

Reduce Disaster Suffering

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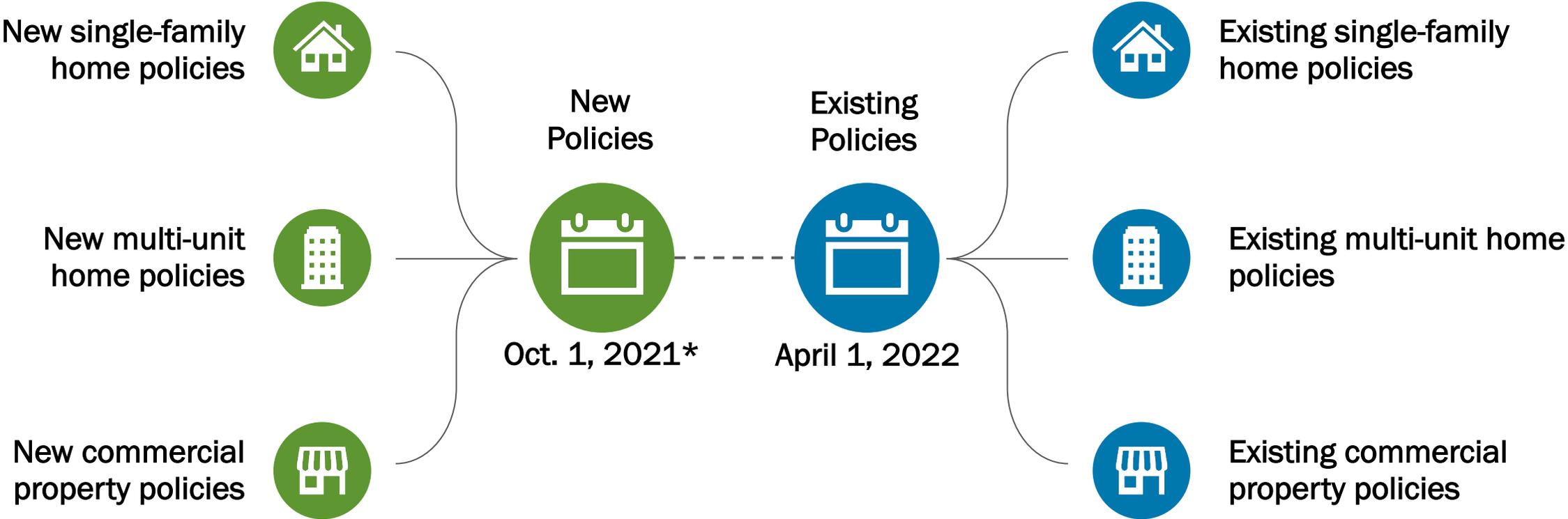
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Equity in Action – Phased Approach



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



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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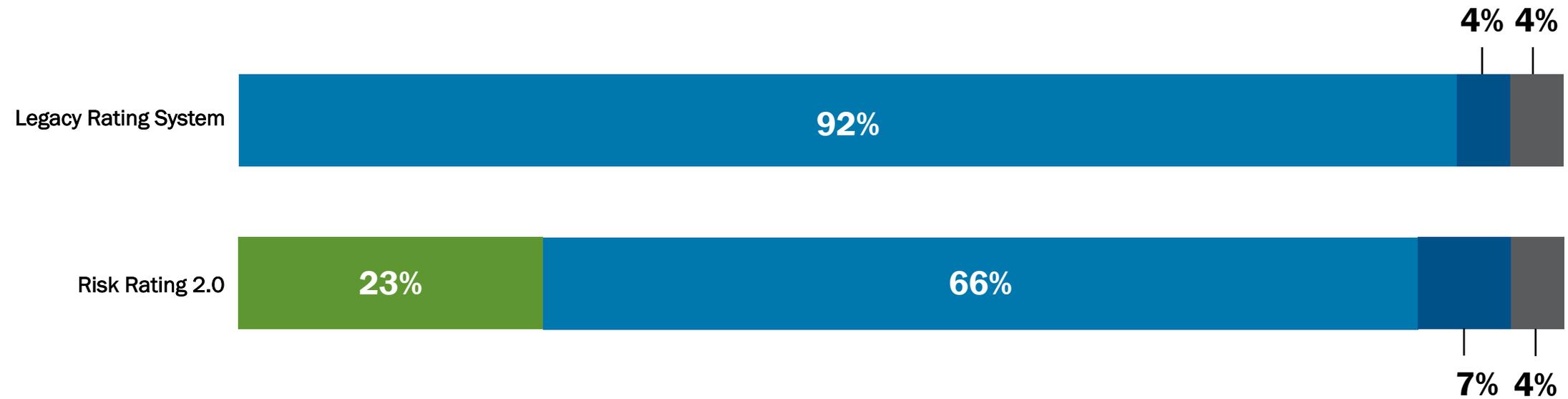
What is Not Changing

