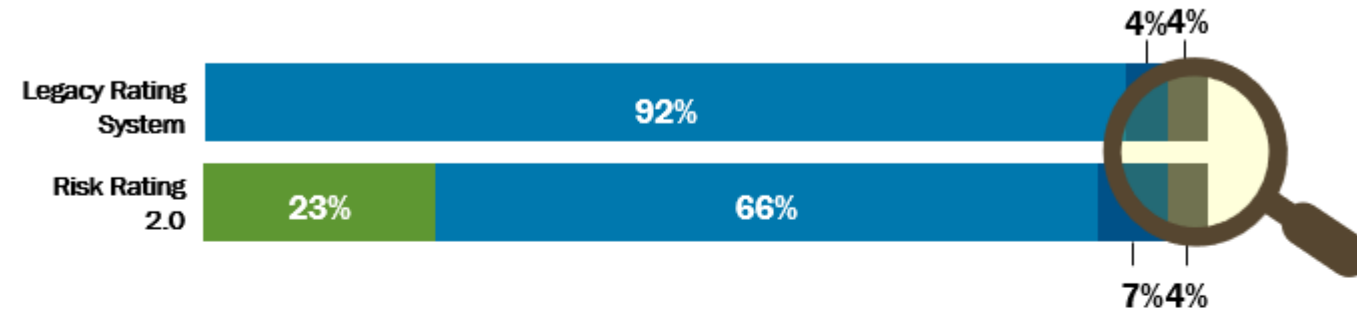
The graphs compare rate analysis under the legacy rating system to the Risk Rating 2.0 rating system.



