

Affordable Flood Insurance Affordable?????? MICO MEETING 6/29/22

Endorsed by our government officials, Risk Rating 2.0 is a plan created by the National Flood Insurance Program to put money back into the FEMA program.

NFIP claims the purpose is to improve flood insurance rate setting via better technology, greater detail, and a more holistic assessment of flood risk, but policy holders who are accustomed to having annual premiums ranging from \$500 to \$600 may see new rates moving to \$2,000 to \$4,000 or higher.

Risk Rating 2.0 premiums can rise 18% annually to achieve “full risk rate.” Various factors determine “credits” and “charges” that determine the cost.

Recommendations:

Affordability- there should be a maximum amount annually with caps.

Mitigation- additional funding should be provided for individual or community mitigation measures.

Transparency- FEMA should provide full information, rate calculation, and methodology to American people to be able to make decisions.

Our residents should contact Ileana Ledet, Senior Vice President of Policy, Greater @gnoinc work – 504 527 6951

Michael Hecht is President and CEO of GNO, Inc. This organization keeps us abreast of what is happening in Washington D.C. concerning the flood program. Some of the information provided above came from Michael Hect.

Renewing Flood Insurance Policies Under Risk Rating 2.0: Equity in Action

What agents need to know about renewing policies in the National Flood Insurance Program (NFIP):

- Beginning April 1, 2022, all policies will be priced under Risk Rating 2.0: Equity in Action at their next renewal. From Oct. 1, 2021 through March 31, 2022, existing policies are able to renew under the Risk Rating 2.0: Equity in Action methodology.
- Some premiums will go down, some will go up, and some will stay about the same. Premiums that go up will transition gradually, with most annual increases capped at 18%.
- Former Preferred Risk Policies (PRPs) and policies on Newly Mapped properties now have more flexibility to adjust coverage and premium amounts.

Rating Variables Required for Renewals

NFIP insurers renewing policies under Risk Rating 2.0: Equity in Action may contact agents for additional rating information required to quote a renewal premium. It is important to respond to NFIP insurer's requests for information to ensure the most accurate premium. If an insurer is unable to collect the information, and a required value is unavailable, the insurer may issue the renewal using Provisional Rates (see [Flood Insurance Manual \(FIM\)](#) Section 3. IV). The table below highlights the rating variables that are required to renew a policy.*

Rating Variables	Flood Insurance Manual (FIM)	Notes
Building Occupancy	Section 3. II. C. 1. a.	The building occupancies have been expanded and updated.
Foundation Types	Section 3. II. C. 3.	Each new foundation type corresponds with an Elevation Certificate (EC) diagram number.
	Section 3. II. C. 4.	ECs are no longer required to rate a policy since FEMA can source a ground elevation and FFH value.
First Floor Height (FFH)	Using Section C of the EC. Section 3. II. C. 4. c. Table 15.	A policyholder has the option to provide an EC for elevation data, for a potentially more favorable premium.
	Using Section E of the EC. Section 3. II. C. 4. c. Table 16.	The building's FFH is the height of the first lowest floor above the adjacent grade, measured in feet.
Construction Type	Section 3. II. C. 2.	Updated FIM Guidance: Use Masonry as the construction type when the first full floor above ground level is constructed with masonry materials, such as brick (not brick veneer) or concrete block walls for the full floor.
		Note: If the bottom floor is masonry (such as a basement, walkout level, or crawlspace), and the next higher floor has frame construction, use Frame as the construction type.
Square Footage	Section 3. II. C. 7. a. and Table 19.	FEMA uses square footage to inform the Building Replacement Cost Value.
Number of Floors in Building	Section 3. II. C. 9. d.	Exclude enclosures, crawlspaces (on grade or subgrade), basements, and attics used only for storage.

*For further details about the information included in this table, please refer to the [NFIP Flood Insurance Manual \(FIM\), Risk Rating 2.0 Edition Oct. 2021](#).