- 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



Old Rating System vs. Risk Rating 2.0

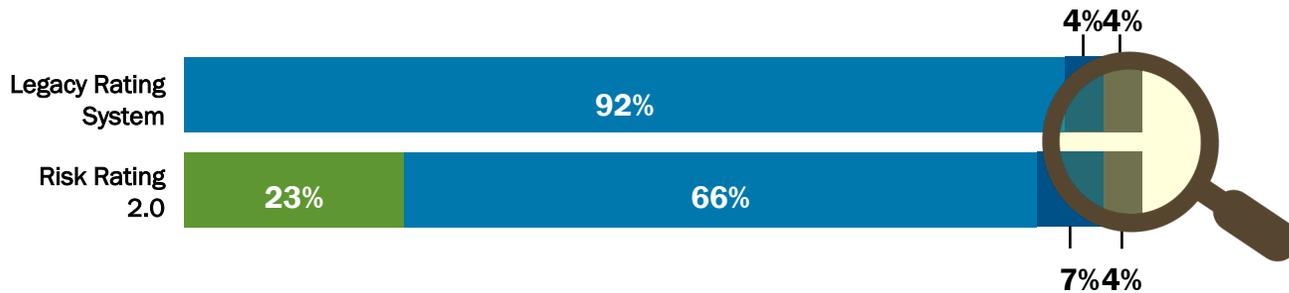
The graphs compare rate analysis under the legacy rating system to the Risk Rating 2.0 rating system.