FEMA

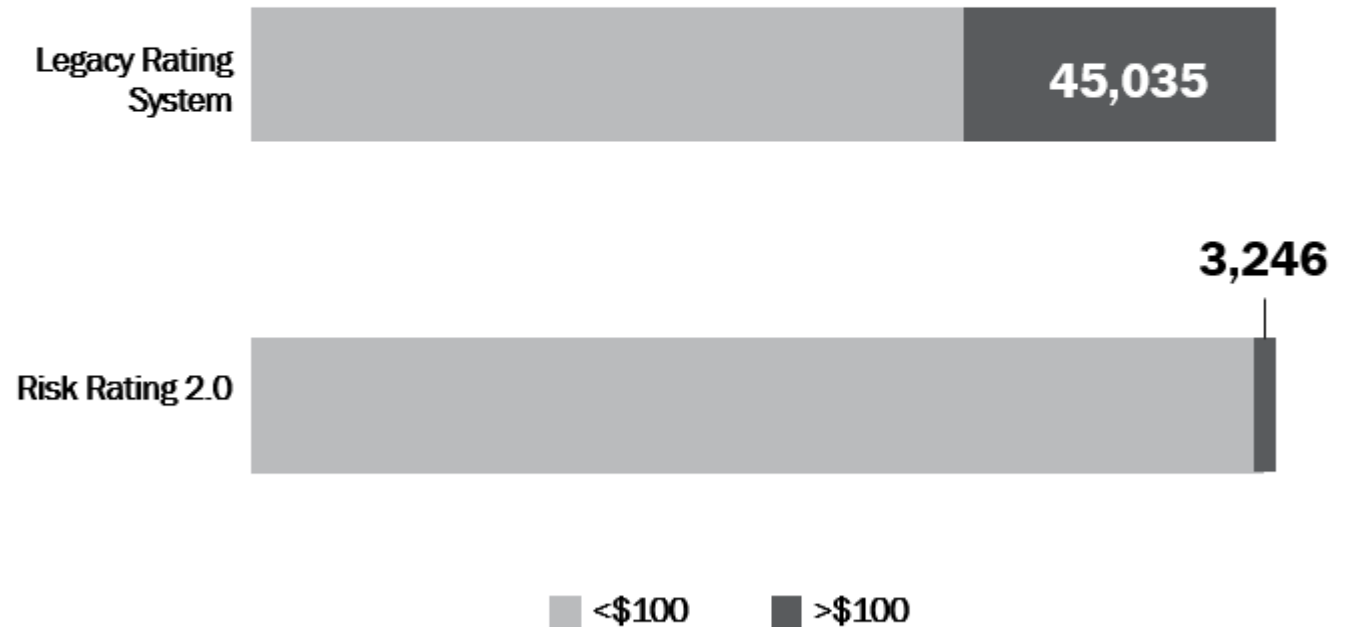
Federal Emergency Management Agency

# 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**.



FEMA

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

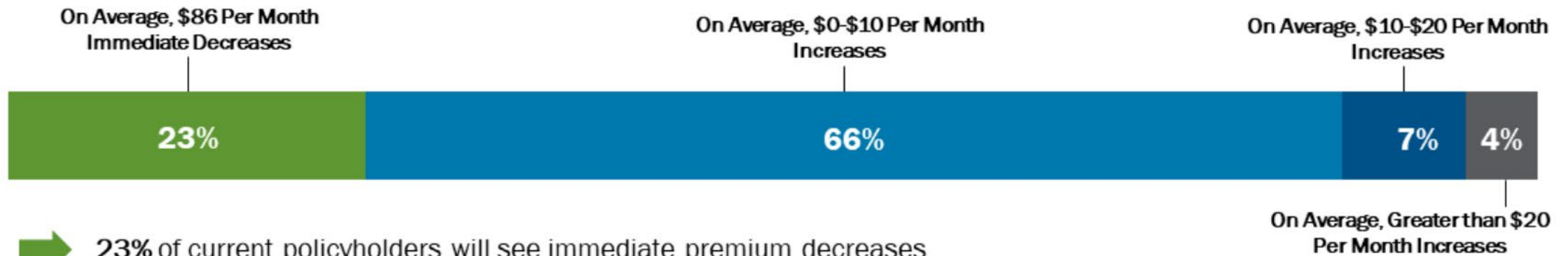
**Policyholders paying the most under the legacy methodology will see dramatic decreases when they transition to Risk Rating 2.0.**

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



## Risk Rating 2.0 – 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

# Ohio 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.



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# Old NFIP 1.0 Policy Facts



Today NFIP rates can rise 18%-25% per year until they hit \$63,000 for a \$250,000 Policy



NFIP is 50+ years old & rate based only on flood zone and elevation today



Rates never stops rising for Pre-Firm Grandfathered homes



2/3rds of older Pre-Firm homes are overpaying under the current system



Old NFIP Not Sustainable for homeowners or taxpayers



Source: Fema.gov

# Risk Rating 2.0 Facts

## Buyers Can Now Make Educated Decisions with all the Facts



Maintains same 18%-25% cap on annual increases so no big jumps



Fewer policy holders seeing big increases;