STATUTORY DISCOUNTS

Components of the Total Amount Due	Flood Insurance Manual (FIM)	Component Description
Annual Increase Cap (Discount)	Section 4. I. C. 2.b.	A legislated annual increase cap, also known as a glidepath, that refers to the statutory provisions whereby a premium may not increase year over year by more than 18-25% of what a policyholder is paying. This discount applies only to policies that were in effect prior to the implementation of Risk Rating 2.0: Equity in Action.
Pre-FIRM Discount	Section 3. II. E. 2.	A discount for a building (primary residence only) with a start of construction or substantial improvement on or before Dec. 31, 1974, or before the effective date of the initial Flood Insurance Rate Map (FIRM) for the community. Policies receiving the Annual Increase Cap Discount will not receive this discount.
Newly Mapped Discount	Section 3. II. D. 2.	A discount for a building that was once designated outside of the Special Flood Hazard Area (SFHA) on an effective FIRM and, following a map revision, is designated within a SFHA (limited timeframe). Policies receiving the Annual Increase Cap Discount will not receive this discount.
Other Statutory Discount	Section 3. II. E. 3.	A discount for a building located in Zone A99, Zone AR, or in a community in the Emergency Program. Policies receiving the Annual Increase Cap Discount will not receive this discount.
DISCOUNTED PREMIUM		The full risk premium minus any statutory discounts.***
Reserve Fund Assessment	Section 3. II. F. 1.	The Reserve Fund Assessment is 18% of the Discounted Premium.
Homeowner Flood Insurance Affordability Act of 2014 (HFIAA)	Section 3. II. F. 2.	\$25 for primary residence occupancies and \$250 for all other occupancies.
Federal Policy Fee	Section 3. II. F. 3.	\$47 for most policies. For Residential Condominium Buildings see FIM, Section 3, Table 33.
Probation Surcharge	Section 3. II. F. 4.	\$50 on each policy in a community placed on probation.
TOTAL AMOUNT DUE		The total amount of annual premium, including fees and surcharges.

Lapse in Coverage

A policy with an expiration date between Oct. 1, 2021, and March 31, 2022, renewing under the legacy pricing methodology, is subject to the lapse rules outlined in the legacy NFIP rating plan FIM. However, if a lapse of less than 90 days occurs, resulting in a new effective date of April 1, 2022, or later, then the policy must be written as a new business policy under Risk Rating 2.0: Equity in Action. Additionally, if premium payment for a policy is received 90 days or more after expiration, then the policy must be written as a new business policy under Risk Rating 2.0: Equity in Action.

A policy with an expiration date on or after April 1, 2022, is subject to the lapse rules outlined in the NFIP Flood Insurance Manual, Risk Rating 2.0 Edition Oct. 2021, Section 5: How to Renew. If premium payment for a policy is received on or after 30 days following the policy expiration date, then the policy cannot be renewed, and a new application process is required to reinstate coverage. The lapse in coverage may affect policy rating; in particular, continued eligibility for statutory discounts.

****Policies may be subject to minimum or maximum rates by peril and coverage that may affect how discounts, surcharges, and deductible changes impact the premium. In some rare cases, there may be no change in premium when there is a change in a rating variable or deductible. See FIM Section 3.II.G.*

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Rating Variables	Flood Insurance Manual (FIM)	Notes
Floor of Unit	Section 3. II. C. 9. e.	Indicate the floor where the unit to be insured is located.
Total Number of Units in the Building	Section 3. II. C. 9. f.	Indicate the number of units in the building.
Building Replacement Cost Value (including cost of foundation)	Section 3. II. C. 7. b.	<p>Updated FIM Guidance</p> <p>Building Replacement Cost Value is collected from the agent or NFIP insurer for occupancy type - Other Residential Building, Residential Condominium Building, Non-Residential Building, Non-Residential Manufactured/Mobile Building, Non-Residential Unit:</p> <p>The Building Replacement Cost Value may be obtained by using common industry practices. The insurer must maintain the method or documentation used to determine the Building Replacement Cost Value in the policy underwriting file.</p> <p>Note: Generally, FEMA determines the Building Replacement Cost Value using NFIP Application data and insurance industry data connected with the property address for occupancies not listed above.</p>
Building is Eligible for the Machinery & Equipment (M&E) Mitigation	Section 3. II. C. 5. a.	This discount is for the reduced risk exposure associated with elevated M&E.
Enclosure/Crawlspace Constructed with Proper Openings or Engineered Openings	Section 3. II. C. 5. b.	There is a discount for buildings, in any flood zone, with proper flood openings in enclosure or crawlspace.
Building & Contents Coverage	Section 3. II. D. 1.	Coverage amounts are now per \$1,000 instead of per \$100.
Deductibles	Section 3. II. D. 3. and Tables 24-26.	Deductible options changed.