■ Decrease ■ \$0 to \$10 ■ \$10 to \$20 ■ Over \$20

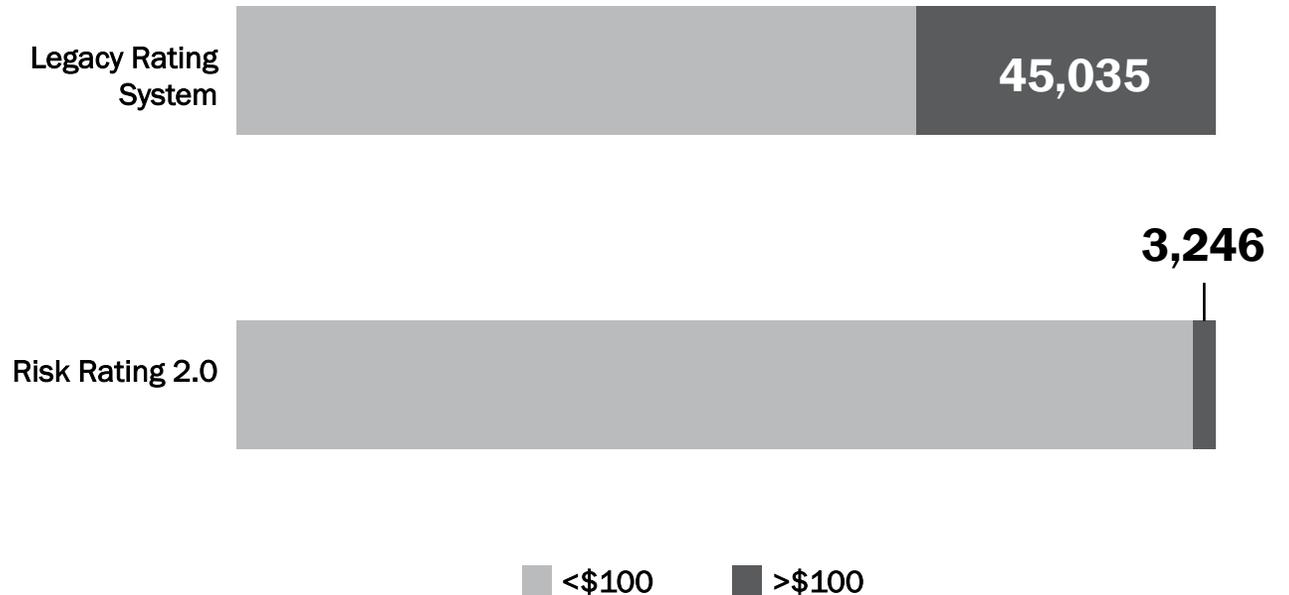


Old Rating System vs. Risk Rating 2.0 – Policies Increasing >\$100/Month



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**.



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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.



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

Additional Information: Levee Methodology Document

The “Levees in Risk Rating 2.0 (February 2022)” document contains a detailed description of levee data used for Risk Rating 2.0.

This document is located on the Risk Rating 2.0 page of FEMA.gov:

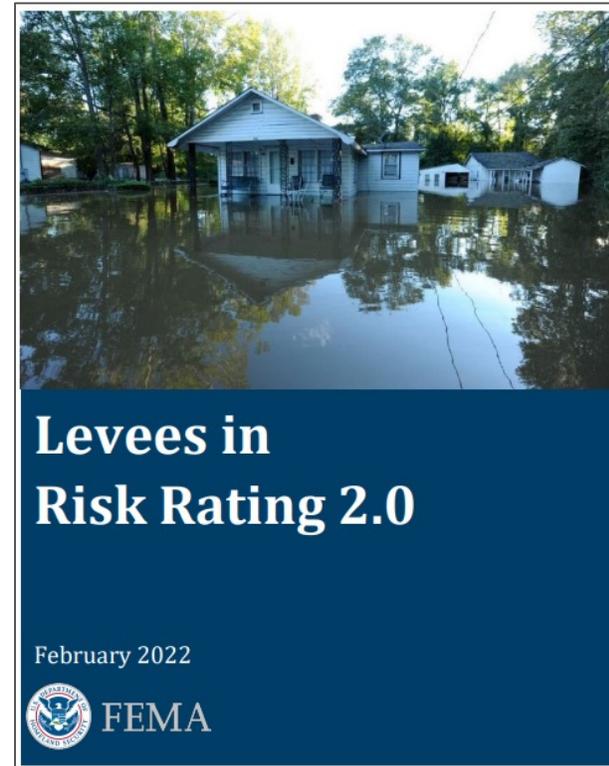
<https://www.fema.gov/flood-insurance/risk-rating>

Technical Documents

- [Risk Rating 2.0 Methodology and Data Sources](#)
- [Risk Rating 2.0 Methodology and Data Sources - Premium Calculation Worksheet Examples](#)
- [Risk Rating 2.0 Methodology and Data Sources - Appendix D Rating Factors](#)
- [Levees in Risk Rating 2.0](#)



Have questions? Please [send us an email](#).



Levees in Risk Rating 2.0

Table 2: Risk Rating 2.0 data sources for key levee data

DATA SOURCES FOR KEY LEVEE DATA USED IN RISK RATING 2.0

KEY LEVEE DATA FIELDS	DATA SOURCE/METHODS	% OF LEVEE SYSTEMS	% OF BUILDINGS BEHIND LEVEE SYSTEMS
LEVEE ALIGNMENT/CENTERLINE	NATIONAL LEVEE DATABASE*	100%	100%
LEVEE CREST PROFILE	<ul style="list-style-type: none"> NATIONAL LEVEE DATABASE DEVELOPED WITH HIGH-QUALITY DEM NO PROFILE AVAILABLE (> 50 BUILDINGS OR HIGH-QUALITY DEM NOT AVAILABLE) 	22%	78%
LEVEED AREA	NATIONAL LEVEE DATABASE*	100%	100%
LEVEE OVERTOPPING FREQUENCY	<ul style="list-style-type: none"> LEVEE SCREENING TOOL NATIONAL LEVEE DATABASE FATHOM FLOOD DATA ASSUME 1% ANNUAL CHANCE FLOOD FROM ACCREDITED LEVEES WHEN HIGHER QUALITY DATA NOT AVAILABLE ASSUME 2% ANNUAL CHANCE FLOOD FOR BUILDINGS OR INSUFFICIENT INFORMATION AVAILABLE 	19%	60%
LEVEE PERFORMANCE	<ul style="list-style-type: none"> LEVEE-SPECIFIC SYSTEM RESPONSE CURVE FROM SCREENING AVERAGE LEVEE PERFORMANCE BASED ON USAGE INCIDENT DATA 	19%	60%

*Some levee alignment and leveed areas were refined and incorporated back into the NLD as part of Risk Rating 2.0.