Now lower value homes don't cross subsidize high value homes



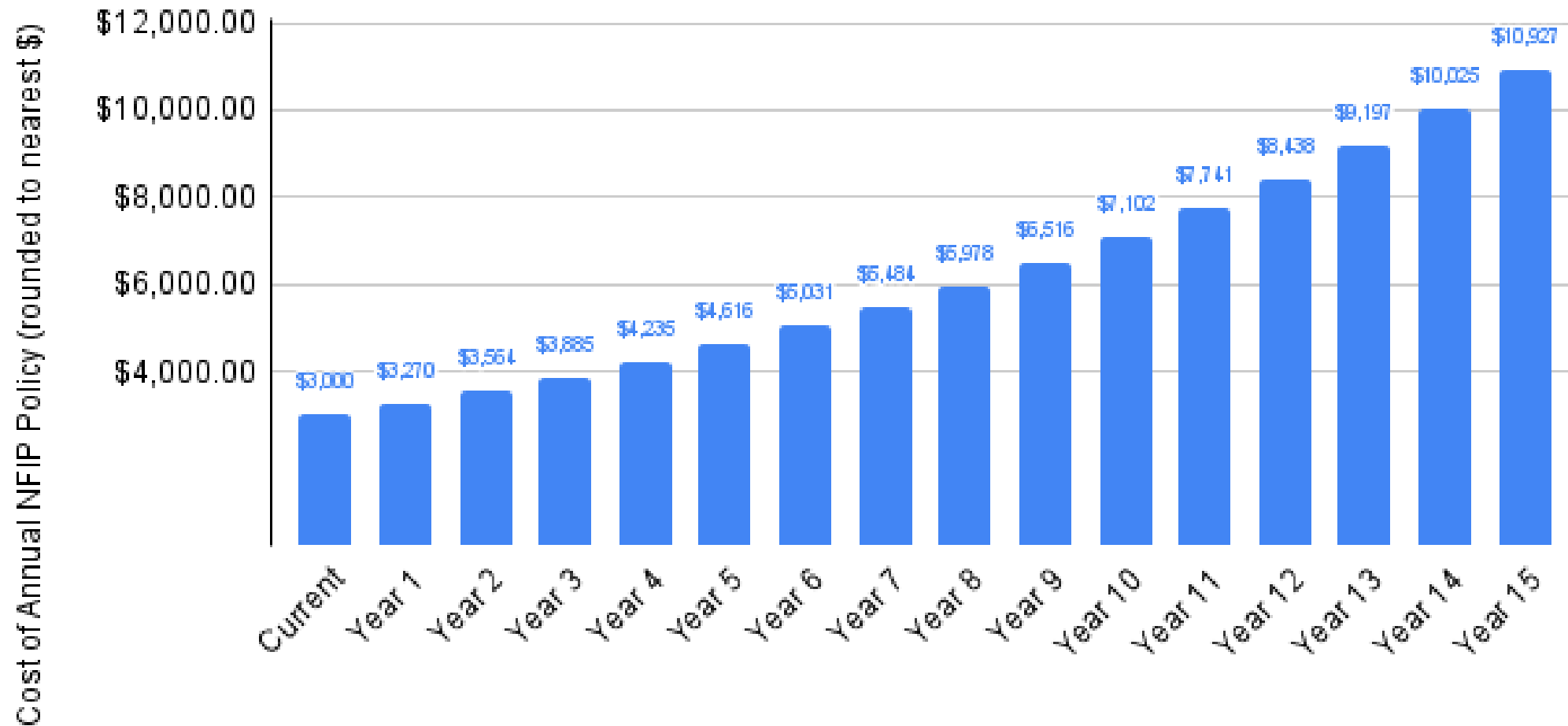
All policies (even X zone) get property specific rates and mitigation discounts including CRS



Buyers can shop private market and make their choice



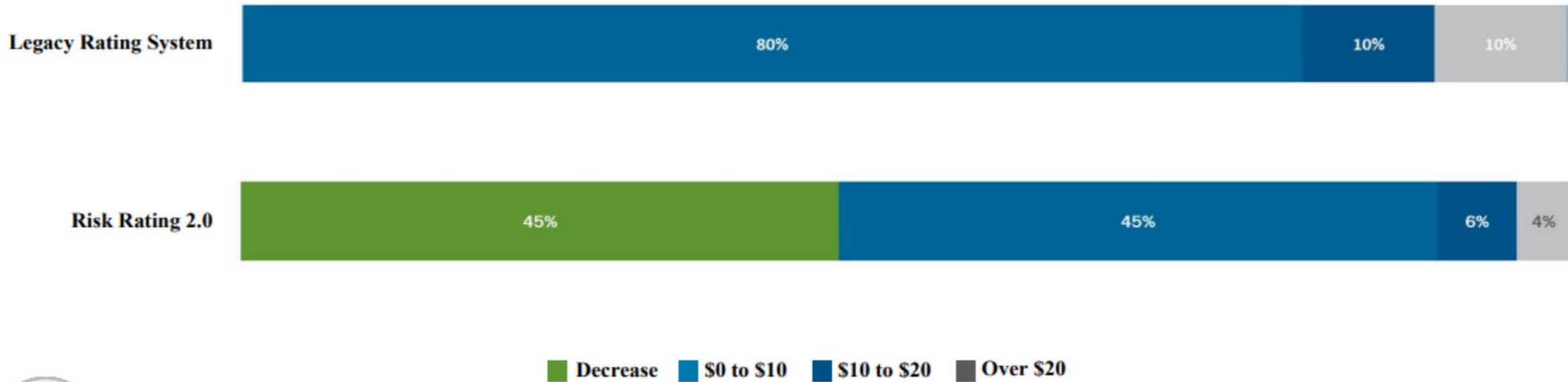
# Hypothetical NFIP Glidepath Increasing 9% a year