Understanding the Premium

FEMA calculates a full-risk premium for every single policy. Any applicable discounts or subsidies are then applied to that full-risk premium.

The table below provides a list of components that comprise the policy’s total amount due.**

Components of the Total Amount Due	Flood Insurance Manual (FIM)	Component Description
Building Premium	Section 3. II. D.	Amount charged for building coverage.
Contents Premium	Section 3. II. D.	Amount charged for contents coverage.
Increased Cost of Compliance	Section 3. II. D. 2.	1.9% of the policy’s building and contents coverage premiums (inclusive of any mitigation discounts or CRS discount).
Mitigation Discounts	Section 3. II. C. 5.	Discounts for elevating Machinery & Equipment or installing proper openings.
Community Rating System (CRS) Discount	Section 3. II. B. 3.	The CRS discount applies uniformly to all eligible buildings across the community, regardless of flood zone.
FULL-RISK PREMIUM		<p>Total of the above amounts.</p> <p>Note: A loss and expense constant is applied to the full risk premium prior to the discounts being calculated.</p>

**For further details about the information included in this table, please refer to the *NFIP Flood Insurance Manual (FIM), Risk Rating 2.0 Edition Oct. 2021*.

Floor of Interest: Floor of Unit

For a residential or non-residential unit inside a multi-floor building, the floor where the unit is located may impact the premium. Units above the first floor receive a higher discount as shown in the table below.

The Floor Where the Unit Is Located	Residential/Non-Residential Unit Building Occupancy
1	0.0%
2	-71.8%
3	-88.4%
4+	-88.9%

Statutory Discounts

FEMA provides statutory discounts on the first \$35,000 of coverage for buildings and \$10,000 of contents coverage for pre-Flood Insurance Rate Map (FIRM) primary residences and newly mapped properties, as well as those in the Emergency Program or located in the AR or A99 flood zone.

The table below shows the discount percentage that applies to the policy's first term of eligibility for the statutory discount. For subsequent renewal terms, the statutory annual increase cap applies.

Statutory Discount	Discount Percentage
Newly Mapped	70%
Pre-FIRM Discount	60%
Emergency Program	60%
AR Zone	60%

CRS Discount

Under Risk Rating 2.0: Equity in Action, Community Rating System (CRS) discounts ranging from 5% to 45% are applied uniformly. The community's CRS discount applies to all CRS eligible NFIP policies in the community regardless of flood zone.

Note: A loss and expense constant is applied to the full risk premium separate from any of the discounts mentioned above. As a result, the difference in full risk premium between any two quotes will not exactly match the percentages listed. Additionally, certain discounts may not apply to the coastal erosion portion of the premium, if applicable. Policies may also be subject to minimum or maximum rates by peril and coverage, which may impact how discounts are applied and the specific amount of premium savings.



Flood Openings

Policyholders may receive a mitigation discount if the building’s enclosure or crawlspace is constructed with proper flood openings or engineered openings with documentation. Flood openings can lower a building’s flood risk as they allow floodwaters to flow through a building’s enclosure or crawlspace. The following chart shows the discount percentages based on eligible foundation types and FFH. For example, a building Elevated with Enclosure Not on Posts, Piles, or Piers with a FFH measurement of 9 feet above the adjacent grade corresponds to a 11.8% mitigation discount, compared to the same building without proper flood openings, which would receive no flood openings discount. Between whole numbers, the discount for Flood Openings is continuously provided (interpolated). For example, a building with a crawlspace foundation and a FFH of 4.25 feet will receive a discount of -2.225%, which is a quarter of the way between the discount for 4 feet and 5 feet.