3.5. Levee Centerline and Crest Profile

The levee centerline and crest profile are required to derive additional key levee data. The levee centerline is needed to develop the crest profile, and the levee crest is needed to assess the likelihood of levee overtopping and to derive a leveed area.

The NLD contains geospatial levee data, including the levee centerline and crest profiles. All levee entries in the NLD have a levee centerline that locates the levee geographically, but not all levees in the NLD currently have a crest profile associated with the centerline. This can hinder users' ability to assess the likelihood of levee overtopping. The NLD centerline and profile data may be derived from survey information (as is the case for most screened levees) or terrain-based methods. Risk Rating 2.0 used terrain-based methods when centerline and profile data were not available from the NLD.



Equity in Action – Resource Investments

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



Federal Emergency Management Agency

Support Remains Strong from DHS, White House & FEMA



“...A bold new update...we are putting **equity at the forefront of our work at DHS** and making reforms to help our nation confront the pressing challenges caused by climate change... These updates will improve individual and community resilience, reduce disaster related suffering, and ensure fairness.”



DHS Secretary Alejandro Mayorkas

Equity in Action - Endorsements



“Based on FEMA's nationwide analysis, Risk Rating 2.0 will help ensure NFIP policyholders pay a **rate proportionate to their property risk**. The new initiative will also help FEMA identify and target mitigation grant dollars to the highest risk properties.”

NAR includes 1.4 million brokers, salespeople, property managers, appraisers, counselors, and others engaged in all aspects of the real estate industry.



“Pew fully supports FEMA’s updated approach and concludes that **Risk Rating 2.0 will better align rates with risk, create a fairer program, increase transparency and understandability, and encourage additional mitigation from policyholders and communities.**”



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Equity in Action – In the Press



Opinion: *Stopping price reform won't eliminate flood risk* * 4/2/2021

“Better preparing the NFIP for the realities of climate change is an important policy task in the coming years.”

Risk Rating 2.0 is the first critical step.”

*This article was written by Carolyn Kousky, executive director at the Wharton Risk Management and Decision Processes Center at the University of Pennsylvania



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Equity in Action – In the Press

WSJ | OPINION

Op-ed: *A Step Toward Flood Insurance Fairness* * 6/25/2021

“Better pricing will help taxpayers ... More reform is needed ... But letting FEMA's changes move forward would be a small step toward fairness and solvency.”

*This article was written by WSJ's editorial board.



Photo Credit: Mario Tama/Getty Images



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Equity in Action – Industry Support

“We oppose efforts to delay this important initiative.”

Risk Rating 2.0...

- 1.2 million policyholders eligible for insurance premium decrease
- 90% will see a decrease or increase or less than \$10 a month
- More accurate and equitable way to determine a property’s unique flood risk
- Provide property owners information on their full risk rate

- American Rivers
- Association of State Floodplain Managers
- Enterprise Community Partners, Inc.
- League of Conservation Voters
- National Association of Mutual Insurance Companies
- National Institute of Building Sciences
- Natural Resources Defense Council
- National Wildlife Federation
- National Taxpayers Union
- R Street Institute
- Reinsurance Association of America
- SmarterSafer
- Smart Home America
- Taxpayers for Common Sense
- The American Consumer Institute
- The Pew Charitable Trusts



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Affordability

- The 2018 Affordability Framework is guiding policy conversations
- The President's FY22 Budget includes a legislative proposal to provide affordability assistance
- A targeted assistance program would support low to moderate income policyholders
- We will continue to engage with Congress to reduce barriers to purchasing flood insurance



Equity in Action – Learn More

Explore more about Risk Rating 2.0 – Equity in Action by visiting 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](#)
- [Levees in Risk Rating 2.0](#)



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Risk Rating 2.0: Equity in Action