Note: Max NFIP Statutory Rate increases are 18%/yr Primary & 25%/yr all others  
Average Pre-Firm NFIP Rate for NJ is \$3000 – Source: FEMA

# Ohio 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.





## A Few Early Examples:

**\$200,000 Cincinnati OH- AE Zone, 956 sq ft Frame not on water, Pre-FIRM one story (Built 7/1/1900)**

- Current NFIP pre-FIRM rate

Never stops increasing up to 18%+/yr

\$5,958/yr - Current NFIP \$200K with 100K contents

- Rate 2.0

- No automatic annual increases

- \$1,547/yr – NFIP with no contents (\$4,411/yr savings = @\$368/mo less)

## A Few Early examples

### \$1.5M Treasure Island, FL Slab Home AE zone & 100ft from VE Pre-Firm not elevated (Built 1967)

- Current NFIP rate (before 10/1/21)

Never stops  
increasing 18%+/yr

\$2,488 - Current NFIP  
with no contents

- Rate 2.0 – April 1 2022

- No automatic increases
- Buyers can now plan for future

- \$7,669 – NFIP with no contents
- Factors cost to rebuild, etc.
- Cost is not even 1% = **0.76%**

# TRANSITIONS TYPICALLY MESSY AND NOISY!

## **Installing a new operating system**



***Pause – Breathe – Get the Facts!***

# Selling real estate after Oct 1, 2021

- Now know home's actuarial rate
- Buyers can make better long-term decisions
- Better idea of cost of future flood insurance



**PRO Tip: Buyers can assume Seller's NFIP Policy**

# What Realtors® Need To Know

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- Prepare your clients that change is coming
- Utilize NAR resources provided - Handout NAR FEMA flyer to clients
- Be their calm professional...Pause – Breathe – Get the facts
- Ask - Does the seller have a flood policy? If Seller has an existing NFIP policy, Buyer has option to assume/transfer it.
- Encourage Buyer's to start early in the process and work with experienced, knowledgeable flood insurance agents to understand process and all their options.
- Don't assume - remember your license and training



## Realtors® Bring Value to Your Clients and Sphere

- Share our 10 yr journey and how you (Realtors) have advocated through NAR and RPAC to achieve this for your neighbors and the communities you serve - OWN IT!
- Get the Facts about Flood Insurance and be proactive and bring information and value updating clients and sphere - handout the NAR FEMA Flyer
- You can help connect them with insurance agents who specializes in flood insurance so they can get all their options
- Be a resource and advocate to help them escalate any issues to FEMA or NAR if they arise



# Equity in Action – Learn More

Explore more about Risk Rating 2.0 – Equity in Action by visiting [www.fema.gov/nfiptransformation](http://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](#)

# Additional NAR Resources for You

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NAR Member Information Packet <https://www.nar.realtor/national-flood-insurance-program/fema-risk-rating-2-0-equity-in-action>

FEMA-NAR Flyer for Homeowners <https://www.nar.realtor/national-flood-insurance-program/major-improvements-coming-to-the-national-flood-insurance-program>

NAR Frequently Asked Questions (FAQs) <https://www.nar.realtor/national-flood-insurance-program/faq-fema-risk-rating-2-0-townhall>

NAR Member Legal Guidance <https://www.nar.realtor/flood-insurance#section-166024>

NAR-FEMA Toolkit: Disaster Preparedness <https://www.nar.realtor/national-flood-insurance-program/fema-nar-toolkit-flood-preparedness-resources>

Video: NAR-FEMA Townhall <https://www.nar.realtor/videos/nar-town-hall-featuring-fema-senior-executive-david-maurstad>

Video: Flood Insurance & Disclosures: What You Need to Know Now <https://www.nar.realtor/window-to-the-law/flood-insurance-and-disclosures>

# Additional Contacts for You

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Austin Perez  
Senior Policy Representative – Insurance  
National Association of REALTOR  
APerez@nar.realtor

Or you can email FEMA directly at [FEMA-NFIP-INSURANCETRANSFORMATION@fema.dhs.gov](mailto:FEMA-NFIP-INSURANCETRANSFORMATION@fema.dhs.gov)

# THANK YOU.

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