First Floor Height* (In Feet)	Crawlspace (Including Subgrade Crawlspace)	Elevated with Enclosure Not on Posts, Piles, or Piers	Elevated with Enclosure on Posts, Piles, or Piers
1	-0.5%	-0.5%	-0.5%
2	-1.1%	-1.1%	-1.1%
3	-1.7%	-1.7%	-1.7%
4	-2.1%	-2.1%	-2.2%
5	-2.6%	-2.6%	-2.7%
6	-5.2%	-5.2%	-3.2%
7	-7.4%	-7.4%	-3.7%
8	-9.6%	-9.6%	-4.3%
9	-11.8%	-11.8%	-4.7%
10 - 14	-13.8% to -20.6%	-13.8% to -20.6%	-5.1% to -7.1%
15 - 25	-22.1% to -27.1%	-22.1% to -27.1%	-7.8% to -9.0%

*Although the chart shows FFHs up to 25 feet, we assume it is rare that the FFH will reach those measurements for most buildings.

Machinery & Equipment

Policyholders may receive a **5% mitigation** discount if certain covered Machinery and Equipment (M&E) and appliances servicing the building, whether inside or outside the building, are elevated to at least the elevation of the floor above the building’s first floor.

Floor of Interest: Number of Floors in Building

The building’s number of floors above the ground (excluding enclosures, on grade or subgrade crawlspaces, basements, and attics used only for storage) may result in reduced insurance rates. For example, a building with three floors may receive a greater discount for this rating variable than if that same building had only one floor. The table below shows discounts based on the number of floors in the building and occupancy type. This rating variable does not apply to residential or non-residential units.

Number of Floors in Building	Single Family Home Building Occupancy	All Other Building Occupancies (Excluding Residential Unit and Non-Residential Unit)
1	0.0%	0.0%
2	-10.0%	-10.0%
3	-30.0%	-30.0%
4	-	-37.3%
5	-	-42.3%
6	-	-45.9%
7	-	-48.8%
8-100	-	-51% to -69%

Discount Explanation Guide

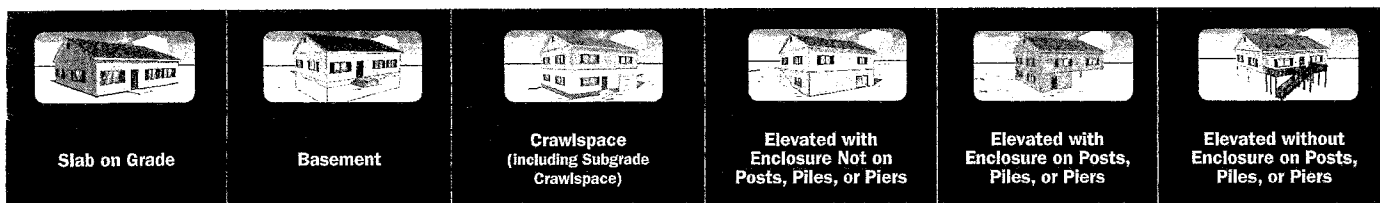
Risk Rating 2.0: Equity in Action is FEMA's individualized approach to risk assessment, built on years of investment in flood hazard information.

By using current data, flood models, and technology, FEMA considers many risk factors for individual properties, including frequency of flooding, multiple flood types, distance to a flooding source, and property characteristics such as elevation and the cost to rebuild.

Mitigation efforts, community programs, and other discounts can help reduce flood damage and, potentially, the cost of flood insurance. This guide provides discount information on certain rating variables that are generally applied to the building and contents premium.

Foundation Type

Below are the six Foundation Types, which provide important insight as to where the flood risk is likely to begin. Buildings Elevated with Enclosure Not on Posts, Piles, or Piers will have a higher premium than buildings Elevated without Enclosure on Posts, Piles, Piers, if all rating variables are the same.



First Floor Height

The First Floor Height (FFH), or the height of the building's first lowest floor above the adjacent grade, is another rating variable critical to understanding the flood risk. Generally, buildings that are higher off the ground have lower risk. The following chart shows the discount percentage based on the foundation type and FFH, which is included in the amount charged for building and contents coverage. For example, a building with a crawspace foundation and FFH of 3 feet above adjacent grade corresponds to a 22.1% discount compared to the same building having a FFH of 0. Between whole numbers, the discount for FFH is continuously provided (interpolated). For example, a building with a slab-on-grade foundation and FFH of 1.25 feet will receive a discount of -9.85%, which is a quarter of the way between the discount for 1 foot and 2 feet.

First Floor Height* (In Feet)	Slab on Grade	Basement	Crawspace (including Subgrade Crawspace)	Elevated with Enclosure Not on Posts, Piles, or Piers	Elevated with Enclosure on Posts, Piles, or Piers	Elevated without Enclosure on Posts, Piles, or Piers
0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1	-8.0%	-8.0%	-8.0%	-8.0%	-9.0%	-10.0%
2	-15.4%	-15.4%	-15.4%	-15.4%	-17.2%	-19.0%
3	-22.1%	-22.1%	-22.1%	-22.1%	-24.6%	-27.1%
4	-28.4%	-28.4%	-28.4%	-28.4%	-31.4%	-34.4%
5	-34.1%	-34.1%	-34.1%	-34.1%	-37.6%	-41.0%
6	-36.7%	-36.7%	-36.7%	-36.7%	-43.2%	-46.9%
7	-39.3%	-39.3%	-39.3%	-39.3%	-48.3%	-52.2%
8	-41.7%	-41.7%	-41.7%	-41.7%	-53.0%	-57.0%
9	-44.0%	-44.0%	-44.0%	-44.0%	-57.2%	-61.3%
10 - 14	-46.3% to -54.4%	-46.3% to -54.4%	-46.3% to -54.4%	-46.3% to -54.4%	-61.1% to -73.3%	-65.1% to -77.1%
15 - 25	-56.2% to -70.9%	-56.2% to -70.9%	-56.2% to -70.9%	-56.2% to -70.9%	-75.7% to -86.6%	-79.4% to -88.9%

*Although the chart shows FFHs up to 25 feet, we recognize it's rare that the FFH will reach those measurements for most foundation types.



FEMA

Rate Explanation Guide

FEMA's new rating methodology, **Risk Rating 2.0: Equity in Action**, considers specific characteristics of a building – the **Where, How, and What** – to provide a more modern, individualized, and equitable flood insurance rate. Understanding these characteristics helps to identify the building's unique flood risk and associated premium.

WHERE It Is Built (Property Address)

FEMA uses the building's property address to determine flood risk for the property. The property address is used to determine:

- **A building's distance to flooding sources**, including the distance to the coast, ocean, rivers, and Great Lakes.
- **The ground elevation** where the building is located relative to the elevation of the surrounding area and the elevation of nearby flooding sources.
- **Other characteristics** such as the community where the building is located and how that relates to the Community Rating System discount or whether the building is on a barrier island.



HOW It Is Built (Building Characteristics)

Knowing the physical characteristics of a building provides a deeper understanding of the building's individual flood risk and how it may impact premium. Relevant variables include:

Building Occupancy

The type (and use) of the building being insured sets available coverage limits and determines what is covered as indicated in the policy form.

Foundation Type

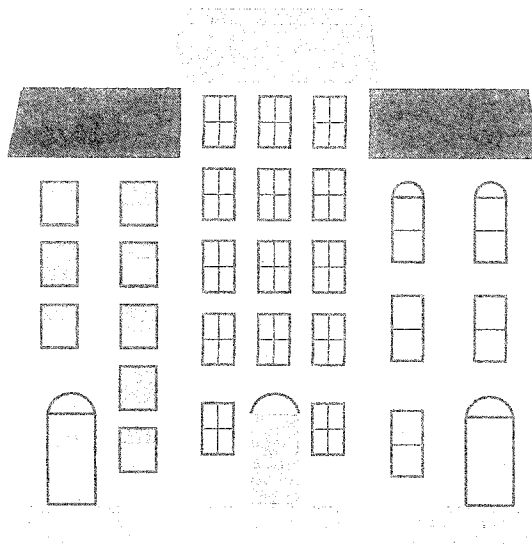
The foundation type provides important insight as to where the flood risk is likely to begin. For instance, risk varies based on whether a building's foundation is underground, at ground, or above ground.

First Floor Height

Buildings whose first floor is higher off the ground have lower flood risk.

Number of Floors

Buildings with more floors spread their risk over a higher area.



Unit Location

Individual units on higher floors have lower flood risk than units on lower floors.

Construction Type

Masonry walls perform better in different flooding events than wood frame walls.

Flood Openings

Flood openings can lower a building's flood risk as they allow floodwaters to flow through a building's enclosure or crawlspace.

Machinery & Equipment

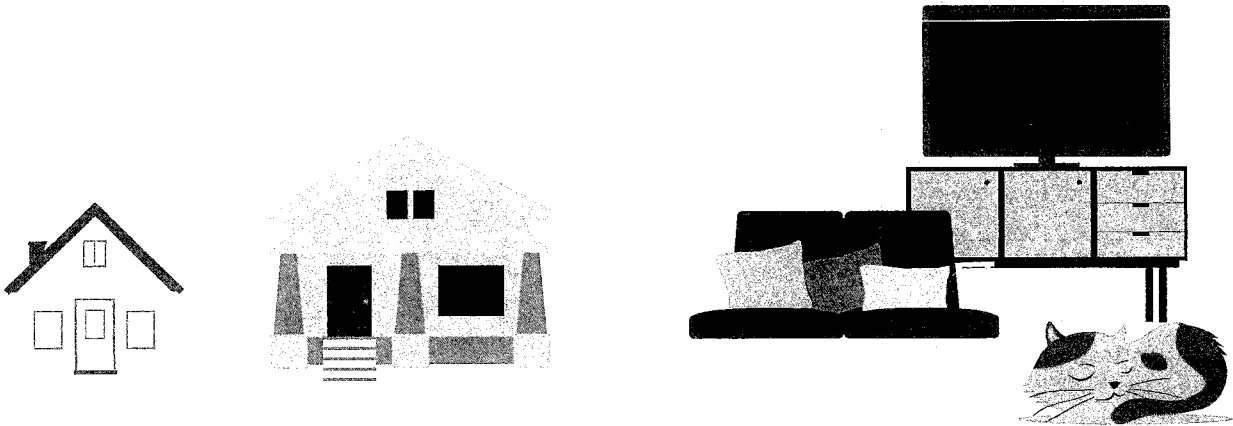
Elevating above the first floor lowers the risk of damage to machinery & equipment covered in the policy.



FEMA

WHAT Is Built and Covered (Replacement Cost and Coverage)

The building's replacement cost value, the amount of coverage requested, and the deductible choices influence the insurance premium.

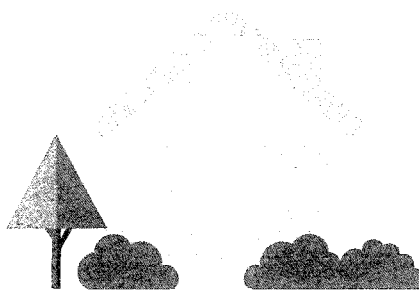


Building Replacement Cost Value*

Buildings with higher costs to repair generally result in higher losses, resulting in higher premiums.

Building and Contents Coverage

Policies with higher coverage limits have higher potential loss costs, which lead to higher premiums. Building coverage and contents coverage amounts are selected separately.



Building and Contents Deductible

Policyholders who choose higher deductibles are assuming more of the risk during a flood event, which can result in a lower overall premium. Choosing a higher deductible means policyholders will need to cover more of the cost to rebuild out of pocket.

* Building Replacement Cost Value used for rating does not affect the replacement cost value determined at time of loss.